Grupo Empresarial San José, S.A. (formerly UDRA, S.A.) and Subsidiaries

Auditors' Report

Consolidated Financial Statements
for the year ended 31 December 2009
prepared in accordance with International
Financial Reporting Standards, together with
Consolidated Directors' Report for 2009

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain. In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Grupo Empresarial San José, S.A. (formerly Udra, S.A.):

1. We have audited the consolidated financial statements of GRUPO EMPRESARIAL SAN JOSÉ, S.A. (formerly UDRA, S.A.) and SUBSIDIARIES ("the Group") comprising the consolidated balance sheet at 31 December 2009 and the related consolidated income statement, consolidated statement of changes in equity, consolidated statement of recognised income and expense, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the directors of GRUPO EMPRESARIAL SAN JOSÉ, S.A. ("the Parent"). Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made. Our work did not include an examination of the financial statements for 2009 of certain subsidiaries and associates whose aggregate assets, revenue and net profit or loss, in absolute terms, represent 5%, 13% and 7%, respectively, of the related consolidated totals. The financial statements of these companies were audited by other auditors (see Appendixes I, II and III to the notes to the consolidated financial statements). Our opinion as expressed in this report on the Group's consolidated financial statements is based, with respect to these companies, on the reports of the other auditors.

2. As required by Spanish corporate and commercial law, for comparison purposes the Parent's directors present, in addition to the consolidated figures for 2009 for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, the figures for 2008. Our opinion refers only to the consolidated financial statements for 2009. On 30 April 2009, we issued our auditors' report on the 2008 consolidated financial statements, in which we expressed an unqualified opinion.

3. In 2009 the SAN JOSÉ Group performed a number of transactions, the purpose of which was to provide it with greater financial strength, simplify its corporate structure and improve its access to the capital markets. In this respect, as indicated in Note 16, on 21 April 2009 the Group completed a process to renegotiate all its bank borrowings in order to adjust its financial obligations to the global economic and financial situation and to the situation of the construction and real estate industries, adapting them to the cash situation envisaged in the Group's Business Plan for 2009-2013, under a framework of stability. In addition, as indicated in Note 1 to the accompanying consolidated financial statements, on 17 July 2009 the merger by absorption of certain investees into Grupo Empresarial San José, S.A. (formerly Udra, S.A.) was registered, and on 20 July 2009 the Parent was admitted to listing on the Spanish stock market, with its shares traded on the Spanish Stock Market Interconnection System.

4. In our opinion, based on our audit and on the reports of the other auditors mentioned in paragraph 1 above, the accompanying consolidated financial statements for 2009 present fairly, in all material respects, the consolidated equity and consolidated financial position of GRUPO EMPRESARIAL SAN JOSÉ, S.A. and SUBSIDIARIES at 31 December 2009 and the consolidated results of their operations, the changes in the consolidated equity and their consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards as adopted by the European Union applied on a basis consistent with that of the preceding year.

Deloitte S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Member of Deloitte Touche Tohmatsu

5. The accompanying consolidated directors' report for 2009 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2009. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of GRUPO EMPRESARIAL SAN JOSE, S.A. and SUBSIDIARIES.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Miguel Laserna Niño
26 February 2010

Grupo Empresarial San José, S.A. (formerly Udra, S.A.) and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2009, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs)

Translation of consolidated financial statements originally issed in Spanish and prepared in accordance with IFRSs as adopted by the European Union. In the event of discrepancy, the Spanish-language version prevails.

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

(Formerly known as Udra, S.A. and Subsidiaries)

Consolidated balance sheets at 31 December 2009 and 2008.

(Thousands of Euros)

ASSETS	31-12-09	31-12-08
NON-CURRENT ASSETS:		
Property, plant and equipment (Note 7)	103,405	108,088
Investment property (Note 8)	553,353	465,240
Goodwill on consolidation (Note 9)	15,465	15,436
Intangible assets (Note 10)	1,937	1,739
Investments in associates and joint ventures	76,001	59,898
Equity investments in associates (Note 11)	60,760	45,023
Loans to related companies (Note 13.4)	15,241	14,875
Other non-current financial assets (Note 13.4)	17,067	12,997
Derivative financial instruments (Note 17)	-	85
Deferred tax assets (Note 20)	82,230	50,747
TOTAL NON-CURRENT ASSETS	849,458	714,230
CURRENT ASSETS		
Inventories (Note 12)	1,329,289	1,451,887
Trade and other receivables (Note 13)	624,843	835,774
Trade receivables for sales and services	571,623	731,897
Related companies receivables	419	-
Sundry accounts receivable	16,012	19,745
Tax receivable	32,843	84,132
Other current assets	3,946	-
Derivative financial instruments (Note 17)	-	873
Other current financial assets (Note 13)	10,578	5,538
Cash and cash equivalents (Note 13)	178,920	143,791
TOTAL CURRENT ASSETS	2,143,630	2,437,863
TOTAL ASSETS	2,993,088	3,152,093

LIABILITIES	31-12-09	31-12-08
EQUITY: (Note 14)		
Share Capital	1,951	1,312
Share Premium	155,578	7,838
Reserves	306,421	230,185
Translation differences	(18,670)	(9,270)
Equity-Valuation adjustments	(21,639)	(21,760)
Profit (Loss) for the year attributable to the Parent	(43,569)	(46,360)
Equity attributable to shareholders of the Parent	380,072	161,945
Minority interests	33,271	273,286
TOTAL EQUITY	413,343	435,231
NON-CURRENT LIABILITIES		
Long-term provisions (Notes 15 and 22.10)	25,578	16,916
Non-current bank borrowings (Note 16)	1,390,006	841,072
Bank borrowings	1,366,749	812,716
Obligations under finance leases	5,871	6,666
Other financial liabilities	17,386	21,690
Derivative financial instruments (Note 17)	40,217	23,455
Deferred tax liabilities (Note 20)	90,858	106,899
Other non-current liabilities	-	-
NON-CURRENT LIABILITIES	1,546,659	988,342
CURRENT LIABILITIES		
Short-term provisions (Note 22.10)	25,390	37,538
Current bank borrowings (Note 16)	412,164	871,373
Bank borrowings	403,215	860,058
Obligations under finance leases	928	1,155
Other financial liabilities	8,021	10,160
Derivative financial instruments (Note 17)	-	39
Payable to related companies	14,397	17,357
Trade and other payables (Note 18)	581,135	802,213
Trade payables	512,312	710,059
Tax payables (Note 20)	51,568	67,493
Other current liabilities	17,255	24,661
TOTAL CURRENT LIABILITIES	1,033,086	1,728,520
TOTAL EQUITY AND LIABILITIES	2,993,088	3,152,093

The accompanying Notes 1 to 26 to the consolidated Annual Report and the Annex I, II and III are an integral part of the consolidated balance sheet at 31 December 2009.

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries
(Formerly known as Udra, S.A. and Subsidiaries)
Consolidated income statements for 2009 and 2008

(Thousands of Euros)

	Year 2009	Year 2008
CONTINUING OPERATIONS:		
Revenue (Note 22.1)	**1,083,599**	**1,349,705**
Sales	1,030,342	1,302,650
Services	53,257	47,055
Other operating income (Note 22.1)	**8,942**	**23,267**
Gains on disposal of investment property	-	**8,717**
Change in inventories of finished goods and work in progress	**(86,076)**	**53,038**
Procurements (Note 22.2)	**(691,346)**	**(1,051,206)**
Cost of raw materials and other consumables used	(232,201)	(348,256)
Work performed by other companies	(451,420)	(649,249)
Impairment of goods held for resale, raw materials and other supplies	(7,725)	(53,701)
Staff costs (Note 22.3)	**(147,903)**	**(179,617)**
Wages, salaries and similar expenses	(116,776)	(139,304)
Employee benefit costs	(31,127)	(40,313)
Other operating expenses	**(145,711)**	**(191,852)**
Losses on, impairment of and changes in allowances for trade receivables	(15,673)	(16,371)
Other current operating expenses	(130,038)	(175,481)
Depreciation and amortisation charge (Notes 7, 8 and 10)	**(14,620)**	**(15,070)**
Excessive provisions (Note 22.10)	**17,490**	-
Impairment and gains or losses on disposals of intangible assets (Note 22.9)	**(11,565)**	**(6,157)**
PROFIT (LOSS) FROM OPERATIONS	**12,810**	**(9,175)**
Financial income (Note 22.7)	**8,636**	**17,638**
Financial costs (Note 22.8)	**(79,844)**	**(91,179)**
Changes in fair value of financial instruments (Note 4.11)	**(4,693)**	**(7,083)**
Exchange differences	**(2,164)**	**(3,404)**
Impairment and gains or losses on disposals of financial instruments (Note 2.4.d)	**(1,623)**	**(2)**
FINANCIAL LOSS	**(79,688)**	**(84,030)**
Result of companies accounted for using the equity method (Note 11)	**(1,701)**	**(6,387)**
PROFIT (LOSS) BEFORE TAX	**(68,579)**	**(99,592)**
Income tax (Note 20)	**24,267**	**30,962**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(44,312)**	**(68,630)**
PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTERESTS	**(743)**	**(22,269)**
PROFIT (LOSS) FOR THE YEAR	**(43,569)**	**(46,361)**
Earnings per share: (Euros/shares)		
- Basic	**(0.67)**	**(212.04)**
- Diluted	**(0.67)**	**(212.04)**

The accompanying Notes 1 to 26 to the Annual Report and the Annex I, II and III are an integral part of the income statements for 2009.

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

(Formerly known as Udra, S.A. and Subsidiaries)

CONSOLIDATED CASH FLOW STATEMENTS
FOR 2009 AND 2008
(Thousands of Euros)

	Year 2009	Year 2008
Cash flows from operating activities:		
(+) Profit/(Loss) before tax	(68,579)	(99,592)
(+) Depreciation and amortisation charge	14,620	15,070
(+/-) Changes in operating allowances	42,567	70,072
(-) Financial income	(8,636)	(17,612)
(+) Financial costs	79,844	98,153
(+/-) Exchange differences	2,164	3,404
(+/-) Result of changes in the value of financial instruments	4,693	7,083
(+/-) Result of companies accounted for using the equity method	1,701	(482)
(+/-) Other gains or losses	2,716	13,061
Total cash flows from operating activities	**71,090**	**89,954**
Other adjustments		
(-) Income tax paid in the year	-	9,595
(+/-) (Increase) / Decrease in working capital	(58,420)	(168,921)
(+/-) Other collections/(payments) due to operating activities	18,577	(4,393)
1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	**31,247**	**(73,765)**
Investments:		
(-) Property, plant and equipment and investment property	(22,560)	(4,054)
(-) Intangible assets	(1,273)	(3,623)
(-) Shares and other financial assets	(14,998)	(959)
Total investments	**(38,831)**	**(8,636)**
Dividends received	**152**	**130**
Disposals:		
(-) Property, plant and equipment and investment property	2,051	(5,131)
(-) Intangible assets	13	46,628
(-) Shares and other financial assets	6,783	(7,696)
Total Disposals	**8,847**	**33,800**
Other collections/(payments) due to operating activities:	**(4,166)**	**-**
2. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	**(33,998)**	**25,294**
Other collections / (payments) due to treasury share transactions	**22,424**	**(86,698)**
Dividends paid	**-**	**(5,466)**
Increase / (decrease) in borrowings	**105,307**	**282,479**
Net interest:		
Received	8,484	16,668
Paid	(90,292)	(81,790)
Total net interests	**(81,808)**	**(65,122)**
Other collections/(payments) due to financing activities	**(8,040)**	**(39,139)**
3. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES	**37,883**	**86,054**
TOTAL CASH FLOWS FOR THE YEAR	**35,129**	**37,583**

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**143,791**	**106,208**
Changes in the year	35,129	37,583
CASH AND CASH EQUIVALENTS AT END OF YEAR	**178,920**	**143,791**

The accompanying Notes 1 to 26 to the consolidated Annual Report and the Annex I, II and III are an integral part of the Consolidated Statement of Cash Flows for 2009.

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR 2009 AND 2008

A) STATEMENTS OF RECOGNISED INCOMES AND EXPENSES

(Thousands of Euros)

	Year 2009	Year 2008
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**(44,312)**	**(68,630)**
Income and expenses recognised directly in equity		
- Cash flow hedges	(20,156)	(28,029)
- Tax effect	6,047	-
	(14,109)	**(28,029)**
Transfers to profit or loss		
- Cash flow hedges	13,830	11,756
- Tax effect	(4,149)	(3,527)
	9,681	**8,229**
TOTAL RECOGNISED INCOME AND EXPENSE	**(48,740)**	**(88,431)**
a) Attributable to the Parent	**(47,997)**	**(56,909)**
b) Attributable to minority interests	**(743)**	**(31,522)**

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR 2009 AND 2008

B) STATEMENTS OF CHANGES IN EQUITY

(Thousands of Euros)

	Capital	Share premium	Legal reserve	Other reserves of the parent	Consolidated reserves		Translation differences	Adjustments to equity	Profit (loss) for the year	Total equity attributable to the parent	Minority interests	Total Equity
					In IG/IP companies	In associate companies						
Balance at 31.12.07	1,312	7,838	263	32,861	117,982	13,098	(8,257)	2,866	34,457	202,420	370,824	573,244
Distribution of the profit (loss) for 2007:												
- To reserves	-	-	-	959	25,385	2,647	-	-	(28,991)	-	-	-
- To dividends	-	-	-	-	-	-	-	-	(5,466)	(5,466)	(3,383)	(8,849)
Translation differences	-	-	-	-	-	-	(1,013)	-	-	(1,013)	(946)	(1,959)
Changes in the scope of consolidation	-	-	-	-	17,243	-	-	-	-	17,243	(56,336)	(39,093)
Adjustments to equity	-	-	-	-	-	-	-	(10,550)	-	(10,550)	(8,252)	(18,802)
Others	-	-	-	(2,271)	8,461	(519)	-	-	-	5,671	(5,351)	320
Profit (loss) for the year	-	-	-	-	-	-	-	-	(46,359)	(46,359)	(23,270)	(69,629)
Balance at 31.12.08	1,312	7,838	263	31,549	169,071	15,226	(9,270)	(7,684)	(46,359)	161,946	273,286	435,232
Distribution of the profit (loss) for 2008:												
- To reserves	-	-	-	5,071	(51,430)	-	-	-	46,359	-	-	-
Translation differences	-	-	-	-	-	-	(9,400)	-	-	(9,400)	(2,359)	(11,759)
Capital increase and merger (Note 1)	639	147,740	-	130,530	(47,033)	-	-	-	-	231,876	(214,617)	17,259
Adjustments to equity	-	-	-	-	-	-	-	8,553	-	8,553	(8,553)	-
Changes in the scope of consolidation (Note 1)	-	-	-	-	-	-	-	-	-	-	11,800	11,800
Transfers	-	-	-	-	20,688	-	-	(14,076)	-	6,612	-	6,612
Others (Note 1)	-	-	-	(1)	34,489	(2,001)	-	(4,004)	-	28,482	(25,543)	2,939
Total recognised income and expense	-	-	-	-	-	-	-	(4,428)	(43,569)	(47,997)	(743)	(48,740)
Balance at 31.12.09	1,951	155,578	263	167,149	125,785	13,225	(18,670)	(21,639)	(43,569)	380,072	33,271	413,343

The accompanying Notes 1 to 26 to the consolidated Annual Report and the Annex I, II and III are an integral part of the consolidated Statements of Changes in Equity for 2009.

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries (formerly known as Udra, S.A. and Subsidiaries)

Notes to the Consolidated Financial Statements for 2009

1. Group activity

Grupo Empresarial San José, S.A. (hereinafter "the Parent"), formerly Udra S.A., was incorporated on 18 August 1987 for an unlimited period of time by virtue of a public deed executed in Pontevedra in the presence of Pontevedra notary, Rafael Sanmartín Losada, under number 1539 of his protocol.

At the Ordinary and Extraordinary General Shareholders Meeting of the Company held on 17 June 2008, it was agreed to change the corporate name into that of "Grupo Empresarial San José S.A.", which was duly formalised by means of a public deed dated 17 July 2009.

The Parent is registered in the Mercantile Register of Pontevedra on sheet 88 of the Companies book 586, entry no. 1 on page no. 8119. Its employer identification number is A-36.046.993.

Its registered office is in Pontevedra, at calle Rosalía de Castro, 44.

Activities

The activities carried on by the Parent and its investees (Grupo San José) are classified into the following business units:

1. Development of all forms of real estate construction.

2. Performance of all manner of public or private construction work, mainly buildings, road networks and hydraulic works.

3. Purchase and sale, administration, operation and any other similar activities in relation to all manner of rural or urban property.

4. Lease of all manner of assets.

5. Design, construction and management of electricity and renewable energy facilities.

6. Storage, distribution, purchase and sale and import of manufactured products.

7. Management and recruitment of personnel for all types of company, association and organisation.

8. Study, design, development and purchase and sale of all manner of electronic, computer, telecommunications and audiovisual components, products and systems.

9. Full maintenance of hospital facilities, maintenance of operating theatres and electromedical equipment, and manufacture and sale of integrated systems for operating theatres, ICUs and patient rooms.

10. Study, design and installation of air conditioning, heating, industrial cooling and plumbing facilities; purchase and sale or manufacture of all kinds of related mechanisms; to sell and act as representative for third-party products.

11. Healthcare: construction of hospital facilities and public and private healthcare maintenance services; electromedicine and gas facilities and maintenance.

12. Installation work and services: integral installation work, electrical, mechanical and hydraulic installation work, turnkey projects and special installation work, as well as the maintenance of all manner of other facilities not related to the healthcare industry such as industrial facilities, other properties, etc.

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13. Infrastructure and transport: performance of infrastructure and transport studies, projects and installation work, including those relating to airports, ports, railways and other types of transport infrastructure.

14. Energy and environment: performance of studies and projects focused on the production and sale of energy and industrial maintenance, waste water treatment, installation of water treatment plants and other environmental activities.

The Group companies, whose business activities have to meet certain environmental requirements, have adopted the relevant environmental measures in order to comply with current legislation in this connection. Since the costs relating to these requirements are not considered to be material with respect to equity, financial position and results of these companies, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

Under no circumstances shall the company object be deemed to include activities the performance of which requires any type of administrative authorisation which the Company does not hold.

Also, the Parent may subscribe to, purchase or acquire by any other means shares and/or other equity interests in other public and private limited companies, even if their company object differs from that of Grupo Empresarial San José, S.A., and may form new public or private limited companies with other legal entities or individuals, whatever valid purpose or activity the newly formed companies may have.

Furthermore, Grupo Empresarial San José, S.A. is the Parent of the San José Group. Its main object is the management and control of all the business activities performed by the companies in which it has a material and lasting ownership interest.

The San José Group's activities are led by Grupo Empresarial San José, S.A. (a holding and real estate company), which in turns mainly participates in: Constructora San José, S.A. (construction), San José Desarrollos Inmobiliarios, S.A. (formerly Inmobiliaria Udra, S.A.) (Real estate), Sanjose Tecnologías, S.A.U. (technology), San José Energía y Medio Ambiente, S.A. (energy), and Desarrollos Urbanísticos Udra, S.A. (urban development).

In view of the business activities carried on by the Group companies, they do not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to their equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

The specific lines of business of each subsidiary, jointly controlled entity and associate are disclosed in Appendixes I, II and III.

Merger of Parquesol Inmobiliaria y Proyectos, S.A. and its investees Parzara, S.L.U., Guadalmina Inversiones, S.L.U., Fomento Inmobiliario de Gestión, S.A.U., Parquesol Promociones y Desarrollos Inmobiliarios, S.L.U. and Parque Usera, S.L.

On 7 April 2008, the directors of the group company Parquesol Inmobiliaria y Proyectos, S.A. (absorbing company) and of its subsidiaries Parzara, S.L.U., Guadalmina Inversiones, S.L.U., Fomento Inmobiliario de Gestión, S.A.U., Parquesol Promociones y Desarrollos Inmobiliarios, S.L.U. and Parque Usera, S.L. signed a merger by absorption plan, which was filed at the Madrid and Valladolid Companies Registry for subsequent publication at the Official Gazette of the Companies Mercantile Registry (BORME).

The aforementioned "Merger Plan" was approved by the shareholders at the respective Annual General Meetings of the companies involved in the merger on 26 June 2008.

On completion of this merger, Parquesol Inmobiliaria y Proyectos, S.A. (currently and by virtue of the aforementioned merger, Grupo Empresarial San José S.A.) now occupies the legal position of the absorbed companies and will be the sole legal person in terms of the ownership, management and disposal of the assets of the absorbed companies.

The transactions of the absorbed companies will be considered to have been performed by Parquesol Inmobiliaria y Proyectos, S.A. (absorbing company) for accounting purposes from 1 January 2008.

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Since at the date of the merger all the share capital of the absorbed companies was owned directly or indirectly by the absorbing company, it was not necessary to increase the share capital of the latter or exchange shares or other equity interests.

This merger qualified for taxation under the special tax regime provided for in Chapter VIII of Title VII of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law, of which the tax authorities will be formally notified.

Merger of Udra, S.A. (currently GRUPO EMPRESARIAL SAN JOSÉ, S.A.) and Grupo Empresarial San José S.A., San José Infraestructuras y Servicios, S.A., Udramed, S.L.U., Parquesol Inmobiliaria y Proyectos, S.A. and LHOTSE Desarrollos Inmobiliarios, S.L.

On 7 April 2008, the directors of GRUPO EMPRESARIAL SAN JOSÉ, S.A. (formerly, Udra S.A., absorbing company) and of the subsidiaries of Grupo Empresarial San José, S.A., San José Infraestructuras y Servicios, S.A., Udramed, S.L.U., Parquesol Inmobiliaria y Proyectos, S.A. and LHOTSE Desarrollos Inmobiliarios, S.L. signed a merger by absorption plan, which was filed at the Pontevedra, Madrid and Valladolid Mercantile Registries for subsequent publication in the Mercantile Registry Official Gazette (BORME).

On 19 and 20 May 2008 the requisite independent valuers' reports were prepared on the content of the merger plan detailed and on the assets and liabilities contributed by the absorbed companies, together with the directors' report explaining and giving reasons for the merger from the legal and economic standpoint, making special reference to the share exchange ratio and the specific valuation difficulties encountered.

The aforementioned "Merger Plan" was approved by the shareholders at the respective Annual General Meetings of the companies involved in the merger on 26 and 27 June 2008. However, at 31 December 2008, the corresponding public deeds had not yet been executed or filed at the relevant Mercantile Registries.

The transactions of the absorbed companies are considered to have been performed by the Company (absorbing company) for accounting purposes from 1 January 2008. The aforementioned public deed was registered at the Mercantile Registry on 17 July 2009. After completion of said registration on 20 July 2009, the Company started to quote on the stock exchange.

On completion of this merger, GRUPO EMPRESARIAL SAN JOSÉ, S.A. (formerly, Udra S.A.) now occupies the legal position of the absorbed companies and will be the sole legal person in terms of the ownership, management and disposal of the assets of the absorbed companies.

The aforementioned merger entails proportionally consolidating 100% of the balances and transactions of the Company Lhotse Desarrollos Inmobiliarios, S.L, in the Group Consolidated Financial Statements. As by 31 December 2008 said company was under joint control, it was therefore proportionally consolidated. The effect on the Consolidated Equity attributable to the Group at 1 January 2009 consists of an increase of 17,257 thousand euros, due to the increase in capital to include this company's minority share.

In addition, completion of said merger entails that certain effects on Equity, such as adjustments to equity, which at 31 December 2008 were attributed to minority interests, may now directly affect the Parent's shareholders.

This merger qualified for taxation under the special tax regime provided for in Chapter VIII of Title VII of Legislative Royal Decree 4/2004 of 5 March approving the Consolidated Spanish Corporation Tax Law, of which the tax authorities will be formally notified.

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Capital increase at San José Desarrollos Inmobiliarios, S.A. (formerly Inmobiliaria Udra, S.A.)

The shareholders at the Extraordinary General Meeting of San José Desarrollos Inmobiliarios, S.A. held on 19 September 2008 resolved to increase share capital through a non-monetary contribution, fully excluding the preemption rights of the Parent's minority shareholders.

The completion of the capital increase was subject to the condition precedent that the public deeds in which the following mergers are formally executed be registered at the corresponding Mercantile Registries: (i) the merger by simultaneous absorption of Parquesol Inmobiliaria y Proyectos, S.A. and five of its investees; and (ii) the merger by simultaneous absorption of Grupo Empresarial San José, S.A., San José Infraestructuras y Servicios, S.A., Udramed, S.L.U., Parquesol Inmobiliaria y Proyectos, S.A. and Lhotse Desarrollos Inmobiliarios, S.L., (absorbed companies) into GRUPO EMPRESARIAL SAN JOSÉ, S.A. (absorbing company), formerly known as Udra S.A.

As a result of the enforcement of Law 3/2009 of 3 April regarding structural modifications to companies, the contribution agreements entered by Grupo Empresarial San Jose S.A., within the real estate line of business, in favour of San Jose Desarrollos Inmobiliarios S.A. shall take effect once the new formalities required for Segregation pursuant to Law 3/2009 are fulfilled. Said formalities are expected to be fulfilled before 31 July this year.

Merger of Sanjose Tecnologías, S.A.U and the investees: Artel Ingenieros S.L.U., SefriIngenieros S.A.U., Instal 8 S.A.U. and SM Klima S.A.U.

The shareholders at the Annual General Meetings of Sanjose Tecnologías, S.A.U., Artel Ingenieros S.L.U., SefriIngenieros S.A.U., Instal 8 S.A.U. and SM Klima S.A.U., held on 30 June 2008, approved the plan for the merger of these companies through their absorption by Sanjose Tecnologías, S.A.U. The merger balance sheets approved are those at 31 December 2007, which were included in the audited annual financial statements of that year.

The aforementioned merger took place through the absorption of Artel Ingenieros S.L.U., SefriIngenieros S.A.U., Instal 8 S.A.U. and SM Klima S.A.U. by Sanjose Tecnologías, S.A.U., and the absorbing company acquired all of the assets and liabilities of the absorbed companies through the transfer *en bloc* of all the assets, rights and obligations of all types of the absorbed companies to the absorbing company, which acquired them by universal succession and which was subrogated to all the rights and obligations of the absorbed companies, which will be dissolved without liquidation once the merger has been definitively registered at the Mercantile Registry.

Pursuant to Article 250 of the Consolidated Spanish Companies Law, since Sanjose Tecnologías, S.A.U. owns all the shares of Artel Ingenieros S.L.U., SefriIngenieros S.A.U., Instal 8 S.A.U. and SM Klima S.A.U., it is not necessary to increase the share capital of the absorbing company or fix a share exchange ratio. Similarly, neither the directors nor independent valuers are required to prepare reports in relation to the merger plan.

The assets and liabilities transferred in the merger were included in the accounting records of Sanjose Tecnologías, S.A. at the same amounts as those at which they had been carried in the accounting records of the absorbed companies.

The transactions of the absorbed companies will be considered to have been performed by Sanjose Tecnologías, S.A. for accounting purposes from 1 January 2008.

The aforementioned merger qualified for taxation under the tax neutrality regime provided for in Chapter VIII of Title VIII of Legislative Royal Decree 4/2004 of 4 March, approving the Consolidated Spanish Corporation Tax Law.

No tax benefits were enjoyed by Artel Ingenieros S.L.U., Sefri Ingenieros S.A.U., Instal 8 S.A.U. and SM Klima S.A.U., in respect of which Sanjose Tecnologías, S.A. must assume the fulfilment of certain requirements, pursuant to Articles 90.1 and 90.2 of the aforementioned Legislative Royal Decree 4/2004.

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Spin-off of investee Tecnocontrol, S.A.U. branch of activity in favour of Tecnocontrol Servicios, S.A.U.

At the Annual General Meeting held on 30 June 2009, Tecnocontrol Servicios S.A.U., Tecnocontrol S.A.U. and San José Tecnologías S.A.U. approved the partial spin-off of "Tecnocontrol S.A.U." and "Tecnocontrol Servicios S.A.U." by unanimous decision of the sole shareholder of both companies —"San José Tecnologías S.A.U."— as regards the department engaged in corrective and preventive maintenance of mechanical, electrical and plumbing facilities of "Tecnocontrol, S.A.U." in favour of "Tecnocontrol Servicios S.A.U". The merger balance sheets approved are those at 31 December 2008, which were included in the audited annual financial statements of that year.

As a result of the partial spin-off of Tecnocontrol S.A.U. assets and liabilities, Tecnocontrol Servicios S.A.U., by universal succession and transfer *en bloc,* will acquire all the legal obligations related to the aforementioned assets and liabilities, with the beneficiary company assuming all the impairment and obligations arising from the spin-off equity. The aforementioned partial joint spin-off project has been duly formalised through public deed dated 28 December 2009, and submitted to the Mercantile Register for registration on 30 December 2009. The final registration at the Mercantile Register is dated 22 January 2010.

The aforementioned merger qualified for taxation under the tax neutrality regime provided for in Chapter VIII of Title VIII of Legislative Royal Decree 4/2004 of 4 March, approving the Consolidated Spanish Corporation Tax Law.

No tax benefits were enjoyed by Tecnocontrol in respect of which Tecnocontrol Servicios S.A.U and San José Tecnologías S.A.U must comply with certain requirements pursuant to Articles 90.1 and 90.2 of said Royal Decree 4/2004.

Merger by absorption of Sanjose Tecnologías, S.A.U. and the investee Tecnocontrol, S.A.U.

Sanjose Tecnologías S.A.U., and Tecnocontrol S.A.U. Annual General Meetings, held on 30 June 2009, approved the joint spin-off of business branch and merger by absorption project of Tecnocontrol S.A.U. as the absorbed company by Sanjosé Tecnologías, S.A., as absorbing company. The merger balance sheets approved are those at 31 December 2008.

The aforementioned merger was executed through the absorption of Tecnocontrol S.A.U. by San José Tecnologías, pursuant to article 233 SCA, which implies the extinction of the absorbed company, the transfer *en bloc* of its assets and liabilities to the absorbing company, acquiring by universal succession the absorbed company's rights and obligations. The aforementioned joint merger project has been duly made public through public deed dated 28 December 2009, and submitted to the Mercantile Register for registration on 30 December 2009. The final registration at the Mercantile Register is dated on 22 January 2010.

Pursuant to Article 250 of the Consolidated Spanish Companies Law, since Sanjose Tecnologías, S.A.U. owns all the shares of Tecnocontrol S.A.U., it is not necessary to increase the share capital of the absorbing company or fix a share exchange ratio. Similarly, neither the directors nor independent valuers are required to prepare reports in relation to the merger plan.

The assets and liabilities transferred in the merger will be included in the accounting records of Sanjose Tecnologías, S.A.U. at the same amounts as those at which they are carried in the accounting records of the absorbed companies.

The transactions of the absorbed companies are considered to have been performed by Sanjose Tecnologías S.A.U.as from 1 January 2009. These transactions were reflected in the accounts upon completion of the merger through its registration at the Mercantile Registry.

The aforementioned merger qualified for taxation under the tax neutrality regime provided for in Chapter VIII of Title VIII of Legislative Royal Decree 4/2004, of 4 March, approving the Consolidated Spanish Corporation Tax Law.

No tax benefits were enjoyed by Tecnocontrol S.A.U., in respect of which Sanjose Tecnologías S.A.U must assume the fulfilment of certain requirements, pursuant to Articles 90.1 and 90.2 of the aforementioned Legislative Royal Decree 4/2004.

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Merger of Constructora San José, S.A. and the investees: Alcava Mediterránea, S.AU., Constructora Avalos, S.A.U., BalltagiMediterrani, S.A.U. and Construcción, Rehabilitación y Conservación., S.L.U.

The shareholders at the Annual General Meeting of Constructora San José, S.A. held on 28 June 2008 and those at the Annual General Meetings of Alcava Mediterránea, S.AU., Constructora Avalos, S.A.U., BalltagiMediterrani, S.A.U. and Construcción, Rehabilitación y Conservación., S.L.U. held on 30 June 2008 approved the plan for the merger of these companies through the absorption of the latter companies by Constructora San José, S.A. The merger balance sheets approved are those at 31 December 2007, which were included in the annual financial statements of that year.

The aforementioned merger took place through the absorption of Alcava Mediterránea, S.AU., Constructora Avalos, S.A.U., BalltagiMediterrani, S.A.U. and Construcción, Rehabilitación y Conservación., S.L.U. by Constructora San José, S.A., and the absorbing company acquired all of the assets and liabilities of the absorbed companies through the transfer en bloc of all the assets, rights and obligations of all types of the absorbed companies to the absorbing company, which acquired them by universal succession and was subrogated to all the rights and obligations of the absorbed companies, which were dissolved without liquidation once the merger plan had been executed in a public deed and registered at the Mercantile Registry on 17 February 2009.

Pursuant to Article 250 of the Consolidated Spanish Companies Law, since Constructora San José, S.A. owns all the shares of Alcava Mediterránea, S.A.U., Constructora Avalos, S.A.U., BalltagiMediterrani, S.A.U. and Construcción, Rehabilitación y Conservación., S.L.U., it is not necessary to increase the share capital of the absorbing company or fix a share exchange ratio. Similarly, neither the directors nor independent valuers are required to prepare reports in relation to the merger plan.

The assets and liabilities transferred in the merger were included in the accounting records of Constructora San José, S.A. at the same amounts as those at which they had been carried in the accounting records of the absorbed companies.

The transactions of the absorbed companies are considered to have been performed by Constructora San Jose, S.A. for accounting purposes from 1 January 2008.

The aforementioned merger qualified for taxation under the tax neutrality regime provided for in Chapter VIII of Title VIII of Legislative Royal Decree 4/2004 of 4 March, approving the Consolidated Spanish Corporation Tax Law.

2. Basis of presentation of the consolidated financial statements and basis of consolidation

2.1 Accounting principles

These consolidated financial statements for 2009 of Grupo Empresarial San José, S.A. and Subsidiaries ("Grupo San José " or "the Group") are formally prepared by the Parent's directors, in accordance with International Financial Reporting Standards as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council ("EU-IFRSs"), taking into account all the mandatory accounting principles and rules and measurement bases in EU-IFRSs, and, accordingly, they present fairly the Grupo San Jose's consolidated equity and financial position at 31 December 2009 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

Grupo San José's consolidated financial statements were prepared from the accounting records of the Company and of the other Group entities. Each company prepares its individual financial statements in accordance with the accounting principles and rules in force in the country in which it operates and, accordingly, the required adjustments and reclassifications were made on consolidation to unify the policies used and to make them compliant with EU-IFRSs.

The consolidated financial statements of Grupo San José and Subsidiaries for 2008, prepared in accordance with EU-IFRSs, were approved by the shareholders at the Annual General Meeting of Grupo Empresarial San José, S.A. (formerly named Udra, S.A.) held on 30.06.09. Also, the 2009 consolidated financial statements of the Group and the individual financial statements of the Group companies for 2009 have not yet been approved by the

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shareholders at the respective Annual General Meetings. However, the Parent's directors consider that the aforementioned consolidated financial statements will be approved without any changes.

Standards and interpretations applicable for the year

New accounting standards were enforced in 2009 and therefore they were taken into account when preparing the consolidated financial statements attached hereto.

The following standards were applied on these financial statements without entailing any significant impact on the figures reported or on the layout or breakdown thereof.

IFRS 8 Operating Segments – (Note 6)

Revision of IAS 23 Borrowing Costs

Revision of IAS 1 Presentation of Financial Statements -

Amendments to IFRS 2 Share-based payments.-

Amendments to IAS 32 and IAS 32 Puttable financial Instruments and Obligations Arising on Liquidation.-

IFRS 7 Amendments – Additional Breakdowns

Amendments to IAS 39 and IFRIC 9 – Reassesment of embedded derivatives in reclassifications

IFRIC 13 Customer Loyalty Programmes.-

IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.-

IFRIC 16 Hedges of a Net Investment in a Foreign Operation.-

Standards and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements the most significant standards and interpretations that had been published by the IASB but which had not yet come into force, either because their date of effectiveness is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union, were as follows:

Standards, amendments and interpretations		Obligatory application in years beginning on or after
Approved for use in EU		
IFRS 3 Revision	Business Combinations	1 July 2009
IAS 27 Amendment	Changes in equity ownership	1 July 2009
IAS 39 Amendments	Eligible Hedged Items	1 July 2009
IAS 32 Amendments	Classification of rights over shares	1 February 2010
IFRIC 12 (1)	Service Concession Arrangements	1 April 2009
IFRIC 15 (1)	Agreements for the Construction of Real Estate	1 January 2010
IFRIC 17 (1)	Distributions of Non-cash Assets to Owners	1 November 2009
IFRIC 18 (1)	Assets received from customers	1 November 2009
Not approved for use in EU (2)		
IFRS 9	Financial Instruments: Classification and Valuation	1 January 2013
Improvements Plan 2009	Not urgent improvements to IFRS	Sundry (mainly 1 January 2010)
IFRS 2 Amendment	Share-based payments within the Group	1 January 2010

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IAS 24 Revision	Breakdown of related parts	1 January 2011
IFRS 14 Amendment	Minimum Obligatory Advance Payments	1 January 2011
IFRIC 19	Payment of financial liabilities with equity instruments	1 July 2010

(1) Date of obligatory application as approved in the Official Journal of the European Union, different from the IASB original date.
(2) Standards and interpretations not yet adopted by the European Union at the date of preparation of these consolidated financial statements.

The directors have assessed the potential impact of applying these standards in the future and consider that their entry into force will not have a material effect on the consolidated financial statements.

2.2 Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the directors of the Parent.

In the preparation of the accompanying consolidated financial statements estimates were occasionally made by management of the Group and of the consolidated companies to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

1. The useful life of the property, plant and equipment and intangible assets (see Notes 4.3 and 4.4 and 4.5).

2. The measurement of goodwill arising on consolidation (see Note 4.2).

3. The budgetary estimates which are considered for the recognition of results on contracts to which the percentage of completion method is applied (construction and industrial areas, see Note 4.12).

4. The market value of the property assets was obtained from the appraisals conducted by independent valuers at year-end. These appraisals are made using the discounted cash flow method for rental property, as established by The Royal Institution of Chartered Surveyors (RICS) (see Notes 7, 8 and 12).

5. The probability of occurrence and the amount of uncertain or contingent liabilities (see Note 4.17).

6. The classification of leases as operating or financial leases (see Note 4.6)

7. The fair value of certain financial instruments (see Note 4.9).

8. The fair value of assets and liabilities resulting from business combinations (see Note 2.4).

Although these estimates were made on the basis of the best information available at 31 December 2009 on the events analysed, events that might take place in the future might make it necessary to significantly change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the consolidated income statements for the years affected.

2.3 Currency

These consolidated financial statements are presented in euros, since this is the functional currency of the main economic environment in which the SANJOSE Group operates. Foreign operations are recognised in accordance with the policies established in Note 4.14.

The breakdown of the closing and average exchange rates of the period used to prepare the consolidated financial statements for 2009 is as follows:

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Country	Currency	Closing Rate at 31.12.09	Average Exchange Rate for 2009
United States	US Dollar	1.43	1.39
Mexico	Mexican peso	18.65	18.90
Argentina	Argentine peso	5.46	5.21
Panama	Panamanian balboa	1.40	1.39
Peru	Peruvian sol	4.11	4.19
Cape Verde	Cape Verde escudo	110.26	110.26
Chile	Chilean peso	716.27	754.75

None of these countries are considered to be hyperinflationary economies as defined by IAS 21.

2.4 Basis of Consolidation

a) Subsidiaries

"Subsidiaries" are defined as companies over which the Parent has the capacity to exercise control; this capacity is evidenced by the power to manage the financial and operating policies of an investee so as to obtain benefits from its activities. Control is presumed to exist when the Parent owns directly or indirectly half or more of the voting power of the investee or, if this percentage is lower, when there are agreements with other shareholders of the investee that give the Parent control.

Green Inmuebles, S.L. and Inmoprado Laguna, S.L., in which the Group holds ownership interests of 50%, were fully consolidated in these consolidated financial statements, as well as in those for 2008 and 2007 because the Group exercises, in practice, effective control over them.

The investment in the Group company Otoño, S.L. was accounted for using the equity method because it is scantly material with respect to the fair presentation that the consolidated financial statements should provide.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all balances and effects of the transactions between consolidated companies were eliminated on consolidation.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are recognised at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is credited to profit or loss on the acquisition date.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets and liabilities recognised. Subsequently, any losses applicable to the minority interests in excess of the carrying amount of these minority interests are recognised with a charge to the Parent's investments. The minority's share of:

1. The equity of their investees: It is presented within the Group's consolidated equity under "Minority Interests" in the consolidated balance sheet.

2. The profit or loss for the year: It is presented under "Profit (Loss) Attributable to Minority Interests" in the consolidated income statement.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

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Appendix Ito these notes to the consolidated financial statements details the subsidiaries included in consolidation and significant information thereon.

b) Joint ventures

"Joint ventures" are deemed to be ventures that are jointly controlled by two or more unrelated companies.

A joint venture is a contractual arrangement whereby two or more companies ("venturers") have interests in entities (jointly controlled entities) or undertake operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers.

The financial statements of jointly controlled entities are proportionately consolidated with those of the Company and, therefore, the aggregation of balances and subsequent eliminations are only made in proportion to the Group's ownership interest in the capital of these entities.

Similarly, interests in Spanish UTEs (unincorporated joint ventures), joint property entities and economic interest groupings were included in the accompanying consolidated financial statements in proportion to the Group's interest in the assets, liabilities, income and expenses arising from the transactions performed by these entities, and reciprocal asset and liability balances and income, expenses and profits or losses not realised with third parties were eliminated.

The assets and liabilities assigned by the Group to jointly controlled operations and the Group's share of the jointly controlled assets are recognised in the consolidated balance sheet classified according to their specific nature. Similarly, the Group's share of the income and expenses of joint ventures is recognised in the consolidated income statement on the basis of the nature of the related items.

Appendix III to these notes to the consolidated financial statements details the joint ventures included in consolidation and significant information thereon.

c) Associates

Associates are companies over which the Parent is in a position to exercise significant influence, but not effective control or joint management. Because it usually holds -directly or indirectly- 20% or more of the voting power of the investee.

In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations. In the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate, less any impairment of the individual investment.

Any excess of the cost of acquisition over the part of the fair values of the identifiable net assets of the associate attributable to the Group at the acquisition date is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets of the associate owned by the Group at the acquisition date is recognised in profit or loss during the acquisition period.

If as a result of losses incurred by an associate its equity were negative, the investment should be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support.

Appendix II to these notes to the consolidated financial statements details the associates included in consolidation and significant information thereon.

d) Changes in the scope of consolidation

The main changes in the scope of consolidation in 2009 were as follows:

1. During 2009, the Extraordinary General Meeting of the "Constructora San José Argentina, S.A." Group approved its capital increase by 2,746,528 shares of ARS 1 par value each. This capital increase has

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been fully subscribed and paid by "Udra México, S.A. de C.V." The Group's ownership interest has gone from 90% at 31 December 2008 to 95.00% at 31 December 2009.

2. The purchase of shares from the Group company "Poligeneracio Parc de L'Alba ST-4, S.A.", focused on the construction, commissioning and maintenance of polygeneration plants, was executed through public deed on 23 April 2009. The "Tecnocontrol, S.A." Group company with an 86% ownership interest at 31 December 2008 sold 600,000 shares of the former company to third parties, as initially agreed with the remaining shareholders (said operation has not generated any profits or losses for the Group). At 31 December 2009, the San José Group (through Tecnocontrol, S.A.) had, therefore, a 76% ownership interest in "Poligeneracio Parc de L'Alba ST-4, S.A." share capital.

3. The "Xornal de Galicia, S.A." Group company had its capital increased through two operations on 15 April 2009 for EUR 2.6 million.

   Xornal de Galicia, S.A share capital at 31 December 2009 consists, therefore, of 360,000 fully subscribed and paid shares of EUR 10.00 par value each. The San José Group, through Udra Medios, S.A.U., has reduced its ownership interest in this company from 100% at 31 December 2008, to 79.15% at 31 December 2009. The dilutive effect on the attributable equity is irrelevant.

4. On 15 January 2009, the Group company "Udra Medios, S.A.U." incorporated "Udramedios Editorial de Galicia, S.L.", with an initial EUR 4,000 share capital, represented by 400 fully subscribed and paid shares by Udra Medios, S.A.U of EUR 10.00 par value each.

5. In 2008, the San José Group, through its investee "Constructora San José, S.A.", acquired 52.5% of the Portuguese company "Zivar, Investimentos Imobiliarios, S.A." share capital. As the effect was irrelevant, a decision was made on that date not to include the aforementioned shareholding in the scope of consolidation. At 31 December 2009, said company is included in the scope of consolidation through the fully consolidated method, generating the need to allocate the excess amount from that operation for EUR 2,579 thousand to higher value of property inventories.

6. On 7 May 2009, the Group company Parquesol Inmobiliaria y Proyectos, S.A. (currently Grupo Empresarial San José, S.A.), increased the share capital of the Group company Sofía Hoteles, S.L. by 14,213 thousand euros, to 15,535 thousand euros issuing 2,364,902 new fully subscribed and paid shares of EUR 6.01 par value each, by contributing with two properties located in Málaga, and a hotel under construction in the aforementioned properties (see Note 8).

7. On 22 December 2009, the investee San José Desarrollos Inmobiliarios, S.A. purchased shares for 45% of Udra Lar, S.L. share capital, holding 55% of its share capital at 31 December 2008.

   Consequently, at 31 December 2009, the SANJOSE Group, through its investee San José Desarrollos Inmobiliarios, S.A., owns the entire share capital of Udra Lar, S.L. The price paid by the group to repurchase said shareholding amounts to EUR 1.4 thousand.

8. On 30 July 2009, the investee Zonagest, S.L. increased its capital by 222 thousand euros, waiving its preferential acquisition rights from its shareholding in said company through San José Desarrollos Inmobiliarios, S.A. At 31 December 2009, the Group's ownership interest in Zonagest, S.L. has, thus, been reduced from 20% to 15% of its share capital. At 31 December 2009, the Group's Board estimates there is still "significant influence", which justifies the integration through the equity method in the current consolidated financial statements.

9. Incorporation in Santiago de Chile, dated 9 December 2009, of "Sociedad Concesionaria San José – Tecnocontrol, S.A." with a share capital of CLP 11,000 million represented by 11,000 shares fully subscribed by the Group, of a total CLP 11,000 millions par value (EUR 14,482 thousand), with CLP 2,000 million (EUR 2,633 thousand) paid at 31 December 2009. The company object will be the construction and subsequent management of 2 hospitals awarded to the Group in Chile during 2009.

10. Incorporation in Santiago de Chile, dated 16 December 2009, of Inversiones Sanjosé Chile Limitada with a share capital of CLP 1,480 thousand (EUR 2 thousand), fully subscribed by the Group.

11. On 13 October 2009, the Group companies "Constructora San José, S.A." and "San José Desarrollos Inmobiliarios, S.A.", sold by single agreement the shares held in "Deconalva, S.A." and "Sierra de Nipe,

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S.A.". The total sold price amounted to USD 10 million, to be paid no later than 8 October 2011, receiving mortgages and personal guarantees from the purchasing party as collateral.. The receivables derived from this operation are recorded under "Other non-current financial assets" (see Note 13.4.3). This transaction has implied a loss for the SANJOSE Group amounting to EUR 1,641 thousand, recorded under "Impairment and gains or losses on disposals of financial instruments" from the attached income statement consolidated in 2009.

12. On 9 July 2009, the Group company "San José Real Estate Development, LLC" signed an agreement for the purchase of the remaining capital (USD 10,000) to complete the overall share capital of "1681 West Avenue, LLC", real estate company settled in Miami, United States. The impact on the Group's equity is insignificant.

The main changes in the scope of consolidation in 2008 were as follows:

1. In 2008 Grupo Empresarial San José, S.A. acquired an additional 0.97% ownership interest in Parquesol Inmobiliaria y Proyectos, S.A. on the stock market. The average acquisition price of the additional ownership interest amounted to EUR 17.92 per share (total cost of EUR 6,902 thousand).

2. On 7 July 2008, Grupo Empresarial San José, S.A. and Lábaro Grupo Inmobiliario, S.A. agreed to terminate the agreement whereby in 2007 the former had sold to the latter shares representing 12% of Parquesol Inmobiliaria y Proyectos, S.A., as a result of which Grupo Empresarial San José, S.A. recovered absolute title to the aforementioned shares and Lábaro Grupo Inmobiliario, S.A. was released from the obligation to pay the full price established in the purchase and sale agreement in December 2007 (approximately EUR 107 million, EUR 22.5 per share). Also, the gain (EUR 2,782 thousand) that had been recognised in relation to this transaction in the 2007 consolidated financial statements was also eliminated (see Note 22.9). Since the price paid to acquire the aforementioned shares was lower than the value assigned to the assets and liabilities of the Parquesol Group on the date on which control was acquired, this transaction led to an increase of approximately EUR 8.5 million in reserves.

   Therefore, at 31 December 2008, the SANJOSE Group held ownership interests in Parquesol Inmobiliaria y Proyectos, S.A. of 50.79% through Udramed, S.L.U. and 15.27% through Grupo Empresarial San José, S.A. In addition, at 31 December 2008, Parquesol Inmobiliaria y Proyectos, S.A. held treasury shares representing 4.99% of its share capital, and, accordingly, at 31 December 2008 the SANJOSE Group had an effective ownership interest of 69.5% in Parquesol.

3. In accordance with IFRS 3, "Business Combinations", which states that the fair values of assets acquired may be reviewed up to one year after the acquisition date, in 2007 the SANJOSE Group made a new allocation of the excess amount paid to acquire control over Parquesol Inmobiliaria y Proyectos, S.A..

4. On 28 March 2008, Constructora San José, S.A. entered into an irrevocable agreement with the Group company Tecnoartel Argentina, S.A., in order to convert into capital the financial contributions made by the former to the latter amounting to USD 33,813 thousand (approximately EUR 23,364 thousand), so that Tecnoartel Argentina, S.A. could make the payments corresponding to the acquisition of shares of Carlos Casado, S.A. This agreement was recorded in the minutes to the Extraordinary General Meeting of Tecnoartel Argentina, S.A. on 23 October 2008, at which it was resolved to increase the capital of this company by ARS 105,497 thousand and the former shareholders waived their pre-emptive subscription right to the benefit of Constructora San José, S.A. Consequently, Constructora San José, S.A. became the main shareholder of Tecnoartel Argentina, S.A. with a 99.72% ownership interest and the remaining share capital is held by other Udra Group companies.

5. In 2008, through its subsidiaries Tecnoartel Argentina, S.A. and Constructora San José Argentina, S.A., the Group increased its ownership interest in Carlos Casado, S.A. to 49.84% (46.7% at 2007 year-end). The total cost of the ownership interest is ARS 133,756 thousand (approximately EUR 27.9 million). The goodwill arising on this acquisition amounted to approximately EUR 21.3 million, which was allocated in full to the investment property owned by Carlos Casado, S.A.

6. Carlos Casado, S.A. has been listed on the Buenos Aires Stock Exchange since 1958 and on the US Security and Exchange Commission (SEC) since 2009. It carries on its main business activities in the property and agriculture industries in Argentina, Paraguay and Uruguay. It owns real estate assets in Buenos Aires and 310,000 hectares of land in the Paraguayan region of Chaco, where it currently operates a livestock and crop farm which also produces biofuel.

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Carlos Casado, S.A. has controlling interests in Parsipanny Corp. (Uruguay, 100%), Puerta de Segura, S.A. (Argentina, 100%) y Rincón Sociedad Anónima Ganadera (Paraguay, 99,98%).

The SANJOSE Group holds more than 50% of the voting power of Carlos Casado, S.A., which gives it control over the company's financial and operating policies and, therefore, it was fully consolidated in 2008 (accounted for using the equity method in 2007).

On 3 September 2008, Carlos Casado, S.A. entered into a framework agreement with Cresud SACIF y A. (a non-related company), in addition to certain supplementary agreements, the purpose of which was to draw up a production plan for the two companies in Paraguay. To this end, Carlos Casado, S.A. and Cresud SACIF y A. incorporated on an equal-footing basis, the Paraguayan company Cresca, S.A., the company object of which is crop and livestock farming and forestry work.

In this agreement, Carlos Casado, S.A. undertook to contribute 41,931 hectares of land owned by it in Paraguay to Cresca, S.A. in 2009, valued at USD 250/Ha. In parallel, Cresud SACIF y A. paid Carlos Casado, S.A. 50% of the amount of this contribution (USD 5,241 thousand). This contribution became effective through a capital increase at Cresca, S.A. on 3 February 2009.

Also, on 3 September 2008, Carlos Casado, S.A. granted Cresca, S.A. a call option on an additional 100,000 Ha., with an exercise period of 5 years, whose execution is subject to the achievement of certain development targets, at a price of USD 350/Ha., a price to be paid in USD on the date on which the public deed of sale is executed.

Carlos Casado, S.A. and Cresud, SACIF y A. also undertook to make the necessary contributions to Cresca, S.A. to enable it to carry on its business activities on the basis of the business plans approved each year.

Carlos Casado, S.A. and Cresud, SACIF y A. agreed to a buy-sell clause whereby in certain circumstances, either party may request that the other purchase or sell its entire ownership interest. Also, both parties have right of first refusal on each other's shares if they wish to sell the shares of Cresca, S.A. to a third party.

7. On 28 November 2008, the shareholders at the General Meeting of Corporación Sant Bernat, S.C.R., de Régimen Común, S.A. (CORSABE), approved a capital reduction through the partial remittance of capital calls and other related payments and through the retirement of the treasury shares it held at that date. Consequently, after the aforementioned transaction, the capital payments payable by Constructora San José, S.A., which at 31 December 2007 amounted to EUR 5,988 thousand ceased to exist, thereby reducing the cost of its ownership interest from EUR 12,270 thousand to EUR 6,281 thousand at 31 December 2008. The ownership interest held by Constructora San José, S.A. in the share capital of Corsabe fell from 50.17% to 28%. This company became an associate and was therefore accounted for using the equity method in 2008 (fully consolidated in 2007).

8. In March 2008, Constructora San José, S.A. acquired a 25% ownership interest in the share capital of San José Perú, S.A.C., giving it all the shares of this company. This transaction was performed for a total cost of EUR 4,557 thousand, of which EUR 2,257 thousand had not been paid at 31 December 2008, which was recognised under "Non-Current Liabilities - Other Financial Liabilities" at that date (see Note 16). The payment of this amount is conditional upon the achievement of certain urban development targets and EBITDA objectives relating to this company's property inventories.

9. In April 2008 Constructora San José, S.A. (through its permanent establishment in Portugal) and Emprendibérica, S.G.P.S., S.A (Dico Group), entered into an agreement whereby the latter transferred to the former shares representing 50% of the share capital of the Portuguese company ZIVAR - Investimentos Imobiliários, S.A. (25,000 shares valued at EUR 2,473 thousand), in addition to two loans it had granted to Zivar amounting to EUR 2,277 thousand as an accord and satisfaction relating to construction work being carried out by Constructora San José, S.A. for Portas de Lisboa – Sociedade de investimentos Imobiliarios, S.A.

Also, on 18 November 2008, Constructora San José, S.A. acquired an additional 2.5% of ZIVAR from Azata, S.A. (which owned the other 50%), for EUR 237,500.

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ZIVAR owns 99% of the shares of Aprisco Salvador Investimentos Hoteleiros e Imobiliario Lda. and Hospes Brasil Participaciones e Emprendimentos Lda. These two companies hold absolute title to an area of land measuring approximately 15,200 m2 located in the urban area of Salvador de Bahía (Brazil) and have a licence to build two luxury hotels, the projects for which have been approved.

ZIVAR was not consolidated in 2008 as its effect was considered to be scantly material. Furthermore, the Parent's directors consider that the cost of the ownership interest and the loans to which title is held by Constructora San José, S.A. are supported by the fair value of the aforementioned building lots.

10. Other changes:

- Incorporation of Enerxías Renovables de Galicia, S.A. in March 2008 with share capital of EUR 3 million in which Sanjose Tecnologías, S.A.U. holds a 75% ownership interest and Grupo Empresarial San José, S.A. holds a 25% ownership interest. Its registered office is in Pontevedra and it engages mainly in the production and retailing of electricity using renewable energy sources. This company was awarded 142 MW in the wind power tender organised by the Department of Innovation and Industry of the Autonomous Community Government of Galicia.

  On 26 December 2008, published in the Official Journal of Galicia on 2 February 2009, the Department of Innovation and Industry of the Autonomous Community Government of Galicia awarded the Company the concession for the construction and subsequent operation of five wind farms in Galicia. The total budget for the execution thereof is estimated to amount to approximately EUR 200 million.

  The initial projects presented by ENERXIAS RENOVABLES DE GALICIA S.A. were chosen by the Xunta de Galicia (Galician Department of Economy and Industry) under resolution of 26 April 2008, the Company having submitted the authorisation requests corresponding to each project.

  The above implies that ENERXIAS RENOVABLES DE GALICIA S.A. holds the rights for said proposals to be processed and authorised and, hence, and given the suspension of the proceeding ruled by resolution dated 7 August 2009, the Company has filed the corresponding claims before the Galicia High Court for all the rights they are entitled to.

- Incorporation of Poligeneració Parc de L'Alba ST-4, S.A. in March 2008 with share capital of EUR 6 million, which is owned 86% by Tecnocontrol, S.A., 10% by ConsorciUrbanistic del Centro Direccional de Cerdányola del Vallés and 4% by Lonjas y Mercados, S.A. Its registered office is in Cerdányola del Vallés (Barcelona) and it engages mainly in the construction, start-up and maintenance of electricity polygeneration plants.

- Incorporation of Xornal de Galicia, S.A. in July 2008 with share capital of EUR 1 million, wholly-owned by Udra Medios, S.A.

- In April 2008 Udra Medios, S.A. acquired 3,025 shares of Promoción Cultural Galega 2007, S.L. representing 97.58% of the share capital of the latter for EUR 3,025 thousand.

- In 2008 Parquesol Inmobiliaria y Proyectos, S.A. subscribed the capital increase at Lhotse Desarrollos Inmobiliarios, S.L. through the conversion of the loans it had granted to this company into capital. This capital increase was carried through the conversion into capital of the participating loans granted by Parquesol Inmobiliaria y Proyectos, S.A. and Caja Castilla-La Mancha Corporación, S.L to this investee totalling EUR 37,500 thousand, of which EUR 18,750 corresponded to Parquesol, which maintained the same ownership interest as it had held previously (50%).

- In 2008 Centro Comercial Panamericano, S.A. (CPP) made irrevocable contributions to Panamerican Mall, S.A. totalling EUR 5,911 thousand, which had been converted into capital at the date of authorisation for issue of these consolidated financial statements. CPP's main asset is its ownership interest (20%) in Panamerican Mall, S.A. (see Note 11), a company incorporated in 2006 and which is currently implementing a project relating to the construction, marketing and administration of a new shopping centre in the Saavedra neighbourhood of Buenos Aires.

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The consolidated financial statements do not include the tax effect, if any, that might arise from the inclusion of the reserves of the consolidated companies in the equity of the Parent, since it is considered that these reserves will be used as a source of self-financing at each consolidated company.

3. Distribution of the Parent's profit

Parent Company Directors will propose to the General Shareholders' Meeting the recognition of 2009 losses, EUR 74,259 thousand, with a charge to "Prior years' losses", to offset the profits the Parent Company generates in the future.

In addition, and pursuant to article 213.4 of the Spanish Companies Act, under the new wording of Act 16/2007 of 4 July, on the reform and adjustment of the business law, Parent Company Directors will propose to provide a restricted reserve for EUR 305 thousand, with a charge to voluntary reserves, equivalent to 5% of the goodwill at 31 December 2009.

4. Accounting principles and policies and measurement bases

The accounting principles and policies and measurement bases used in preparing the Group's consolidated financial statements for 2009 were as follows:

4.1 Non-current assets classified as held for sale

Non-current assets classified as held for sale relate to assets whose sale in their present condition is highly probable and whose sale is expected to be completed within one year from the reporting date. Therefore, the carrying amount of these items will foreseeably be recovered through the proceeds from their disposal rather than through continuing use.

In general, non-current assets classified as held for sale are measured at the lower of carrying amount at the classification date and fair value less estimated costs to sell. Tangible and intangible assets that are amortisable because of their nature are not depreciated or amortised while they are classified as held for sale.

If the carrying amount of the assets exceeds their fair value less estimated costs to sell, the carrying amount of the assets is adjusted by the amount of the excess with a charge to the consolidated income statement. If the fair value of the assets subsequently increases, the losses previously recognised are reversed and the carrying amount of the assets is increased up to the limit of the carrying amount that would have been determined had no impairment loss been recognised, with a credit to the consolidated income statement.

At 31 December 2009 and 2008, the Group did not have any material non-current assets held for sale.

4.2 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Any excess of the cost of the investments in the consolidated companies and associates over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

1. If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the assets (or reducing the value of the liabilities) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc.

2. If it is attributable to specific intangible assets, recognising it explicitly in the consolidated balance sheet provided that the fair value at the date of acquisition can be measured reliably.

3. The remaining amount is recognised as goodwill, which is allocated to one or more specific cash-generating units.

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The detail of the allocation of the excess amounts paid in business combinations that occurred in 2009 is shown in Note 9.

Goodwill is only recognised when it has been acquired for consideration and represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired company that are not capable of being individually identified and separately recognised.

Goodwill acquired on or after 1 January 2005 is measured at acquisition cost and that acquired earlier is recognised at the carrying amount at 31 December 2004. In both cases, at the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to "Impairment or Gains or Losses on Disposals of Non-Current Assets" in the consolidated income statement. Under IAS 36, Impairment of Assets, an impairment loss recognised for goodwill must not be reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill arising in the acquisition of companies with a functional currency other than the euro is translated to euros at the exchange rates prevailing at the date of the balance sheet.

Any deficiency of the cost of investments in consolidated companies and associates below the related underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is classified as negative goodwill and is allocated as follows:

1. If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the liabilities (or reducing the value of the assets) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc.

2. The remaining amount is presented under "Other Operating Income" in the income statement for the year in which the share capital of the subsidiary or associate is acquired.

4.3 Other intangible assets

The other intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reasonably objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

In both cases, the consolidated companies recognise any impairment loss on the carrying amount of these assets with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years are similar to those used for property, plant and equipment (see Note 4.5).

Administrative concessions and patents

Administrative concessions are recognised as assets when they have been acquired by the Group for consideration (in the case of concessions that can be transferred) or for the amount of the expenses incurred to directly obtain the concession from the related public agency.

The Group amortises these rights on a straight-line basis over the estimated term of the concession.

In the event of non-compliance, leading to the loss of the concession rights, the carrying amount of the concession is written off.

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Computer software

Computer software may be contained in a tangible asset or have physical substance and, therefore, incorporate both tangible and intangible elements. These assets are recognised as property, plant and equipment if they constitute an integral part of the related tangible asset, which cannot operate without that specific software.

Computer software is amortised on a straight-line basis over three years from the entry into service of each application.

Computer system maintenance costs are charged to the consolidated income statement for the year in which they are incurred.

4.4 Property, plant and equipment and investment property

Property, plant and equipment

Property, plant and equipment for own use are recognised at cost less any accumulated depreciation and any recognised impairment losses.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in the income statement on an accrual basis as incurred.

Borrowing costs are only capitalised when significant investments in qualifying assets are made, which are those that take a substantial period of time to get ready for their intended use (see Note 4.13). Borrowing costs incurred to acquire property, plant and equipment for own use are charged to the consolidated income statement on an accrual basis and are not capitalised.

The Group work on their own assets is entered at the accumulated cost (external costs plus in-house costs), determined on the basis of in-house materials consumption and manufacturing costs, calculated using absorption rates similar to those used for the valuation of inventories.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated.

The period property, plant and equipment depreciation charge is recognised in the consolidated income statement and is based on the application of the following depreciation rates, which are determined on the basis of the average years of estimated useful life of the various assets:

	Annual Percentage
Buildings	2
Plant	10
Machinery	15
Other fixtures, tools and furniture	12-33
Other fixed assets	12-33

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment losses. Cost includes professional fees. Depreciation of these assets commences when the assets are ready for their intended use.

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Assets held under finance leases are classified on the basis of their nature and are depreciated over their expected useful lives on the same basis as owned assets.

The consolidated companies assess at each reporting date whether there is any internal or external indication that an asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If so, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life must be re-estimated).

Similarly, if there is an indication of a recovery in the value of an item of property, plant and equipment, the consolidated companies recognise the reversal of the impairment loss recognised in prior years and adjust the future depreciation charges accordingly. Under no circumstances may the reversal of an impairment loss on an asset raise its carrying amount to above that which it would have had had no impairment losses been recognised in prior years.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Investment property

"Investment Property" in the consolidated balance sheet reflects the net values of land, buildings and other structures (whether they are owned by the Group or are being used by the Group under a finance lease) held either to earn rentals or for capital appreciation. At 31 December 2009, the assets recognised under "Investment Property" related mainly to office buildings, hotels, leisure centres, land and parking spaces and the items of property, plant and equipment associated with them, such as machinery and furniture, whether owned by the Group or held under finance lease.

Hotels and leisure centres leased to third parties in which the Group does not participate in management and has not retained the risks associated therewith are classified as "Investment Property". If the Group participates in management, these assets are classified as "Property, Plant and Equipment".

Investment property is presented at acquisition or production cost revalued, where appropriate, pursuant to the applicable legislation. The same measurement basis, depreciation methods, estimated useful lives and recognition criteria are used for investment property (see Note 8).

Properties under construction or development for future use as investment property are classified under "Investment Property in Progress" in the consolidated balance sheet (see Note 8) until their construction or development has been completed, at which time they are transferred to "Investment Property".

However, the investment property that meets the conditions for classification as "Non-Current Assets Classified as Held for Sale" is measured in accordance with the rules applicable to non-current assets held for sale and discontinued operations (see Note 4.1).

Borrowing Costs

The accounting treatment of borrowing costs is described in Note 4.13.

The borrowing costs capitalised to "Inventories" in 2009 amounted to EUR 9,590 thousand, respectively.

4.5 Asset impairment

At the end of each year, or whenever it is deemed necessary, the value of assets is analysed to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the required write-down (if any). Where an identifiable asset does not generate cash flows independently, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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In the case of cash-generating units to which goodwill or intangible assets with an indefinite useful life have been allocated, recoverability is systematically analysed at the end of each reporting period or whenever it is deemed necessary to perform such an analysis on the basis of the existing circumstances.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In calculating the recoverable amount of property, plant and equipment and goodwill, the Group uses value in use in practically all cases.

To estimate value in use, the Group prepares future pre-tax cash flow estimates based on the most recent budgets approved by Group management. These budgets include the best estimates available of income and costs of the cash-generating units based on industry projections, past experience and future expectations.

These projections cover the coming five years and cash flows for the following years are estimated by applying zero growth rates. These cash flows are discounted to present value at a pre-tax rate which reflects the cost of capital of the business and the geographical area in which it is carried on. In order to calculate the rate, the current time value of money and the risk premiums generally used by analysts for the business and the geographical area are taken into account.

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the difference with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the consolidated income statement.

4.6 Leases

4.6.1 Finance Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Therefore, finance leases are deemed to be those in which substantially all the risks and rewards relating to the leased asset are transferred to the lessee.

When the consolidated companies act as the lessor of an asset, the aggregate present values of the lease payments receivable from the lessee plus the price of exercising the purchase option are classified as financing provided to third parties for the amount of the Group's net investment in the leases.

In this event, the finance income and charges arising under finance lease agreements are credited and charged, respectively, to the consolidated income statement so as to reflect a constant periodic rate of return over the term of the agreements.

4.6.2 Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset remain with the lessor.

When the consolidated companies act as the lessor, they present the acquisition cost of the leased asset under "Property, Plant and Equipment". These assets are depreciated using a policy consistent with the lessor's normal depreciation policy for similar items and lease income is recognised in the income statement on a straight-line basis.

When the consolidated companies act as the lessee, lease costs, including any incentives granted by the lessor, are recognised in the income statement on an accrual basis.

4.7 Inventories

"Inventories" in the consolidated balance sheet reflects the assets that the consolidated companies:

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- Hold for sale in the ordinary course of business.
- Are in the process of constructing or developing for such sale.
- Expect to consume in the production process or in the provision of services.

Consequently, land and other property held for sale or for inclusion in a property development in the ordinary course of the Group's business and not for capital appreciation or to earn rentals are treated as inventories.

Inventories are stated at the lower of acquisition or production cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and production overheads, including the costs that have been incurred in bringing the inventories to their present location and condition at the point of sale. Trade discounts, rebates and other similar items are deducted in determining the cost of purchase.

The cost of inventories is calculated by using the weighted average cost formula. Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Land is stated at acquisition cost, plus the costs of demolishing buildings and other expenses related to the acquisition (non-recoverable taxes, registration expenses, etc.). The Group does not capitalise the borrowing costs incurred on the loans obtained to finance the purchase of land to the carrying amount thereof during the period between its acquisition and the date on which the construction begins, which is when they are transferred to "Developments under construction".

"Developments under construction" includes the land development costs incurred up to year-end and the costs of construction or acquisition of real estate developments, increased by the expenses directly allocable to them (costs of construction subcontracted to third parties, fees inherent to construction and project management fees), in addition to the reasonable portion of the costs indirectly allocable to the related assets, to the extent that these costs correspond to the development period, and the borrowing costs incurred during the construction period. The borrowing costs capitalised to "Inventories" in 2009 amounted to EUR 9,590 thousand.

The Company assesses the net realisable value of the inventories at the end of each period and recognises the appropriate loss if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

Also, "Inventories" includes advances to suppliers for the purchase of inventories amounting to EUR 29,929 thousand (see Note 12).

4.8 Trade receivables and customer advances

Trade receivables do not earn interest and are recognised at the fair value of the consideration given, reduced by the estimated non-recoverable amounts.

The amount of customer advances received prior to the recognition of the sale of the buildings is recognised under "Current Liabilities - Trade and Other Payables" in the consolidated balance sheet (see Note 18.1).

4.9 Financial Instruments

Definitions

A "financial instrument" is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

An "equity instrument" is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

A "financial derivative" is a financial instrument whose value changes in response to the change in an observable market variable (such as a specified interest rate, foreign exchange rate, financial instrument price or market index), the initial investment in which is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and which is generally settled at a future date.

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The following transactions are not treated for accounting purposes as financial instruments:

- Investments in associates.
- Rights and obligations under employee benefit plans.
- The rights and obligations arising from insurance policies.
- Contracts and obligations relating to share-based employee remuneration.

Initial recognition of financial instruments

Financial instruments are initially recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Specifically, debt instruments are recognised from the date on which the legal right to receive or the legal obligation to pay arises. Derivative financial instruments are generally recognised from the trade date.

A regular way purchase or sale of financial assets, defined as one in which the parties' reciprocal obligations must be discharged within a time frame established by regulation or convention in the marketplace and that may not be settled net is recognised on the date from which the rewards, risks, rights and obligations attaching to all owners are for the purchaser, which, depending on the type of financial asset purchased or sold, may be the trade date or the settlement or delivery date.

Derecognition of financial instruments

Financial assets are only derecognised when:

- The contractual rights to the cash flows from the financial asset expire; or
- The financial asset is transferred and substantially all the risks and rewards of ownership are transferred or, even if they are not substantially transferred or retained, control over the financial asset is transferred.

Financial liabilities are only derecognised when the obligations they generate have been extinguished or when they are repurchased, even if they are going to be placed on the market again in the future.

Fair value of financial instruments

The "fair value" of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques sufficiently used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Specifically, the fair value of financial derivatives traded on organised, transparent and deep markets included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price cannot be determined on a given date, these financial derivatives are measured using methods similar to those used to measure the derivatives not traded on organised markets.

The fair value of OTC derivatives or derivatives traded in scantly deep or transparent organised markets is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value") using valuation techniques commonly used by the financial markets ("net present value", option pricing models, etc.).

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Amortised cost of the financial instruments

"Amortised cost" is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal repayments and interest payments, plus or minus, as appropriate, the portion allocated to the consolidated income statement, calculated using the effective interest method, of the difference between the initial cost and the repayment value of the financial instruments. In the case of financial assets, amortised cost also includes any write-downs due to impairment.

The "effective interest rate" is the discount rate that exactly matches the carrying amount of a financial instrument to all its estimated cash flows of all kinds through its residual life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date adjusted, where applicable, by the fees and transaction costs that must be included in the calculation of the effective interest rate. In the case of floating rate financial instruments, the effective interest rate is estimated as for fixed rate instruments and is recalculated on each contractual repricing date on the basis of the changes in the future cash flows arising therefrom.

Classification and measurement of financial assets and liabilities

Financial instruments are classified in the consolidated balance sheet into the following categories:

Financial Assets

- Held-for-trading financial assets: financial assets acquired with the intention of realising them at short term or those which are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking and derivatives not designated as hedging instruments.
- Held-to-maturity investments: financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity. They do not include loans and accounts receivable from third parties. These assets are measured at "amortised cost".
- Originated loans and receivables: financial assets originated by the Group in exchange for supplying cash, goods or services directly to a debtor, which are measured at amortised cost.
- Available-for-sale financial assets: these include securities acquired that are not held for trading purposes and are not classified as held-to-maturity investments, and equity instruments owned by the Group and issued by entities other than subsidiaries, joint ventures or associates.

Held-for-trading financial assets and available-for-sale financial assets are measured at fair value at subsequent measurement dates. In the case of marketable securities, the gains and losses from changes in fair value are recognised in net profit or loss for the year. In the case of available-for-sale financial assets, the gains and losses from changes in fair value are recognised directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year.

Financial Liabilities

Financial liabilities are classified in accordance with the content of the contractual arrangements. The main financial liabilities held by the Group are held-to-maturity financial liabilities, which are measured at amortised cost.

Interest-bearing bank loans and credit facilities are recognised at the proceeds received, net of direct issue costs. Borrowing costs, including premiums payable on settlement or redemption and direct issue costs, are recognised in the consolidated income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables are not interest bearing and are stated at their face value.

Equity

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Equity instruments are classified in accordance with the content of the contractual arrangements. Equity instruments issued by the Parent are recognised in consolidated equity at the proceeds received, net of direct issue costs.

4.10 Shares of the Parent

The SANJOSE Group did not hold any treasury shares at 31 December 2009 and did not perform any transactions involving treasury shares in 2009 and 2008, apart from the capital increase carried out in 2009 (see Notes 1 and 14).

4.11 Derivative financial instruments and hedge accounting

The Group's activities expose it mainly to interest rate risk and, accordingly, the Group uses financial derivatives, basically interest rate swaps (IRSs), as part of its strategy to reduce its exposure to interest rate risk. When these transactions meet certain requirements, they qualify for hedge accounting.

In order for a transaction to be classified as a hedge it must be carried out at the inception of the transactions or of the instruments included in the hedge, provided there is adequate documentation of the hedging relationship. The hedge accounting documentation must include adequate identification of the hedged item(s) and the hedging instrument(s), the nature of the risk to be hedged and the criteria or methods used to assess the effectiveness of the hedge over its entire life, taking into account the risk to be hedged.

Consequently, only hedges that are considered to be highly effective over their entire life are considered to qualify for hedge accounting. A hedge is considered to be highly effective if, during its expected life, the changes in fair value or cash flows of the hedged item that are attributable to the risk hedged in the hedging of the financial instrument or instruments are offset substantially in full by changes in the fair value or cash flows, as the case may be, of the hedging instrument or instruments.

To measure the effectiveness of hedges, it is analysed whether, from inception to the end of the term defined for the hedge, it can be expected, prospectively, that the changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk will be offset substantially in full by changes in the fair value or cash flows, as the case may be, of the hedging instrument(s) and, retrospectively, that the results of the hedge are within a range of 80% to 125% of the results of the hedged item.

Hedges are classified into the following categories:

- **Fair value hedges**. These hedges hedge the exposure to changes in the fair value of financial assets or liabilities or unrecognised firm commitments, or of an identified portion of such assets, liabilities or firm commitments, that is attributable to a particular risk, provided that it could affect the consolidated income statement.
- **Cash flow hedges** These hedges hedge the exposure to changes in cash flows that is attributable to a particular risk associated with a financial asset or liability or to a highly probable forecast transaction, provided that it could affect the consolidated income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, when the hedge no longer qualifies for hedge accounting or the designation as a hedge is revoked.

When, pursuant to the foregoing paragraph, hedge accounting of a fair value hedge is discontinued, in the case of hedged items carried at amortised cost, the value adjustments made as a result of the hedge accounting discussed above are recognised in the consolidated income statement through maturity of the hedged items using the effective interest rate recalculated at the date of discontinuation of hedge accounting.

Also, when hedge accounting of a cash flow hedge is discontinued, the cumulative gain or loss on the hedging instrument recognised in consolidated equity is retained in equity until the forecast hedged transaction occurs, when it will be transferred to consolidated income statement or the cost of acquisition of the asset or liability to be recognised will be adjusted, if the hedged item is a forecast transaction which results in the recognition of a financial asset or a financial liability.

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In the case of the derivative financial instruments arranged by the Group that meet the aforementioned requirements for classification as a cash flow hedge, the changes in the fair value in 2009 were recognised under "Equity – Valuation Adjustments" in the accompanying consolidated balance sheet (see Note 14.6).

The changes in 2008 in the fair value of the derivative financial instruments arranged by the Group that do not fully meet the aforementioned requirements for classification as a hedge were recognised under "Changes in Fair Value of Financial Instruments" in the consolidated income statement (see Note 17).

To determine the fair value of the interest rate derivatives (IRSs), the Group uses an in-house IRS valuation model where the inputs are the Euribor market curves and long-term swap rates to establish the fair value of the interest rate derivative structures. In order to calculate the fair value of option-based derivatives (collars), the Group uses Black-Scholes option pricing models and variations thereon, taking as an input the implied volatility in the markets for the corresponding strikes and times to expiry.

At 31 December 2009, the Group held interest rate swaps (IRSs and collars) for a total notional amount of EUR 718,467 million, expiring between 2011 and 2024. The negative impact of the change in fair value resulting from these arrangements at the end of the reporting period was approximately EUR 14,109 thousand, approximately. Of this amount, EUR 4,693 thousand were recognised under "Changes in Fair Value of Financial Instruments" in the accompanying consolidated income statement for 2009, since they did not fully qualify for hedge accounting.

4.12 Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises:

1. Sales of goods are generally recognised when the goods have been delivered and title thereto has been transferred.

2 Specifically, revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

3. Revenue from completed work or projects (in both the construction and industrial businesses) are recognised using the percentage of completion method, whereby revenue from completed work is recognised by reference to the stage of completion of the contract at year-end. Under this method, revenue is determined on the basis of the percentage of total revenue per the main contract or approved amendments or addenda thereto. This percentage is established on the basis of the proportion that costs incurred for work performed to date bear to the total contract costs.

   An expected loss on the construction contract is recognised as an expense immediately.

   Contract costs are recognised on an accrual basis, and costs actually incurred in completed construction units and costs which may be incurred in the future but must be charged to the construction units that have been currently completed are recognised as an expense.

   The application of this method for the recognition of the outcome of construction contracts is combined with the preparation of a budget for each construction contract detailed by construction unit. This budget is used as a key management tool in order to closely follow up, for each construction unit, any variances between budgeted and actual figures.

   In exceptional cases in which it is not possible to estimate the total contract profit, the total contract costs incurred are recognised and reasonably assured sales relating to completed construction work are recognised as contract revenue up to the limit of the aforementioned contract costs incurred.

   As regards construction work or projects performed on an order basis and by contract, the revenue from work performed not included in the contract, such as additional refurbishment and construction modifications, is recognised using the same method as for the main construction project, provided that there are no doubts as to their subsequent approval and that they are technically justified.

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Consequently, progress billings and the amounts to be billed for work performed are recognised in the related trade receivables account with a credit to sales.

The amount of progress billings for work not yet performed is recognised under "Advances Received on Orders" on the liability side of the balance sheet.

4. The principal activity carried out by the Real Estate Division is the sale of houses and land. Revenue from this activity is recognised when the risks and rewards of ownership of the goods have been transferred to the buyer which usually is the date on which the public deed is executed. In this regard:

   a. Sales of properties and land and the related costs are recognised in the consolidated income statement when substantially all the risks and rewards of ownership have been transferred, i.e., when the properties are delivered and the sale is executed in a public deed. The deliveries of cash by the customers as payments on account, from the date of the signing of the private agreement to the date on which the sale is executed in a public deed, are recognised under "Trade Payables" on the liability side of the consolidated balance sheet.

   b. The sales of building plots on which the Group has acquired the obligation with the local authorities to carry out urban development work, which affects all the building plots under the urban development plan, and which cannot be considered to be carried out specifically for the owners of the parcels sold, are broken down into two items: the sale of the building plot and the sale of the urban development work associated therewith.

      The revenue relating to the sale of the building plot is recognised when substantially all the risks and rewards of ownership have been transferred, usually when the property is delivered and the sale is executed in a public deed.

      The revenue attributable to the sale of the urban development work (which is determined on the basis of the projected costs of the urban development work as a whole, calculated in proportion to the square metres of the building plot sold with respect to the total square meters of the urban development work plus the estimated profit margin on the sale) is recognised when the urban development work has been substantially completed, at which time a provision is recognised for the estimated costs to be incurred in completing the work.

   c. Rental income is recognised on an accrual basis and incentive-related income and the initial costs of lease agreements are allocated to income on a straight-line basis.

   d. Asset exchange transactions. An asset exchange transaction is an acquisition of property, plant and equipment or intangible assets in exchange for the delivery of other non-monetary assets or of a combination of monetary and non-monetary assets.

      The assets received in an exchange transaction are recognised at their fair value, provided that it can be considered that the exchange has commercial substance and that the fair value of the asset received, or otherwise of the asset given up, can be reliably measured. The fair value of the asset received is taken to be the fair value of the asset given up plus, where applicable, the fair value of any monetary consideration paid in exchange, unless there is clearer evidence of the fair value of the asset received.

      In asset exchange transaction that do not meet the above-mentioned requirements, the asset received is recognised at the carrying amount of the asset given up plus the amount of any monetary consideration paid or committed on the acquisition.

      Income relating to the derecognition of assets given up in an asset exchange transaction is recognised when substantially all the risks and rewards of ownership of the asset have been transferred to the counterparty in the exchange, with the value assigned to the asset received being recognised as the balancing entry.

Amounts collected or instrumented in notes and bills under contracts executed at the balance sheet date in relation to properties not yet delivered are recognised under "Trade Payables" or "Other Non-Current Liabilities" on the liability side of the accompanying consolidated balance sheet, depending on whether they fall due in less than or more than one year, respectively.

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5. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash flows over the expected life of the financial asset to that asset's carrying amount.

6. Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

7. Government grants related to property, plant and equipment are recognised in the consolidated balance sheet as deferred income when the Group has satisfied the conditions established for their award and, consequently, there are no reasonable doubts as to their collection. These grants are allocated to income, with a credit to "Other Operating Income" in the consolidated income statement, systematically over the years of useful life of the assets, for which the grants were provided.

   Grants awarded for the purpose of covering or financing expenses incurred by the Group are recognised as income in the periods in which the related expenses are incurred once the conditions have been met.

An expense is recognised in the consolidated income statement when there is a decrease in the future economic benefits related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the recording of the increase in a liability or the reduction of an asset.

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

4.13 Borrowing costs

Borrowing costs directly attributable to the construction or production of property developments or investment property, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. If borrowings have been obtained specifically for the construction of such assets, the interest and the other capitalised finance charges relate to the actual costs incurred in the year, less the income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets. To the extent that funds have been borrowed generally, the amount of borrowing costs eligible for capitalisation is determined by applying the capitalisation rate that relates to the weighted average of the borrowing costs applicable to the average borrowings outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

However, the capitalisation of borrowing costs is suspended during extended periods in which active development of a qualifying asset is suspended.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred, on an accrual basis, using the effective interest method.

4.14 Foreign currency transactions

The Group's functional currency is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be "foreign currency balances and transactions".

On consolidation, the balances in the financial statements of the consolidated companies with a functional currency other than the euro are translated to euros as follows:

1. Assets and liabilities are translated to euros at the exchange rates prevailing on the balance sheet date.

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2. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly.

3. Equity is translated at the historical exchange rates.

4. Any translation differences arising are classified separately in equity. Such translation differences are recognised as income or as expenses in the year in which the foreign operation is realised or disposed of.

Goodwill arising on the acquisition of a foreign company is treated as an asset of the foreign company and is translated at the closing rate. Goodwill and fair value adjustments arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and are translated at the closing rate.

The detail of the principal companies which contribute assets and liabilities denominated in currencies other than the euro is as follows:

Company	Location	Activity
Constructora San José Cabo Verde, S.A.	Cape Verde	Construction
Constructora San José Argentina, S.A.	Buenos Aires (Argentina)	Construction
CIMSA Argentina, S.A.	San Luis (Argentina)	Civil works
San José Uruguay, S.A.	Colonia Sacramento (Uruguay)	Industrialisation and marketing
San José Construction Group, Inc	Washington (USA)	Construction
San José Real Estate Development, LLC	Delaware (USA)	Property development
1681 West Avenue, LLC	Delaware (USA)	Property development
Tecnoartel Argentina, S.A.	Buenos Aires (Argentina)	Maintenance and installation work
Constructora Panameña de Aeropuertos, S.A.	Panama City (Panama)	Construction
San José Perú, S.A.C.	Lima (Peru)	Construction
Inmobiliaria 2010, S.A.	Lima (Peru)	Construction and development
Rexa Constructora, S.A.	Lima (Peru)	Construction
Centro Comercial Panamericano, S.A.	Buenos Aires (Argentina)	Property development
Argentimo, S.A.	Buenos Aires (Argentina)	Property development
Inmobiliaria Sudamericana de Desarrollos Urbanísticos S.A.	Buenos Aires (Argentina)	Property development
SefriIngenieros Maroc, S.A.R.L	Morocco	Engineering and installation services
Udra Argentina, S.A.	Buenos Aires (Argentina)	Real estate
Udra México, S.A. de C.V.	Mexico	Holding company
Deconalva, S.A.	Santo Domingo (Dominican Republic)	Construction
ZIVAR – Invertimentos Imobiliários, S.A.	Lisbon (Portugal)	Property development
Carlos Casado, S.A.	Buenos Aires (Argentina)	Equity holding

None of these countries are considered to be hyperinflationary economies as defined by IAS 21.

4.15 Profit (Loss) from operations

"Profit (Loss) from Operations" in the consolidated income statement includes the profits and losses from the Group companies' ordinary operations, excluding the financial loss and the share of results in associates.

4.16 Income tax

The income tax expense of the Spanish companies and the taxes of a similar nature applicable to the consolidated foreign companies are recognised in the consolidated income statement, except when they arise

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from a transaction whose results are recognised directly in equity, in which case the related tax is also recognised in equity.

The income tax expense represents the sum of the current tax expense and the changes in the deferred tax assets and liabilities recognised (see Note 20).

The difference, if any, between the taxable profit or tax loss and the tax income or expense recognised is treated as a deferred tax asset or liability, as applicable. A deferred tax liability is one that will generate a future obligation for the Group to make a payment to the related tax authorities. A deferred tax asset is one that will generate a right for the Group to a refund or to make a lower payment to the related tax authorities in the future.

The Group's liability for current income tax is calculated using tax rates which have been approved on the balance sheet date.

Tax assets relating to tax credits and tax relief and tax loss carryforwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not deducted for tax purposes in the related tax return until the conditions for doing so established in the related tax regulations are met. The Group considers it probable that they will be deducted in future periods.

Deferred tax assets and liabilities are taxes expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the related tax bases used in the calculation of the taxable profit or tax loss. Deferred tax assets and liabilities are accounted for using the balance sheet liability method and are measured by applying to the related temporary difference or tax asset the tax rate that is expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax liability is recognised for taxable temporary differences arising from investments in subsidiaries and associates and from interests in joint ventures, except when the Group is able to control the reversal of the temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Notwithstanding the foregoing:

1. Deferred tax assets arising from temporary differences, tax credits, tax relief and tax loss carryforwards, if any, are recognised to the extent that it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised; and

2. No deferred tax liabilities are recognised for non-deductible goodwill arising on an acquisition.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Since 1 January 2006, the Parent has also been the Parent of the consolidated tax group. At 31 December 2009, the following SANJOSE group companies filed consolidated tax returns, with "Grupo Empresarial San José, S.A." (formerly "Udra, S.A") as the head of the consolidated tax group:

- Constructora San José, S.A.
- Cartuja Inmobiliaria, S.A.U.
- Desarrollos Urbanísticos Udra, S.A.U.
- Inmobiliaria Europea de Desarrollos Urbanísticos, S.A.U.
- Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U.
- San Pablo Plaza, S.A.U.
- Inversiones Patrimoniales Guadaiza, S.L.U.
- Sanjose Tecnologías, S.A.U.
- Udra Mantenimiento, S.L.U.
- Tecnocontrol Sistemas de Seguridad, S.A.U.

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- Tecnocontrol Servicios, S.A.U.
- Gestión y Selección de Personal S.L.
- Basket King, S.A.
- Arserex, S.A.
- Comercial Udra, S.A.
- Udramedios, S.A.
- Cadena de Tiendas, S.A.U.
- Trendy King, S.A.U.
- Outdoor King, S.A.U.
- Hood Sports, S.A.U.
- Fashion King, S.A.U.
- Running King, S.A.U.
- Enerxías Renovables de Galicia, S.A.
- Xornal de Galicia, S.A.U.
- Asesoramiento y Gestión Integral de Edificios, S.A.U. (AGEINSA).
- Azac, S.A.U.
- Hotel Rey Pelayo, S.L.
- Lardea, S.L.
- Parquesol Construcciones, Obras y Mantenimientos, S.L.
- Sofía Hoteles, S.L.U.
- Urbemasa, S.A.U.
- San José Concesiones y Sevicios, S.A.U.
- SanJosé Energía y Medioambiente, S.A.
- Promoción Cultura Galega 2007, S.A.
- Udramedios Editora de Galicia, S.L.

4.17 Provisions

When preparing its consolidated financial statements, the San José Group made a distinction between:

1. Provisions: credit balances covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the companies, which is certain as to its nature but uncertain as to its amount and/or timing; and

2. Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, as required by IAS 37.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

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4.17.1 Provisions for urban development costs

These provisions relate to the estimated costs not yet incurred in the urban development of previously sold plots of land (basically in relation to the second phase of the Valladolid Parquesol Subdivision Plat), estimated on the basis of technical and economic studies carried out. The distribution among the various plots of the total costs to be incurred in the urban development work is made in proportion to the square metres of the previously sold plots with respect to the total urban development area (see Note 15).

4.17.2 Provisions for completion of construction projects and warranty costs

Provisions for the completion of construction projects are recognised for the estimated amount required to meet the expenses necessary for the completion of the property developments in progress when these developments have been substantially completed, and the cost thereof is transferred to "Completed Buildings". Provisions for warranty costs, particularly after-sales expenses, other costs and the ten-year warranty required under Spanish regulations governing real estate companies, are recognised at the date of sale of the relevant products, based on the best estimate of the expenditure required to settle the Group's liability (see Note 15). However, the Group has taken out insurance policies to cover the potential risks arising from the ten-year warranty.

4.17.3 Litigation and/or claims in process

At the end of 2009 certain litigation and claims were in process against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisers and the Parent's directors consider that the outcome of litigation and claims will not have a material effect on the consolidated financial statements for the years in which they are settled.

4.18 Termination benefits

Under the legislation in force in each case, the Spanish consolidated companies and certain Group companies located abroad are required to pay termination benefits to employees terminated without just cause. There are no redundancy plans making it necessary to recognise a provision in this connection.

Also, the Company has recognised sufficient provisions under "Other Current Liabilities" on the liability side of the accompanying consolidated balance sheet at 31 December 2009 to meet the contract termination costs of temporary employees in accordance with legal provisions.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

4.19 Current/Non-current classification

In the consolidated balance sheet, assets and liabilities expected to be recovered, used or settled within twelve months from the balance sheet date are classified as current items, except for inventories, which are presented in full under "Current Assets" in the consolidated balance sheet, since it is expected that they will be realised in the normal course of the building plot and property sale business, and the liabilities associated with inventories (borrowing costs and customer advances), which are presented under "Current Liabilities" in the consolidated balance sheet, regardless of their maturity. Prior to year-end, if a liability does not give the Group an unconditional right to defer the settlement for at least twelve months from the balance sheet date, the liability is classified as a current item.

The Group holds financial liabilities which are classified as current liabilities in the consolidated balance sheet, since they are subject to the financing of current property assets. Maturities are broken down in Note 16.

4.20 Consolidated cash flow statements

The following terms are used in the consolidated cash flow statements, which was prepared using the indirect method, with the meanings specified:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

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2. Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

4. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

5. Earnings per share

5.1 Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Group (after tax and minority interests) by the weighted average number of shares outstanding during the year, excluding the average number of treasury shares held in the year. Accordingly:

	Fiscal Year 2009	Fiscal Year 2008	Change
Net profit (loss) for the year attributable to the Parent (thousands of euros)	(43,569)	(46,361)	2,792
Weighted average number of shares outstanding	65,026,083	218,640	64,807,443
Basic earnings per share (euros/share)	(0.67)	(212.07)	(211.40)

5.2 Diluted earnings per share

There was no potential dilutive effect arising from share options, warrants, convertible debt and other instruments at 31 December 2009 and, accordingly, the diluted earnings per share coincide with the basic earnings per share.

6. Segment reporting

6.1 Basis of segmentation

Segment reporting is generally structured on a primary basis by business segment and on a secondary basis by geographical segment.

Primary segments - business segments

The business lines described below were established on the basis of the organisational structure of Grupo Empresarial San José, S.A and Subsidiaries at 2009 year-end, taking into account, on the one hand, the nature of the goods and services offered and, on the other, the customer segments at which they are targeted.

In 2009 Grupo Empresarial San José, S.A. and Subsidiaries engaged mainly in the following major lines of business, which were the basis for the Group's primary segment reporting:

1. Construction (civil engineering, building construction and industrial works).

2. Property and urban development.

3. Energy Activity

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4. Concessions and Services

Also, the income and expenses that cannot be specifically attributed to any operating line are attributed to "Other".

Secondary segments - geographical segments

The Group's operations are located in Spain, the United States, Latin America (Argentina, Uruguay, Peru, Panama, Paraguay and Chile) and other European countries (Portugal and France).

6.2 Basis and methodology for segment reporting

Segment revenue is revenue that is directly attributable to the segment.

This revenue does not include interest or dividend income or gains arising from sale of investments or redemption or settlement of debts. The Group includes in segment revenue the share of results of associates and joint ventures accounted for using the equity method and the share of the revenue of proportionately consolidated joint ventures.

Segment expense is expense resulting from the segment's operating activities that is directly attributable to the segment. These expenses do not include interest or losses arising from the sale of investments or redemption or settlement of debts, income tax expense or general administrative expenses corresponding to the head office that are not related to the operating activities of the segments. Segment expense includes the share of the expenses of proportionately consolidated joint ventures.

The segment's results are presented before any adjustments relating to the consolidation process, which are included in the "Consolidation Adjustments" column.

Segment assets and liabilities are those directly related to the operations of the segments and include the proportional part relating to joint ventures. Segment liabilities do not include income tax liabilities.

Segment information about these businesses is presented below. The Group has classified segments according to the already existing ones at internal control level by the Group Management. Since changes have little impact, the current classification was followed for the presentation of the information for 2008. This way, information can be compared easily:

Year 2009:

	Thousands of Euros					
	Construction	Real estate and urban development	Energy	Concession and services	Adjustments and other	TOTAL
Revenues:						
Net Revenue						
External sales	889,162	141,872	4,800	32,700	15,065	1,083,599
Inter-segment sales	20,940	688	-	1,985	(23,613)	-
	910,102	**142,560**	**4,800**	**34,685**	**(8,548)**	**1,083,599**
Profit:						
Profit (Loss) from operations	43,653	(22,484)	340	1,702	(10,400)	12,811
EBITDA	56,672	14,395	1,306	1,791	(3,076)	71,088
Associates Profit (loss)	3,102	(4,727)	-	-	(76)	(1,701)
Investment income	12,798	6,530	2	50	(10,744)	8,636
Finance and similar costs	(15,791)	(72,363)	(29)	(135)	8,474	(79,844)
Profit/(Loss) before tax	**36,805**	**(115,211)**	**680**	**1,618**	**7,531**	**(68,579)**

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Sales between segments take place at market prices and consist mainly in construction, real estate and urban development transactions.

Year 2008:

	Thousands of Euros					
	Construction	**Real estate and urban development**	**Energy**	**Concession and services**	**Adjustments and other**	**TOTAL**
Revenues:						
Net Revenue						
External sales	1,159,995	139,133	3,390	30,500	16,687	1,349,705
Inter-segment sales	52,318	-	-	-	(52,318)	-
	1,212,313	**139,133**	**3,390**	**30,500**	**(35,631)**	**1,349,705**
Profit:						
Profit (Loss) from operations	31,045	(80,870)	272	2,112	38,266	(9,175)
EBITDA	48,721	25,630	1,158	2,121	4,494	82,124
Associates Profit (loss)	386	(6,387)	-	-	(386)	(6,387)
Financial Results	3,312	(57,629)	(115)	(537)	(29,060)	(84,029)
Profit/(Loss) before tax	**34,742**	**(144,886)**	**158**	**1,575**	**8,819**	**(99,592)**

Information regarding the amount of assets and liabilities contributed to the Group by the defined segments is as follows:

	Thousands of Euros											
	Construction		Real estate and urban development		Energy		Concession and services		Adjustments and others		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Other disclosures: Additions to fixed assets:												
In Spain	120	867	22,719	2,139	6	-	8,387	7,328	1,915	852	33,147	11,186
Abroad	1,225	55,024	865	399	-	-	-		-	-	2,090	55,423
	1,345	55,891	23,584	2,538	6	-	8,387	7,328	1,915	852	35,237	66,609
Depreciation and amortisation charge	2,808	4,026	10,424	9,365	248	1,264	930	-	210	415	14,620	15,070
Balance sheet												
Assets- Segment assets-												
In Spain	713,389	1,089,406	2,302,134	1,886,891	5,673	5,881	107,781	111,753	(597,458)	(424,461)	2,531,519	2,669,469
Abroad	164,571	173,478	243,111	309,146	-	-	-	-	53,887	-	461,569	482,624
	877,960	1,262,884	2,545,245	2,196,037	5,673	5,881	107,781	111,753	(543,571)	(424,461)	2,993,088	3,152,093
Liabilities- Segment liabilities	652,534	1,079,191	2,092,726	1,794,381	11,970	5,179	89,782	98,403	146,076	174,939	2,993,088	3,152,093

There are no significant non-operating assets.

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Secondary segment reporting

The breakdown of certain of the Group's consolidated balances based on the geographical location of the companies that gave rise to them is as follows:

	Thousands of Euros					
	Net Revenue (INCN)		Total Assets		Additions to property, plant and equipment and investment property	
	2009	2008 (*)	2009	2008	2009	2008
Spain	882,416	1,098,846	2,520,011	2,671,529	22,164	11,186
Portugal	130,472	163,092	260,013	173,364	-	411
Cape Verde	7,035	-	12,650	-	-	-
United States	30	98	5,251	7,338	-	-
Argentina	53,417	43,599	131,471	256,563	1,161	54,383
Uruguay	-	-	153	153	-	-
Peru	5,128	29,655	28,963	12,281	402	531
Panama	-	25	2,801	1,315	-	-
France	1,413	271	21,824	17,231	-	-
Germany	-	-	164	-	-	-
Domican Republic	3,688	13,174	-	789	-	-
Brazil	-	-	9,787	-	527	-
Other	-	945	-	11,530	-	98
TOTAL	**1,083,599**	**1,349,705**	**2,993,088**	**3,152,093**	**24,254**	**66,609**

(*) The breakdown of Net Revenues (INCN) per country presented in the Group's consolidated notes for 2008 showed some inaccuracies. Such inaccuracies have been rectified for these notes.

7. Property, plant and equipment

The changes in 2009 and 2008 in "Property, Plant and Equipment" in the consolidated balance sheet were as follows:

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Year 2009:

	Thousands of Euros				
	Land and buildings	Technical plants and machinery	Other property, plant and equipment	Current fixed assets	Total
Cost:					
Balances at 1 January 2009	80,243	18,351	44,238	6,902	**149,734**
Additions due to changes to the scope of consolidation	2	-	1,845	-	**1,847**
Disposals due to changes to the scope of consolidation	-	(1,481)	-	-	**(1,481)**
Additions	239	715	910	7,512	**9,376**
Disposals	(1,898)	(1,401)	(797)	-	**(4,096)**
Exchange differences (net)	(1,333)	(21)	(51)	(1)	**(1,406)**
Transfers and other	(772)	(2,982)	(339)	(120)	**(4,213)**
Balances at 31 December 2009	76,481	13,181	45,806	14,293	**149,761**
Accumulated amortisation:					
Balances at 1 January 2009	**(4,125)**	**(11,497)**	**(25,248)**	-	**(40,870)**
Additions/Disposals (net) due to change in the scope of consolidation	(9)	1,100	-	-	**1,091**
Provisions	(955)	(720)	(3,346)	-	**(5,021)**
Disposals	17	154	703	-	**874**
Exchange differences	-	30	48	-	**78**
Transfers and other	(1,502)	2,190	(2,594)	-	**(1,906)**
Balances at 31 December 2009	**(6,574)**	**(8,743)**	**(30,437)**	-	**(45,754)**
Impairment losses					
At 31 December 2008 -	**(776)**	-	-	-	**(776)**
Transfers					
Disposals		174			**174**
Balances at 31 December 2009	**(776)**	**174**	-	-	**(602)**
Total property, plant and equipment	**69,131**	**4,612**	**15,369**	**14,293**	**103,405**

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Year 2008:

	Thousands of Euros					
	Land and buildings	Plant and machinery	Other fixtures, tools and furniture	Other property, plant and equipment	Current fixed assets	Total
Cost:						
Balances at 1 January 2008	**190,681**	**27,866**	**25,758**	**16,693**	**3,213**	**264,211**
Additions due to changes to the scope of consolidation	54,642	173	283	259	6,781	**62,138**
Disposals due to changes to the scope of consolidation	(2,779)					**(2,779)**
Additions	550	1,202	1,519	395	17	**3,683**
Disposals	-	(580)	(885)	(886)	(12)	**(2,363)**
Exchange differences (net)	-	(129)	(40)	(8)	(5)	**(182)**
Transfers and other	(162,851)	(10,181)	(2,557)	3,707	(3,092)	**(174,974)**
Balances at 31 December 2008	80,243	18,351	24,078	20,160	6,902	**149,734**
Accumulated amortisation:						
Balances at 1 January 2008	**(21,863)**	**(15,845)**	**(20,790)**	**(8,291)**	-	**(66,789)**
Additions/Disposals (net) due to change in the scope of consolidation	(18)	-	-	(321)	-	**(339)**
Provisions	(579)	(2,221)	(1,319)	(2,375)	-	**(6,494)**
Disposals	-	650	778	728	-	**2,156**
Exchange differences	-	3	2	36	-	**41**
Transfers and other	18,335	5,916	10,327	(4,023)	-	**30,555**
Balances at 31 December 2008	**(4,125)**	**(11,497)**	**(11,002)**	**(14,246)**	-	**(40,870)**
Impairment losses						
At 31 December 2007	(22,617)	-	-	-	-	**(22,617)**
Transfers	22,085	-	-	-	-	**22,085**
Additions	(244)	-	-	-	-	**(244)**
Balances at 31 December 2008	**(776)**	-	-	-	-	**(776)**
Total property, plant and equipment	**75,342**	**6,854**	**13,076**	**5,914**	**6,902**	**108,088**

"Additions/Disposals (net) due to change in the scope of consolidation" mainly includes:

- Disposals for EUR 1.4 million corresponding to Deconalva's exit from the scope of consolidation (see Note 2. d)
- Additions for 1.8 corresponding to Xornal Galinet, mainly related to the first consolidation difference allocated as higher value of computer software from said company (see Note 2.4.1).
- Additions for EUR 7.5 million corresponding to works conducted at Parc de L´Alba polygeneration plant.

The following items are included as part of the net balance at 31 December 2009 included in the table above:

1. EUR 54 million, corresponding to net property, plant and equipment owned by Group companies and subsidiaries settled abroad. Mainly corresponding to the companies mentions in Note 4.14.

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2. EUR 6,799 thousand corresponding to net property, plant and equipment that consolidated companies acquired under finance lease.

The breakdown of assets at 31 December 2009 is as follows:

	Thousands of Euros
Term of Contracts (years)	10
Value in cash	6,799
Pending installments (Note 16.1)	
Non-current	5,871
Current	928

Finance lease agreements signed by the Company at 2009 and 2008 year-ends are the following:

1. Thermal Power Installation at Puerto Real Hospital. The lease term commenced on 20 December 2005 for a period of 114 months. The nomial amount of the purchase option is EUR 65,942. In addition, the rent paid in 2009 and 2008 amounted to EUR 845,223 and EUR 867,015, respectively, which included a finance charge of EUR 261,773 and EUR 283,565, respectively.

2. Thermal Power Plant for Torrecárdenas Hospital. The lease term commenced on 22 May 2008 for a period of 10 years. The nominal amount of the purchase is EUR 32,794. The rent paid in 2009 and 2008 amounted to EUR 554,777 and EUR 162,115, respectively which included a finance charge of EUR 161.243 and EUR 157.649, respectively.

3. Other minor amounts corresponding to machinery.

At 31 December 2009, the cost of the land upon which property for own use is located amounted to EUR 57 million approximately.

At 31 December 2009, property, plant and equipment for own use with a gross value of approximately EUR 15.8 million had been fully depreciated.

It is part of the Group policy to take out insurance policies to cover the possible risks to which its property, plant and equipment are subject.

At 31 December 2009, there are specific properties acting as collateral for part of the loan syndicated by the Group which amount to EUR 52,270 thousand.

At 31 December 2009, the Group's property, plant and equipment's fair value amounts to EUR 27,210 thousand.

8. Investment Property and Investment Property in Progress

Investment property

The balance of investment property arose mainly from the inclusion in the Group of the Parquesol Group in 2007 and of the property assets of the subgroup San José Desarrollos Inmobiliarios, S.A. (formerly Inmobiliaria Udra, S.A.). The detail of "Investment Property" and changes therein in 2009 and 2008 is as follows:

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Year 2009:

	Thousands of Euros			
	Cost	Depreciation	Impairment losses	Net
Balances at 31 December 2008	**482,797**	**(39,357)**	**(6,207)**	**437,233**
Additions	642	(9,479)	(10,428)	(19,265)
Disposals	(38)	-	1,542	1,504
Translation differences	(1,159)	514	189	(456)
Transfers and other (Note 12)	99,661	2,783	(7,230)	95,214
Balance at 31 December 2009	**581,903**	**(45,539)**	**(22,134)**	**514,230**

Year 2009:

	Thousands of Euros			
	Cost	Depreciation	Impairment losses	Net
Balance at 31 December 2007	**417,931**	**(28,807)**	**(7,069)**	**382,055**
Additions	788	(8,246)	(3,000)	(10,458)
Disposals	(37,683)	908	160	(36,615)
Translation differences	(588)	390	(349)	(547)
Transfers and other (Note 7)	102,349	(3,602)	4,051	102,798
Balance at 31 December 2008	**482,797**	**(39,357)**	**(6,207)**	**437,233**

The cost of the investment property at 31 December 2009 includes approximately EUR 268 million and EUR 189 million, respectively, relating to the carrying amount of the land relating thereto.

Main additions, disposals and transfers in 2009 and 2008

No significant additions or disposals took place in 2009 under this item. In 2008 certain non-strategic investment property items were sold for a total price of EUR 19.2 million giving rise to gains of EUR 8.7 million, which were recognised under "Gains on disposal of investment property" in the accompanying consolidated income statement.

In 2009, the Parent Company has concluded the construction of a shopping centre in Algeciras. During the entire construction period, the Group has maintained said element under "Inventories" in the accompanying consolidated balance sheet (see Note 12). Upon conclusion, it was reclassified as "property investment", following the Group's intention to manage it. The cost of said element, as well as its accumulated impairment, upon property's conclusion, amounted to EUR 117,846 thousand and EUR 41,118 thousand, respectively.

Use or nature of the investment property

Substantially all of the Group's investment property relates to properties earmarked for lease. The detail of the use or nature of the Group's investment property at 31 December 2009 and 2008, based on its principla use and on an approximate basis *(excluding garage space)*, is as follows:

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Lease purpose	2009		2008	
	Area for lease m2	Percentage	Area for lease m2	Percentage
Offices	102,305	59%	95,415	47%
Hotels	42,985	17%	36,885	18%
Shopping Centres	39,774	14%	6,388	3%
Other	68,374	10%	64,965	32%
	253,438	**100%**	**203,653**	**100%**

The Group's gross area for lease increased in 2009 approximately 50 thousand square metres. This increase mainly responds to the conclusion and commissioning of the Algeciras shopping centre and the conclusion of the Sofía Hotel and the change in the use of the offices located at Pozuelo, which used to be for own use and are now currently being leased.

Mortgaged investment property

At 31 December 2009, certain investment property with a carrying amount of approximately EUR 103,801 had been mortageged as security for the repayment of a bank loan and a loan syndicated by the Group for EUR 353,290 thousand.

Fair value of the investment property

Each year the Group commissions studies from independent valuers to determine the fair values of its investment property at the balance sheet date. At 31 December 2009 and 2008, the aforementioned studies were conducted mainly by Savills España, S.A. (in 2008, some property assets owned by the Group were also valued by "Jones Lang LaSalle España, S.A." Such valuations were performed on the basis of the sale value and lease value of the property on the market (which consists of capitalising the net income from each property and discounting future flows), as defined by the Royal Institution of Chartered Surveyors (RICS) and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), which group together international and European asset valuation institutions. The fair value was calculated using the discount rates acceptable to a prospective investor and in line with those applied by the market for properties of similar characteristics in similar locations.

As a result of the current situation of the market, the fair values of certain of the Group's investment property items fell in 2009. Consequently, a net impairment loss of EUR 8,129 thousand was recognised with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated income statement for 2009, in order to adjust the carrying amount of certain properties to their estimated realisable value, determined on the basis of the aforementioned appraisals (see Note 22.9).

At 31 December 2009 and 2008, the fair value of the Group's investment property based on the aforementioned studies amounted to approximately EUR 639 million and EUR 601 million, respectively, including the "Investment Property in Progress" accounts.

Investment property rental income and expenses

At 31 December 2009, four hotels, one residential home for the elderly and a significant proportion of the Group's commercial premises and office buildings had been leased out to third parties under operating leases (at 31 December 2009 and 2008 the occupancy rate of the principal buildings was approximately 83% and 93% respectively, even though this reduction is mostly caused by the increase in the absolute value of the area for lease).

The detail, by maturity, of the lease payments payable to the Group under the operating leases and subleases contracted for by the Group with third parties at 31 December 2009 and 2008 is as follows:

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Term	Thousands of Euros 2009	2008
Up to one year	26,168	22,249
Between one and five years	55,524	54,089
Over five years	54,480	36,708
	136,172	**113,046**

The calculation was made taking into account the drop in rental income on the first day of each year and without taking into account increases in the CPI. Also, in the case of the variable rentals, the values for 2009 were used.

Insurance policy

The Group takes out insurance policies to cover the possible risks to which its investment property is subject. The Parent's directors consider that the insurance coverage arranged is sufficient.

Property developments in progress

The changes in 2009 and 2008 in "Property developments in progress" in the consolidated balance sheet were as follows:

	Thousands of Euros
Balances at 31 December 2008	**28,007**
Income	11,116
Balances at 31 December 2008	**39,123**

The balance of "Property developments in progress" at 31 December 2009 and 2008 relates to the costs incurred in the acquisition of buildable plots (approximately EUR 16 million and EUR 18 million, respectively) and in the construction thereon of buildings for lease which at those dates were under construction. The most significant data relating to this property are as follows:

Project	Thousands of Euros 2009	2008
Industrial sections Parque Laguna (Valladolid)	2,435	2,435
Apartotel in Pozuelo de Alarcón (Madrid)	13,581	13,581
Hotel in Málaga	22,700	11,991
Other	407	-
	39,123	**28,007**

The construction of the Málaga Hotel, which will be leased, is expected to conclude in 2010. There is a 20-year lease agreement signed with Vinci, S.A. for an approximate fixed annual amount of EUR 954 thousand plus a variable payment.

There are specific properties at 31 December 2009 acting as collateral for part of the loan syndicated by the Group for EUR 29,297 thousand.

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9. Goodwill

9.1 Breakdown and significant changes

The detail of "Goodwill" in the consolidated balance sheets, based on the companies giving rise to the various items, is as follows:

	Thousands of Euros	
	2009	2008
Sanjose Tecnologías subgroup	738	738
Cartuja Inmobiliaria, S.A.U.	600	600
San José Perú, S.A.	1,601	1,601
San José Infraestructuras y Servicios, S.A.	-	238
Rexa Constructora, S.A. (formerly Esparq Constructora, S.A.)	252	252
Inmobiliaria 2010, S.A. (formerly Espinosa Arquitectos, S.A.)	1,136	1,136
Constructora San José, S.A.	7,663	6,770
San José Desarrollos Inmobiliarios Subgroup	2,987	2,987
Other	488	1,114
Gross total	**15,465**	**15,436**
Net total	**15,465**	**15,436**

Based on the estimates and projections available to Group management, the projected income of these companies attributable to the Group adequately supports the carrying amount of the recognised goodwill allocated to the related cash-generating units.

The changes (gross amounts) in 2009 and 2008 in "Goodwill" in the consolidated balance sheet are as follows:

	Thousands of Euros	
	2009	2008
Opening balance	15,436	60,550
Additions	-	1,601
Disposals	-	(3,231)
Definitive allocation of excess amounts relating to Parquesol	-	(44,145)
Other	29	661
Closing balance	**15,465**	**15,436**

In addition, as a result of the purchase of Parquesol Group and Carlos Casadoxcess Group in 2007 and 2008, respectively, excess amounts paid in the takeover of these companies were allocated as higher value of the acquired property assets and property plant and equipment.

Under IFRS 3 "Business Combinations", the fair values of the acquired assets may be reviewed up to one year after the purchase date. In 2008 the SANJOSE Group made another allocation of the excess amount paid in the takeover of Parquesol Inmobiliaria y Proyectos, S.A. in 2007 based on the best information of the assets and liabilities acquired in the aforementioned business combination, as follows:

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	Thousands of Euros
Acquisition price	475,508
Underlying carrying amount	134,792
Net excess amount	340,716
Fair value of the assets and liabilities	
Non-current assets	80,289
Current assets	591,882
Deferred tax	(99,611)
Net asset revaluation	572,560
Portion attributable to minority interests	(231,844)
Goodwill	-

Total revaluation of assets derived from this purchase operation revealed in the Group's consolidated financial statements for EUR 672,171 thousand, is reverted through registration in the income statement, according to the sales made in each fiscal year. The same applies to revaluations of amortisable assets through the periodic effect of amortisations. The breakdown of registrations in the Group's consolidated income statement, before tax, is as follows:

	Thousands of Euros
Recognitions at 31 December 2008	
-Greater costs to sell	(29,046)
-Amortisation	(2,851)
-Impairment of inventories	(27,509)
	(59,406)
Recognitions for 2009	
-Greater Costs to Sell	(27,651)
-Amortisation	(1,437)
-Impairment of inventories	(20,324)
	(49,412)
Total carried forward at 31 December 2009	**(108,818)**
Revaluation to be carried forward at 31 December 2009	**563,353**

10. Other intangible assets

"Other Intangible Assets" includes the Group's concessions and licences. The detail of "Other Intangible Assets" in the consolidated balance sheets at 31 December 2009 and 2008 and of the changes therein is as follows:

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Year 2009:

	Thousands of Euros
Cost:	
Balances at 31 December 2008	3,678
Additions/Disposals (net) due to change in the scope of consolidation	-
Additions	1,273
Disposals	(13)
Transfers and other	(422)
Balances at 31 December 2009	4,516
Accumulated amortisation:	
Balances at 31 December 2008	(1,939)
Additions/Disposals (net) due to change in the scope of consolidation	-
Provisions	(120)
Disposals	
Transfers	(520)
Balances at 31 December 2009	(2,579)
Impairment losses-	
At 31 December 2009	-
Total intangible assets	**1,937**

Year 2008:

	Thousands of Euros
Cost:	
Balances at 1 January 2008	932
Additions/Disposals (net) due to change in the scope of consolidation	3,425
Additions	462
Disposals	(12)
Transfers and other	(1,129)
Balances at 31 December 2008	3,678
Accumulated amortisation:	
Balances at 1 January 2008	(126)
Additions/Disposals (net) due to change in the scope of consolidation	(2,061)
Charge for the year	(330)
Disposals	11
Transfers	567
Balances at 31 December 2008	(1,939)
Impairment losses	
At 31 December 2008	-
Total intangible assets	**1,739**

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No impairment losses have been recognised.

At 31 December 2009, there were no intangible assets developed internally by the Group or intangible assets with an indefinite useful life.

11. Investments accounted for using the equity method

The Group's most significant investments in associates at 31 December 2009 and 2008 were as follows:

	Thousands of Euros	
	2009	2008
Desarrollo Urbanístico Chamartín, S.A.	15,101	11,122
Panamerican Mall, S.A.	20,245	16,729
Pontegrán, S.L.	8,654	8,278
Zonagest, S.L.	712	966
Nuevo Parque de Bomberos, S.A.	456	537
Corporación San Bernat, SCR, SA (Corsabe)	6,820	6,666
Pinar de Villanueva	9,394	-
Companies of Parquesol Group	-	520
Other	(622)	205
Net total	**60, 760**	**45,023**

At 31 December 2009, the ownership interest in Zonagest S.L. included goodwill of EUR 844 thousand. This goodwill is allocable to unrealised gains on the property assets owned by the company, which were appraised as indicated in Note 12.

The gross changes in 2009 in "Investements accountied for using the equity method" in the consolidated balance sheet were as follows:

	Thousands of Euros	
	2009	2008
Opening balance	**45,023**	**72,048**
Profit for the year	1,599	151
Change in consolidation method: C. Casado (Note 2.4)	-	(23,263)
Change in consolidation method: Corsabe (Note 2.4)	-	6,666
Capital payments payable	4,132	(8,264)
Received dividends	(2,026)	(7,237)
Panamerican Mall capital increase (Note 2.4)	5,618	5,911
Translation differences	(2,102)	-
Transfers	9,000	-
Other	(484)	(989)
Closing balance	**60,760**	**45,023**

"Result of companies accounted for using the equity method" includes the recognition of an additional impairment loss of EUR 3,300 thousand for Grupo Antigua Rehabilitalia S.A. due to the decline in value of its assets, based on the appraisals of independent valuers (see Note 12). At 31 December 2009, there is total provision for liabilities and charges related to this joint ownership which amounts to EUR 9,838 thousand (see Note 5).

In 2009, the Group Company "Centro Comercial Panamericano, S.A" has increased its equity interest in its investee "Panamerican Mall" amounting to ARS 24,022 thousand by means of capitalisation of trade credits, which has

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caused the share capital of the latter to increase from ARS 405,721 thousand to ARS 429,743 thousand. Such operation has not entailed any changes whatsoever to the Group's percentage of ownership interest in the aforementioned company.

The transfers that took place during the year, totalling EUR 9,000 thousand are relative to the re-classification of the excess amounts allocated in the investments in company Pinar de Villanueva, S.A. At 31 December 2008 it was entered as the Group's highest real estate investing amount.

In 2009, half of the pending disbursements were paid totalling EUR 4,132 thousand, which comprehensively correspond to the investments in the company "Desarrollos Urbanísticos Chamartín, S.A." Payment of the remaining amounts shall be set for 2010.

The dividends relate to those recognised in 2009 by Constructora San José, S.A. from its investment in Corsabe.

Appendix II lists the main investments in associates, including the name, country of incorporation and the Group's percentage of ownership.

These companies had total assets of EUR 376 million and liabilities of EUR 264 million at 31 December 2009 and obtained revenue of EUR 13 million in 2009.

12. Inventories

The breakdown of the balance of "Inventories" in the accompanying consolidated balance sheets at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Plots	884,755	914,251
Raw materials and other supplies	867	7,732
Developments under construction	329,651	419,152
Long-cycle developments under construction	291,066	218,466
Short-cycle developments under construction	38,585	200,686
Completed construction work	175,774	148,998
Advance payments to suppliers	29,929	27,860
Other	11,866	271
Impairment of inventories	(103,553)	(66,377)
	1,329,289	**1,451,887**

Borrowing costs for financing the development of property inventories incurred in the year are capitalised by the Company only when they are associated with those inventories whose production cycle is longer than a year. The amount capitalised in this way for 2009 has risen to EUR 9,950 thousand.

The construction of the Algeciras shopping centre was concluded in 2009. Said element was recorded under "Inventories" in the balance sheet during the entire construction period. Upon conclusion, it was reclassified as "Investment property", following the Group's intention to manage it. The cost of said element, as well as its accumulated impairment, upon property's conclusion, amounted to EUR 117,846 thousand and EUR 41,118 thousand, respectively.

Land and plots

This account balance corresponds to the acquisition price of several plots of land in their final phase or under urban management at 31 December 2009 basically for residential purposes (even though there are also institutional or industrial plots). These assets are located in the provinces of Valladolid, Madrid, Guadalajara, Alicante, Málaga and Seville, and the Group has planned to allocate them to direct sale or property development by Group companies.

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In 2009, the Group has received several plots located in Vicalvaro (Madrid), Manilva (Málaga) and Lisbon (Portugal) to offset customer debts for EUR 5,829 thousand. At 31 December 2009, the fair value of said plots amounted to approximately EUR 15 million.

There were several plots owned by the Group at 31 December 2009 used as collaterals of mortgage loans or developer loans granted by banks totalling EUR 62,680 thousand (see Note 16.1). In addition, several assets included under this item act as collateral for part of the loan syndicated by the Group for 375,631 thousand euros.

At 2009 year-end the Group owned land with a total area of 2,893,646 m2, of which 1,663,699 m2 are buildable. The detail, by location, of the Group's land is as follows:

	Total m^2
Spain	1,243,413
United States	2,086
Portugal	99,543
Argentina	1,448,381
Peru	65,840
Brazil	34,383
	2,893,646

Land purchase commitments

At 31 December 2009, the Group had entered into various memorandums of understanding or agreements with purchase options for land totalling approximately EUR 73,020 thousand, of which the Group had paid EUR 23,418 thousand at that date. The latter amount is recognised under "Advance payments to suppliers" in the accompanying consolidated balance sheet at 31 December 2009. Said land is located in Atarfe, Granada (20,566 m^2 of land); Pozuelo de Alarcón, Madrid (20,000 m^2 of land) and Liencres, Santander (47,016 m^2 of land). The total amount for the memorandums of understanding amounts to EUR 10,191, EUR 48,411 and EUR 14,419 thousand, respectively. The total fair value of said assets, based on Savills valuation, conducted at 31 December 2009, amounts to EUR 139.7 million. Observance of said commitments is subject to compliance of specific urban milestones.

"Advances to suppliers" also includes advances amounting to EUR 2,886 thousand for the purchase of different properties in Sant Just Desvern (Barcelona) and the municipality of Los Barrios (Cádiz). The Group is currently assessing the possibility not to execute the purchases referred to by those advances and recover the payments made.

All these contracts were entered into in prior years.

The valuation of the assets referred to in the above-mentioned agreements exceeds the total cost of the purchase, when it is made.

Developments under construction

The balance of this account at 31 December 2009 corresponds to costs incurred from the beginning in different property developments under construction at said date.

The main property developments included under this item at 31 December 2009 are the following:

- San Pablo Plaza Shopping Centre, in Seville.
- Residencial Barama (Carambuco Phase II), in Málaga.
- Parque Libertades, in Seville.
- Vistahermosa Development, in Valladolid.
- Pueblo Serena, in Mijas Costa, Málaga.

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- Studies in Marqués de Monteagudo street, in Madrid.
- Former Tobacco Factory, in A Coruña.
- Building at Plaza de Compostela, in Vigo, Pontevedra.
- Development in land owned by Feria Internacional del Pacífico in Lima, Peru.

Several property developments under construction at 31 December 2009 are mortgaged as collaterals for developers loans jointly amounting at said date to EUR 136,710 thousand (see Note 16).

Finished buildings

The main property developments included under this item at 31 December 2009 are the following:

- Viñadelmar Development in La Manga del Mar Menor in Murcia.
- El Pinar del Parque Development in Navalcarnero, Madrid.
- Jardines de Zorrilla Development in Valladolid.
- Parque Usera in Madrid.
- Mirabella Development in Casares, Málaga.
- Residencial Babaco in Churriana, Málaga.
- Alameña Residencial in Sevilla.
- Maia Building in Porto, Portugal.
- Maia Building in Porto, Portugal.
- Maia Building in Porto, Portugal.
- Camposoto Building in San Fernando, Cádiz.

At 31 December 2009, many of these properties were mortgaged as security for the repayment of several bank loans granted to the Company by certain financial entities, jointly amounting at said date to EUR 101,295 thousand (see Note 16.1).

Commitments to sell property developments in progress and completed buildings

At 31 December 2009, the Group had entered into private agreements and reservation documents for the sale of property developments in progress and completed buildings at that date, for a total amount of EUR 61,063 thousand, for which the Group had received advances from the related customers totalling EUR 9,032 thousand at 2009 year-end (see Note 18.3).

Inventories subject to litigation

At 31 December 2009 and 2008, "Inventories" included EUR 7,936 thousand in relation to the cost of a buildable plot located in calle Jacinto Benavente, Marbella, Málaga.

Local associations have filed legal claims in relation to this buildable plot. The effects of the construction permit granted by Marbella Municipal Council to the Group company Lardea, S.L. had been suspended and the construction work performed by the company on the above plot was halted.

Neither Lardea, S.L. nor its legal representatives have been charged with any offence, are appearing in the proceeding as an aggrieved party and have filed a claim for property damage liability against Marbella Municipal Council. At the date of these financial statements, these court proceedings were still in progress.

The Parent's management and directors consider that under no circumstances will the outcome of the court proceedings in progress result in material losses for the Group.

Impairment losses on inventories

Based on cost and income estimates at 2009 year-end, the directors of the Company expect all the property developments completed or in progress at 31 December 2009 and the land and buildable plots (through property developments or the direct sale) to give rise to a profit.

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In this regard, each year the Company commissions studies from independent valuers to determine the fair values of its inventories at the balance sheet date. At 31 December 2009, these studies were conducted by Savills España, S.A. and the valuations were performed on the basis of the definition of the Royal Institution of Chartered Surveyors (RICS) and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), which group together international and European asset valuation institutions.

The comparison method (for finished products) and the static and dynamic residual method (basically for plots of land and developments under construction) were used to calculate the fair value. Under the Residual Method, the residual value of the property in question is obtained by discounting the cash flows calculated on the basis of projected expenses and income at the rate established, taking into account the period until these flows are realised. The total cash receipts deemed to have been received prior to the valuation date are added to this amount to thus obtain the total value. The discount rate used is that which represents the average annual return on the project, without taking borrowings into account, that an average developer would obtain from a development similar to that analysed.

This discount rate is calculated by adding the risk premium determined by evaluating the risk of the development, taking into account the property asset to be constructed, its location, liquidity, the construction period and the investment required) to the risk-free interest rate. When the determination of the cash flows takes into account borrowings, the aforementioned risk premium is increased in proportion to the percentage of the borrowings (degree of leverage) attributed to the project and the habitual interest rates in the mortgage market.

At 31 December 2009, the fair value of the Company's inventories based on the aforementioned study amounted to approximately EUR 1,651 million, far in excess of the book value.

Insurance policy

The Group takes out insurance policies to cover the possible risks to which substantially all its inventories are subject. The Parent's directors consider that the insurance coverage arranged is sufficient.

13. Non-current assets

13.1 Trade and other receivables

"Trade and Other Receivables" in the accompanying consolidated balance sheet includes the present value of uncollected revenue, measured as indicated in Note 4.8, contributed by the Group's various lines of business and which form the basis of the profit or loss from operations.

The detail of "Trade receivables for sales and services" at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Progress billings receivable and trade receivables for sales	442,437	574,375
Amounts to be billed for work performed	113,454	122,249
Retentions	29,871	36,398
Trade receivables from real estate customers	9,734	20,944
Impairment losses	(23,873)	(22,069)
Total current	**571,623**	**731,897**
Advances (Note 18)	(73,227)	(76,966)
Total net accounts receivable	**498,396**	**654,931**

Group management considers that the carrying amount of trade and other receivables approximates their fair value.

"Amounts to be billed for work performed" includes the work performed during the year but not yet billed to customers, which is recognised as period revenue in accordance with the method of recognition of revenue for completed construction work (completion of the works), based on the percentage of completion method used by the Group (see Note 4.12). The current liabilities "Advances" item from the consolidated balance sheet at 31 December

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2009 includes EUR 49,547 thousand corresponding to "Amounts to be billed for work performed", which is recognised as the Group's lowest period revenue in accordance with the method of recognition of revenue based on the percentage of completion method (see Note 18.3).

The balance of "Trade Receivables from Real Estate Customers" at 31 December 2009 relates to both trade receivables for the sale of buildings (documented in notes and bills) and to lease receivables.

In some cases, the Group companies sell trade receivables to banks, without the possibility of recourse against them in the event of default. The receivables sold at year-end, which were deducted from the balance of accounts receivable, totalled EUR 8,131 thousand. This amount is fully derived from investments from Constructora San José, S.A. in joint ventures (see Annex III). These transactions bear interest at normal market rates. The Group companies continue to manage collection. Also, future collection rights arising from construction project contracts awarded under the "total price payment" system were sold for EUR 15,451 thousand. This amount was deducted from the balance of "Amounts to be billed for work performed".

Substantially all the risks (bad debts and late payment) and rewards associated with the receivables, as well as control over the receivables, were transferred through the sale of the receivables, since no repurchase agreements have been entered into between the Group companies and the banks that have acquired the assets, and the banks may freely dispose of the acquired assets without the Group companies being able to limit this right in any way. Consequently, the balances receivable relating to the receivables sold under the aforementioned conditions were derecognised.

The Group does not have a significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The distribution, by public and private sector, of the accounts receivable at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Public-sector customers	348,714	411,894
Private-sector customers	222,909	320,003
	571,623	731,897

The average collection period for the trade receivables is approximately 190 days.

13.2 Cash and cash equivalents

"Cash and Cash Equivalents" includes the Group's cash and short-term deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value (there are no restrictions on the availability of these balances).

The detail of these balances at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Cash equivalents	99,311	44,854
Cash on hand	450	454
Cash at banks	79,159	98,483
Total cash and cash equivalents	**178,920**	**143,791**

Out of the total balance of this item, EUR 45,825 thousand correspond to joint ventures.

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13.3 Other current financial assets

"Other current financial assets" includes deposits at banks, short-term deposits and other receivables maturing in over three months.

13.4 Non-current assets and Loans to related companies

The detail of "Loans to related companies" and "Other financial assets" in the accompanying consolidated balance sheet at 31 December 2009 and of the changes therein in 2009 were as follows:

	Thousands of Euros				
	Available for sale investments	Loans to related companies	Other investments	Provisions	Total
Balance at 1 January 2008	**7,704**	**16,473**	**1,741**	**(974)**	**24,944**
Additions or charge for the year	-	-	6,273	-	6,273
Outflows, write-offs or reductions	(715)	(1,598)	-	-	(2,313)
Valuation adjustment	-	-	-	-	-
Changes in the scope of consolidation	(1,032)	-	-	-	(1,032)
Balance at 31 December 2008	**5,957**	**14,875**	**8,014**	**(974)**	**27,872**
Additions or charge for the year	-	397	5,108	-	5,505
Outflows, write-offs or reductions	(1,544)	(31)	-	506	(1,069)
Balance at 31 December 2009	**4,413**	**15,241**	**13,122**	**(468)**	**32,308**

13.4.1 Available-for-sale financial assets

The financial assets presented above basically represent investments in equity securities of unlisted entities. These ownership interests are stated at the underlying carrying amount. The detail of these investments is as follows:

Company	Thousands of Euros	
	31/12/2009	31/12/2008
Dycasa S.A.	-	141
Bodegas Altanza, S.A.	1,226	1.226
Udra México, S.A. de C.V.	-	-
Unirisco SCR, S.A.	469	469
Renfapex 2000, S.A.	108	108
Filmanova	152	152
Editorial Ecoprensa	2,168	2,168
Parquesol subgroup	-	1,259
Other	290	434
	4,413	**5,957**

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13.4.2 Loans and receivables

"Loans and Receivables" includes mainly participating loans granted to the associate Antigua Rehabitalia, S.A., which do not earn interest income because, being participating loans, they are linked to the profit obtained by the associate.

13.4.3 Other investments

Changes in this item during 2009 mainly refer to the receivables derived from the sale of "Deconalva, S.A." interests owned by the Group for EUR 6,783 thousand (see Note 2.4.d).

14. Equity

14.1 Share capital

At 31 December 2008, the Parent's share capital was represented by 218,640 fully subscribed and paid registered shares of EUR 6 par value each.

During 2009, and as a result of the merger of the company with other Group companies, including "Parquesol Inmobiliaria y Proyectos, S.A." (see Note 1), the following operations were conducted:

a. Splitting of Company shares, issuing 200 new shares for every previous share, reducing thus the par value of EUR 6.00 to EUR 0.03.

b. In order to include minority shareholders of the absorbed companies in the Company's share capital, and pursuant to the exchange established and approved by the General Meetings of the affected companies, with rectification deed dated 10 July 2009, the Company increased its share capital by 21,298,083 shares of EUR 0.03 par value each, and a share premium of EUR 6.93676 per share.

These operations were completed with the registration of the merger project in the Pontevedra Mercantile Register on 17 July 2009 (see Note 1).

At 31 December 2009, shareholders with ownership interest of at least 10% of the Parent Company's share capital were: Mr. Jacinto Rey González, with direct and effective total ownership interest of 24.95% and 52.91%, respectively, and Ms. Julia Ávalos Pérez with direct and effective total ownership interest of 12.63%.

As of 20 July 2009, Parent Company shares can be listed on the Continuous Market, with a market value of EUR 12.86 per share. The closing and mean quote for the last quarter of 2009 have been EUR 7.70 and EUR 8.46 , respectively.

14.2 Share Premium

The Consolidated Spanish Companies Law expressly permits the use of the share premium account balance to increase the capital of the entities at which it is recognised and does not establish any specific restrictions as to its use.

14.3 Legal reserve

Under the Consolidated Spanish Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At 31 December 2009, this reserve had reached the stipulated level.

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In addition, and in compliance with the terms set forth in section 213.4 Spanish Companies Act and wording of Law 16/2007 of 4 July, on the reform and adjustment of business law, the obligation to provide a restricted reserve equal to 5% of the goodwill registered at year end, with charge to the profit or loss of the year if any, and otherwise with charge to unrestricted reserves.

14.4 Restrictions on the distribution of dividends

There are no significant restrictions on the distribution of dividends.

14.5 Consolidated reserves

The detail of "Reserves" fom the consolidated balance sheet at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008 (*)
Parent company reserves	167,412	31,812
Consolidation reserves		
-From consolidated companies	125,784	169,071
-From companies considered equivalent	13,225	15,226
TOTAL	**306,421**	**216,109**

(*)2008 consolidated financial statements includes as part of Group EUR (14,076) thousand, corresponding to Equity Valuation Adjustments.

The breakdown, by company, of the balance of "Consolidated reserves" in the consolidated balance sheets, after taking into account the effect of consolidation adjustments, is as follows:

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Net reserves attributable to subsidiaries:

	Thousands of Euros 2009
Grupo Empresarial San José, S.A. (formerly Udra, S.A.)	194,085
SJB Müllroser	(2,722)
Constructor subgroup	88,378
Commercial subgroup	5,063
Udra Medios subgroup	(443)
SanJosé Desarrollos Inmobiliarios subgroup	(15,302)
Desarrollos Urbanísticos subgroup	36,426
SanJosé Tecnologías subgroup	(5,626)
Cadena de Tiendas, S.A.U.	1,635
Parquesoles Portugal subgroup	(5,623)
Asesoramiento y Gestión Integral de Edificios, S.A.U. (AGEINSA)	(38)
Altiplano Desarrollos Inmobiliarios, S.L.	17
Azac, S.A.U.	8,775
Green Inmuebles, S.L.	(1,188)
Inmoprado Laguna, S.L.	(338)
Kantega Desarrollos Inmobiliarios, S.L.	(637)
Lardea, S.L.	2,869
Desarrollos Inmobiliarios Makalu, S.L.	(7,726)
Parquesol Constr., Obras y Mantenimiento, S.L.	(13)
Hotel Rey Pelayo, S.L.	(222)
Rue de la Bienfaisance	(2,749)
Sofía Hoteles, S.L.U.	(1,218)
Supra Desarrollos Inmobiliarios, S.L.	(104)
Urbemasa, S.A.U.	(103)
	293,196

Company	Thousands of Euros 2008
Grupo Empresarial San José, S.A. (formerly Udra, S.A.)	39,619
SJB Müllroser	(2,410)
GESJ subgroup	153,853
Commercial subgroup	4,229
Udramedios, S.A.U.	(24)
Cadena de Tiendas, S.A.U.	3,714
Other	1,902
	200,883

Net reserves attributable to companies accounted for using the equity method:

The breakdown, by company, of the balance of this account in the consolidated balance sheets, after taking into account the effect of the valuation adjustments, and of the translation differences recognised in equity as a result of the valuation process, is as follows:

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Company	Thousands of Euros			
	2009		2008	
	Reserves	Profit	Reserves	Profit
Desarrollo Urbanístico Chamartín, S.A.	(504)	(153)	(736)	(123)
Pontegrán, S.L.	14,919	376	15,640	63
Nuevo Parque de Bomberos, S.A.	-	6	(87)	-
Antigua Rehabitalia, S.A.	51	(4,696)	41	(10)
Corsabe, S.A.	385	3,096	-	386
Green Cines, S.L.	(1,181)	(17)		
Other	(445)	(313)	368	(39)
	13,225	**(1,701)**	**15,226**	**277**

14.6 Valuation adjustments

"Valuation adjustments" in the consolidated balance sheet includes the net amount of fair value adjustments of certain derivative instruments (see Notes 4.9, 4.11 and 17) due to the application of IAS 32 and 39.

14.7 Shares of the Parent

At 31 December 2009, the Group did not hold any treasury shares and had not carried out any transactions involving treasury shares during the year.

14.8 Minority interests

The detail, by consolidated company, of "Minority Interests" and "Profit (Loss) Attributable to Minority Interests" is as follows:

Company	Thousands of Euros	
	Total minority interests	Profit attributed to working capital
Constructor subgroup	25,869	704
San José Desarrollos Inmobiliarios subgroup	3,446	(344)
Desarrollos Urbanísticos subgroup	(4)	-
SanJosé Tecnologías subgroup	448	-
Udramedios subgroup	412	(869)
Altiplano	1,171	32
Green Inmuebles, S.L.	459	(167)
Inmoprado Laguna	1,116	(48)
Supra	316	(49)
Other	38	(2)
	33,271	**(743)**

The changes in "Minority Interests" in 2009 are summarised as follows:

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	Thousands of Euros	
	2009	2008
Opening balance	273,286	370,824
Changes in the scope of consolidation (Note 2.4)	11,800	(59,719)
Profit for the year	(743)	(23,269)
Translation differences	(2,359)	(946)
Capital Increase (Note 14.1)	(214,617)	-
Adjustments to equity	-	(8,252)
Other changes (Note 1)	(34,096)	(5,352)
Closing balance	**33,271**	**273,286**

The main changes of scope affecting minority interests during 2009, have been the following (see Note 2.4.d):

- Sale of all the interests owned by the Group in Deconalva, S.A. This operation has implied a change in this item of the consolidated balance sheet for EUR 7,471 thousand.

- Purchase of remaining shares to obtain the entire shareholding of "Udra Lar, S.A." and "1681 West Avenue, LLC", increasing this item by EUR 2,965 thousand in the former case, and reducing it by EUR 1,109 thousand, in the latter.

- Integration in the scope of consolidation as Group company of "Zivar Investimentos Imobiliarios, S.A.", in which the SANJOSE Group holds 52.5% shareholding, increasing this item by EUR 1,650 thousand.

14.9 Capital management

The Group's capital management focuses on achieving a financial structure that optimises the cost of capital while maintaining a solid financial position. This policy reconciles the creation of value for the shareholder with access to financial markets at a competitive cost in order to cover both debt refinancing requirements and investment plan financing needs not covered by the funds generated by the business.

The directors of the Parent consider that evidence of fulfilment of the capital management targets set is provided by the fact that the gearing ratio does not exceed 400%, taken to be the result of dividing net financial debt by equity (corrected based on impairment of property assets).

At 31 December 2009 and 2008, the Group was achieving this parameter, as shown below:

	Thousands of Euros	
	2009	2008
Non-current bank borrowings and other financial liabilities (Note 16)	1,390,006	841,072
Current bank borrowings and other financial liabilities (Note 16)	412,163	871,373
Cash and cash equivalents (Note 13.2)	(178,920)	(143,791)
Total Net Financial Debt	**1,623,249**	**1,568,654**
Adjusted Equity	**539,164**	**408,592**
Gearing (percentage)	**301%**	**384%**

15. Long-term Provisions

The changes in 2009 in "Long-Term Provisions" in the consolidated balance sheet were as follows:

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	Thousands of Euros
Balances at 01.01.07	**13,082**
Charge for the year	7,758
Applications	(1,087)
Changes in exchange rates	-
Changes in the scope of consolidation	446
Reclassifications and other	(3,283)
Balance at 31 December 2008	**16,916**
Charge for the year	4,879
Applications	(1,068)
Reclassifications and other	4,851
Balance at 31 December 2009	**25,578**

Under "Reclassifications and Others" from the previous breakdown, EUR 3,300 thousand correspond to the company integrated through the equity method "Antigua Rehabilitalia, S.A." (see Note 11). Said amount is included under "Result of Companies Accounted for Using the Equity Method" from the attached consolidated income statement.

The main charges in 2009 relate to the provision recognised by the Group company "Constructora San Josė, S.A. (Portugal Branch)" to cover possible risks arising from different construction projects.

Also, at 31 December 2009, "Long-Term Provisions" includes the provisions for urban development work recognised by the Group's property development companies (see Note 4.17.1) and the balance of the provisions for litigation.

The Parent's directors consider that there are no significant litigation or contingencies the likelihood of which warrants the recognition of a provision other than that already recognised. The directors of the various companies composing the SANJOSE Group consider that the provisions recognised are sufficient to cover any final settlements that might arise from the outcome of the litigation in process. If the outcome of the court proceedings gave rise to an amount exceeding the total provisioned, the directors do not consider that the additional liabilities would have a material effect on the Group's consolidated financial statements.

16. Bank borrowings and debt instruments and other marketable securities

The breakdown of non-current and current bank borrowings and other financial liabilities in the consolidated balance sheets is as follows:

Year 2009:

	Thousands of Euros		
	Debts and accounts payable	Derivatives	**Total**
Non-current financial liabilities:			
Bank borrowings and other financial liabilities (Note 16.1)	1,372,620	-	**1,372,620**
Derivatives (Note 17)	-	40,217	**40,217**
Other financial liabilities	17,386	-	**17,386**
Total non-current	**1,390,006**	**40,217**	**1,430,223**
Current financial liabilities:			
Bank borrowings and other financial liabilities (Note 16.1)	**404,143**	-	**404,143**
Other financial liabilities	**8,021**	-	**8,021**
Total current	**412,164**	-	**412,164**

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Year 2008:

	Thousands of Euros		
	Debts and accounts payable	Derivatives	Total
Non-current financial liabilities:			
Bank borrowings	819,382	-	**819,382**
Derivatives	-	23,455	**23,455**
Other financial liabilities	21,690	-	**21,690**
Total non-current	**841,072**	**23,455**	**864,527**
Current financial liabilities:			
Bank borrowings	861,213	-	**861,213**
Derivatives	-	39	**39**
Other financial liabilities	10,160	-	**10,160**
Total current	**871,373**	**39**	**871,412**

"Other current financial liabilities" and "Other non-current financial liabilities" include mainly EUR 1,020 and EUR 776 thousand, respectively, in relation to guarantee deposits received in relation with the property development business. , and EUR 9,624 thousand relating to the non-currnt account payable for the purchase of property assets. The non-current portion includes the balance of current accounts with shareholders accruing market interest rate tied to Euribor and with no defined maturity.

16.1 Bank borrowings and other financial liabilities

The breakdown of non-current and current bank borrowings and other financial liabilities in the consolidated balance sheets is as follows:

	Thousands of Euros	
	31 Dec. 09	**31 Dec. 08**
Non-current:		
Finance Lease (Note 7)	5,871	6,666
Bank loans and credits	113,148	108,171
Syndicated credit facility	1,253,601	704,545
Total non-current	**1,372,620**	**819,382**
Current:		
Finance Lease (Note 7)	928	1,155
Payables in relation to discounted notes and bills	61,911	127,150
Bank loans and credits	38,486	366,226
Mortgage loans secured by inventories (Note 10)	300,685	339,404
Syndicated credit facility	2,047	27,278
Other	86	-
Total current	**404,143**	**861,213**
TOTAL	**1,776,763**	**1,680,595**

All these loans bear interest at a rate tied to EURIBOR plus a market spread.

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"Bank loans and credit facilities" from non-current liabilities includes a balance for EUR 11,625 thousand corresponding to Project finance, granted for the construction, commissioning and operation of the Plant and the facilities of the Group company Poligeneració Parc de L´Alba ST-4, S.A.'s Policity Project. The remaining balance corresponds mostly to Group mortgages on companies' investment property (see Note 16.2).

16.2 Mortgage loans

During 2009, the Group has renegoted a significant portion of the bilateral borrowings secured by security interests (fundamentally land and developer loans) with the same three-year grace period envisaged in the refinancing of the syndicated financial liability. . Said guarantees amount to approximately EUR 810,488 thousand.

Mortgage loans secured by investment property

The Group has been granted certain loans by banks that are secured by mortgages on certain properties owned by the Group recognised under "Investment Property" in the accompanying consolidated balance sheet at 31 December 2009 for a total amount of approximately EUR 103,801 thousand (see Note 8). These loans are repaid in instalments consisting of principal and interest, maturing between 2016 and 2025.

These mortgage loans bear annual floating interest at a market rate, which in 2009 ranged from 1.25% to 6.77%.

Mortgage loans secured by inventories

As indicated in Note 4.19, all the bank borrowings associated with "Inventories" (regardless of the maturity thereof) are presented in the consolidated balance sheet under "Current Liabilities". The detail, by effective maturity, of the mortgage loans secured by inventories at 31 December 2009 is as follows:

	Thousands of Euros		
	Maturities		
	Short term	Long term	Total
Mortgage loans secured by real estate developments in progress:			
Of the Parent	-	42,195	**42,195**
Of Subsidiaries	7,680	83,229	**90,909**
Of Joint Ventures	-	3,606	**3,606**
	7,680	**129,030**	**136,710**
Mortgage loans secured by completed buildings			
Of the Parent	-	79,845	**79,845**
Of Subsidiaries	351	16,070	**16,421**
Of Joint Ventures	-	5,029	**5,029**
	351	**100,944**	**101,295**
Mortgage loans secured by land and buildable plots (Note 12):			
Of the Parent	-	45,585	**45,585**
Of Subsidiaries	1,199	11,673	**12,872**
Of Joint Ventures	-	4,223	**4,223**
	1,199	**61,481**	**62,680**
Total mortgage loans secured by inventories (Note 12)	**9,230**	**291,455**	**300,685**

These mortgage loans bear annual floating interest at a market rate, which in 2009 ranged from 1.15% to 4.74%.

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The outstanding principal of these loans at 31 December 2009 matures approximately as follows:

Thousands of Euros				
Year 2010	Year 2011	Year 2012	Year 2013 and *follow. yrs.*	**TOTAL**
9,230	8,029	7,829	275,597	**300,685**

16.3 Syndicated credit facilities

The SAN JOSÉ Group has concluded the renegotiation of the bank borrowings in order to adapt the related obligations to the new business plan based on the global economic situation and taking into consideation cash requirements set out on Business Plan for 2009-2013, under a framework of stability.

The aforementioned syndicated credit facilities were closed with a syndicate of banks led by BARCLAYS and amount to EUR 2,210 million. The detail of these facilities is as follows:

- Loans and credit facilities for EUR 1,129 million.
- Trade and financial discount tranche for EUR 244 million.
- Confirming tranche for EUR 105 million.
- Tranche of project tender and performance bonds and of financial guarantees for EUR 510 million.
- The obtainment of an additional financing line that will provide the Company with a line of contingent liquidity totalling EUR 222 million.

Arrangement of the credit facilities gave rise to the unification of the terms and conditions of the various tranches in one document, the main terms and conditions of which are as follows:

- The repayment term is six years with a grace period for the principal for the first three years; and
- Guarantees were provided, which include security interests in the collection rights, shares and investments of certain San José Group companies, and mortgages on certain of the property assets.

In 2009-2013 the SAN JOSÉ Group is required to have minimum shareholders' equity and minimum consolidated EBITDA, and certain interest coverage ratios must be achieved for the period 2012-2014.

At the date of these financial statements, the financial requirements set out in the syndicated financing agreement are comfortably met, without any of the scenarios related to early amortisation considered in the agreement.

The 2009 income statement's "Finance costs" includes an expense for EUR 10,780 thousand, corresponding to the registration in the period's income statement of all the costs associated to the obtainment in 2007 of the syndicated loan, which was renegotiated during the year, and which were yet to be registered in the income statement at 31 December 2008.

The outstanding principal of these loans at 31 December 2009 matures approximately is as follows:

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Thousands of Euros					
Year 2010	Year 2011	Year 2012	Year 2013	Year 2014 and following ones	**Total**
2,047	-	-	74,441	1,179,160	**1,255,648**

17 Derivative financial instruments

The Group contracts OTC derivative financial instruments with national and international high credit rating banks.

The purpose of these contracts is to neutralise or reduce through interest rate derivatives cash flow fluctuations to be disbursed for payments tied to variable interest rates (Euribor) of Group financing.

Interest rate derivatives

To determine the fair value of interest rate derivatives (Fixed Rate Swaps or structures with options), the Group uses cash flow discounts based on assumptions established by the Euro interest rate curve according to market conditions at the date of measurement. In the case of options, the Group also uses the market's implicit volatility as input to establish the option's fair value, using pricing techniques such as Black & Scholes and its variants applied to interest rate underlyings.

Interest rate derivatives contracted by the Group and effective at 31 December 2009, together with their fair values at said date, are the following:

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Company	Financial instruments	Expiry	Thousands of Euros				
			Nominal Amount (EUR)	Valuation at 31 December 2009 (Note 16)	Nominal outstanding amount 2010	Nominal outstanding amount 2015	Nominal outstanding amount 2020
Grupo Empresarial San José S.A	Swap K-O	12/02/2012	124,804	(5,271)	95,762	-	-
- Grupo Empresarial San José, S.A.	Swap K-O	12/02/2012	236.384	(13,981)	218,798	-	-
Tecnocontrol Servicios S.A	Swap	20/11/2011	5,904	(137)	3,900	-	-
Grupo Empresarial San José S.A	Swap	24/09/2012	135,000	(9,939)	135,000	-	-
Poligeneraciò Parc de l´Álba	Swap	15/12/2012	15,451	(1,543)	15,451	-	-
San José Tecnologías S.A	Swap	03/01/2012	50,000	(2,737)	50,000	-	-
Grupo Empresarial San José S.A	Swap	31/10/2019	9,676	(375)	7,562	4,047	-
Grupo Empresarial San José S.A	Swap	31/07/2023	10,000	(393)	9,339	6,501	3,001
Grupo Empresarial San José S.A	Swap	31/12/2023	25,000	(1,054)	23,874	16,916	8,319
Grupo Empresarial San José S.A	Swap	02/01/2024	10,000	(650)	9,756	6,719	3,294
Grupo Empresarial San José S.A	Swap	04/10/2012	3,314	(59)	1,092	-	-
Grupo Empresarial San José S.A	Swap	09/10/2017	20,000	(860)	11,909	4,607	-
Grupo Empresarial San José S.A	Swap	19/01/2023	20,098	(695)	18,452	11,234	4,086
Grupo Empresarial San José S.A	Swap	29/03/2024	25,000	(1,596)	24,407	15,726	7,090
Constructora San José S.A	Swap K-O	11/02/2011	25,000	(875)	25,000	-	-
Green Inmuebles S.L	Swap	30/07/2012	2,836	(52)	746	-	-
TOTAL			**718,467**	**(40,217)**	**651,048**	**65,750**	**25,790**

In the case of some derivatives, the Group has chosen hedge accounting pursuant to accounting regulations, appropriately allocating hedging relationships where these swaps are financing hedge instruments used by the Group, neutralising flow changes derived from interest payments establishing the fixed rate to be paid by it.

Hedging relationships are highly effective both prospectively and retrospectively, accumulated as from the allocation date. Consequently, the Group has accumulated in Equity the change of fair value of Derivative Financial Instruments allocated as Hedge Elements for its effective portion, which amounts to 22,106 million euros before tax at 31 December 2009.

In 2009, EUR 13,830 thousand before tax have been recycled from Equity to Interests costs as financial liabilities' interests being hedged pursuant to allocated Hedging Relationships were registered.

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Sensitivity analysis of interest rate

Changes in the fair value of interest rate derivatives arranged by the Group depend on the changes in the long-term Euro interest rate and Swaps curve. At 31 December 2009, these derivatives register a negative fair value of EUR 40,217 thousand before tax.

Below is a breakdown of the sensitivity analysis (changes of fair value at 31 December 2009) of the fair value of the derivatives considered as accounting hedge in the case of changes to the Euro interest rate curve:

Sensitivity (Thousands of Euros)	31 December 2009
+0.5% (rate curve increase)	(4,727)
-0.5% (rate curve decrease)	(4,999)

The sensitivity analysis shows that the negative value of interest rate derivatives decreases when interest rates rise, since they are structures where the Group pays a capped interest rate and is, therefore, protected against interest rate rises. When interest rates drop, the negative value increases.

Since they are allocated as accounting hedge and considered to be highly effective both prospectivily and retrospectively, the change in fair value would be registered for its effect on the Group's Consolidated Equity.

Below is a breakdown of the sensitivity analysis (changes of fair value at 31 December 2009) of the fair value of the derivatives not considered as accounting hedge due to changes on the Euro interest rate curve:

Sensitivity (Thousands of Euros)	31 December 2009
+0.5% (rate curve increase)	3,186
-0.5% (rate curve decrease)	(3,345)

As they have not been allocated as accounting hedge, the change in fair value of these derivatives will be fully registered in the Group's Consolidated Income Statement.

In addition, the Group has performed the sensitivity analysis for financial liabilities at variable interest rate, concluding that an 0.5% interest rate increase would cause a fluctuation of the finance cost by approximately EUR 8.8 million. As interest rate derivatives are contracted, said sensitivity would be partially reduced in a par value corresponding to EUR 651,048 thousand of this financial liability (said amount corresponds to the outstanding notional of derivatives outstanding at 31 December 2009).

Financial instruments fair value

Financial instruments fair value at amortised cost:

There are no significant differences between "accounting value" and "fair value" measuring of financial instruments at amortised cost.

Applicable pricing techniques and hypothesis to measure fair value:

Financial assets and liabilities' fair value will be established as follows:

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• The fair value of financial assets and liabilities with standard terms and conditions and traded in active and liquid markets will be established tied to market quoted prices.

• The fair value of other financial assets and liabilities (excluding derivatives) will be established according to generally accepted pricing models based on cash flow discounts using market trading prices and quotes from contributors for similar instruments.

• To determine the fair value of interest rate derivatives, cash flow discount based on assumptions established by the interest rate curve according to market conditions is used. To determine the fair value of interest rate derivatives (swaps or IRSs), the Company uses its own IRS pricing model using Euribor and long-term swaps market curves as inputs.

Financial instruments can be grouped in levels ranging from 1 to 3 according to the level in which the fair value can be observed:

• Level 1: Those tied to quoted prices (without adjustment) in active markets for identical assets or liabilities.

• Level 2: Those tied to other inputs (excluding quoted prices included in level 1) observed for assets and liabilities, either directly (i.e., prices) or indirectly (i.e., derived from prices).

• Level 3: Those tied to pricing techniques, including inputs for assets and liabilities not based on observable market data (non-observable inputs).

All of the Group's derivative financial instruments at 31 December 2009 are classified under Level 2.

18 Trade and other payables

18.1 Trade payables

"Trade and other payables" includes mainly the amounts outstanding for trade purchases and related costs. The average payment period for trade purchases is approximately 195 days.

Group management considers that the carrying amount of trade payables approximates their fair value.

18.2 Other current liabilities

"Other current liabilities" includes mainly the accounts payable relating to joint ventures. It also includes the provisions totalling EUR 4,962 thousand for remuneration payable.

18.3 Customer advances

Real estate advances at 31 December 2009 and 2008 amount to EUR 9,032 and 10,276 thousand, respectively, and relate fundamentally to the advances received from the buyers for the properties relating to the developments in progress or completed developments at year-end, the completion and/or delivery of which are scheduled for subsequent years (see Note 12). Most of the advances received from customers had been guaranteed by financial guarantees.

In addition, this item also includes "Amounts Billed in Advance for Construction Work" totalling EUR 49,547 thousand (see Note 13.1), which relates to progress billings issued during the year for construction work yet to be performed which are not recognised as revenue for the period, in accordance with the method of recognition of revenue for completed construction work, based on the percentage of completion method used by the Group, described in Note 4.12, and to advances received from customers relating to the property development business.

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19. Risk exposure

19.1 Credit risk exposure

The Group is not exposed to significant credit risk, since its customers and the institutions in which cash placements are made or with which derivatives are arranged are highly solvent entities, in which counterparty risk is not significant.

The Group's main financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is mainly attributable to trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts, estimated by Group management based on past experience and its assessment of the current economic climate. The amount of financial assets recognised in the consolidated financial statements, net of possible impairment losses, represents the Group's maximum exposure to credit risk, excluding guarantees or other credit improvements provided.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group does not have a significant concentration of credit risk, since the credit risk exposure is spread over a large number of customers.

The Group took out credit insurance enabling it to reduce commercial credit risk arising from transactions with debtors.

The Group monitors credit management and has specific procedures in place in this connection, setting terms and conditions for the acceptance of orders and regularly monitoring orders.

19.2 Interest rate risk exposure

Interest rate risks arises from changes in the future cash flows from variable rate borrowings (or with current maturity) as a result of changes in market interest rates.

The objective of interest rate risk management is to mitigate the impact on borrowing costs arising from fluctuations in interest rates. Financial derivatives which guarantee fixed interest rates or rates with caps and florrs are for a substantial portion of the borrowings that may be affectee by this risk. (see Note 16).

19.3 Foreign currency risk exposure

In 2009 the Group did not hedge any relevant amount of exchange risks. Its foreign currency risk exposure relates to its investments in the companies detailed in Note 4.14, and which are financed in local currency.

19.4 Liquidity risk exposure

The Group pursues the prudent management of the liquidity risk based on the maintenance of sufficient cash and marketable securities, availability of financing through s sufficient level of committed credit facilities and sufficient capacity to settle market positions. The Group calculates its cash requirements through a 12-month cash budget. The Group considers that the financing framework is sufficiently flexible to adapt to the dynamic needs of the underlying businesses.

The table below includes the Group's liquidity analysis for its derivative financial instruments. The table is based on non-discounted net cash flows. When this liquidation (receivable or payable) is not fixed, the amount has been established with the assumption calculated based on the interest rate curve.

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	Thousands of Euros				
	Less than 1 Month	1-3 Months	3 Months-1 Year	1-5 Years	+5 Years
Interest rate swap	(6,769)	(8,367)	(11,842)	(21,765)	1,059

The Group's remaining financial liabilities maturities are listed in Note 17.

The main figures in the consolidated cash budget for 2010, based on the Group's recurring business are as follows:

	Thousands of Euros
Collections from customers in relation to construction work	1,181,331
Other collections (joint venture distributions, tax refunds and extraordinary income)	25,547
Finance income	9,376
Total collections	**1,216,254**
Total payments to suppliers	(1,097,964)
Total tax payments	(9,046)
Total finance cost payments	(70,514)
Total payments	**(1,177,524)**
Cash generated from ordinary transactions	**38,730**
Financial transactions	
(-) Payments due to investment	(6,275)
(+/-) Variation in borrowings	10,452
(+/-) Other	(1,120)
Cash generated in/ (used for) financial transactions	**3,056**
Total cash generated	**41,787**

From the review of the cash budget for 2010 and the sensitivity analyses performed by the Group at 2009 year-end, it may reasonably be concluded that the SANJOSE Group will be able to finance its operations even if the real estate market and borrowing conditions continue to worsen.

20. Tax matters

The Group companies file individual tax returns in accordance with the tax legislation in force in each country. With regard to Spain, the San José Group, composed of Grupo Empresarial San José, S.A. as the Parent and all the Spanish subsidiaries in which it holds a direct or indirect ownership interest of at least 75%, files consolidated income tax returns under the special consolidated tax regime as group no. 002/06 (See Note 4.16).

The Grupo Empresarial San José, S.A. (formerly Udra, S.A.) merger by absorption of the Group companies, San José Infraestructuras y Servicios, SA and Udramed, S.L,U., (Udra, S.A. subsidiaries and part of the Tax Group) was registered at the Mercantile Register on 17 July 2009, together with that of Parquesol Inmobiliaria and Proyectos, S.A. and Lothse Desarrollos Inmobiliarios, S.A. The merger qualified for taxation under the special tax regime provided for in Chapter VIII of Title VII of the Consolidated Spanish Corporation Tax Law. The Tax Authority was duly notified within the three months following the registration.

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Parquesol Inmobiliaria y Proyectos, S.A. was the Parent Company of Group no. 235/06 under the special consolidated tax regime, and as a result of the merger by absorption, Grupo Empresarial San José, S.A, is the universal successor of Parquesol's assets and rights. Therefore, as the absorbed company had the right to pay taxes with its subsidiaries under the consolidated tax regime, having timely chosen its application, said right is transferred to the absorbing company (Grupo Empresarial San José, S.A.) when the merger is made effective. All the subsidiaries that form part of the Parquesol Inmobiliaria y Proyectos, SA consolidated tax group at said date were integrated from that date to the Consolidated Tax Group headed by Grupo Empresarial San José, S.A. under number 002/06 as universal successor.

For each of the consolidated companies, income tax is calculated on the basis of the accounting profit or loss determined by application of generally accepted accounting principles, which does not necessarily coincide with the taxable profit or tax loss.

20.1 Years open for review by the tax authorities

Grupo Empresarial San José, S.A. and the subsidiaries forming the consolidated tax group have the last four years and 2005 open for review for all the taxes applicable to them and for Income Tax (except for the companies listed below and audited by Tax Authorities in 2008):

Tax	Company	Fiscal Year
Income tax	Parquesol Inmobiliaria y Proyectos, S.L. (absorbed by Parquesol Inmobiliaria y Proyectos, S.A.) Guadalmina Inversiones, S.L. Parzara, S.L. Constructora San José, S.A.	2003 and 2004 2003 to 2005
Value Added Tax	Parquesol Inmobiliaria y Proyectos, S.L. (absorbed by Parquesol Inmobiliaria y Proyectos, S.A.) Constructora San José, S.A.	June to December 2004 July 2004 to December 2005
Personal income tax withholdings/ prepayments	Parquesol Inmobiliaria y Proyectos, S.L. (absorbed by Parquesol Inmobiliaria y Proyectos, S.A.) Constructora San José, S.A.	June to December 2004 July 2004 to December 2005

With respect to the other subsidiaries that are either not domiciled in Spain or do not form part of the consolidated tax group, the years open for review are in accordance with the maximum periods established in the legislation applicable in each country of residence.

Except for these companies and periods, the other Group companies have the last four years open for review for all the main taxes applicable to them.

The Parent's directors consider that in no case will significant additional liabilities arise as a result of the tax audits currently in progress or in the event of tax audits of the other years open for review.

20.2 ***Income tax.***

The balance of "Income Tax" in the accompanying consolidated income statement for 2009 was determined as follows:

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Item	TOTAL
Accounting income before tax	**(68,578)**
Permanent differences-	
Increases at individual companies	3,470
Elimination trade consolidation	(12,055)
Equity method dividends	1,961
Profit share of associates	(3,024)
Offset of prior years' tax losses	(368)
Taxable profit	**(78,594)**
Less taxable profit of companies not resident in Spain	6,884
Tax loss of consolidated group resident in Spain	**(85,480)**
Gross tax payable (30% in 2009)	**(25,658)**
More – tax credits	(200)
Accrued tax expense	**(25,858)**
Other items	429
Income tax expense, companies not resident in Spain	950
Accrued tax expense	**(24,479)**

20.3 Tax loss carryforwards

Although at 2009 year-end some of the consolidated companies had declared tax losses amounting to approximately EUR 96,870 thousand, the accompanying consolidated balance sheet at 31 December 2009 only includes a tax asset of EUR 17,388 thousand in this connection.

The detail of the tax loss carryforwards of the consolidated companies at 31 December 2009 is as follows:

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Company	Year Incurred	Thousands of Euros Tax Losses	Last Year for Offset
Grupo Empresarial San Jose S.A.	From 1994 to 1999	69	From 2009 to 2014
	2000	2	2015
	2001	0.5	2016
	2002	240	2017
	2003	66	2018
	2004	865	2019
	2005	373	2020
	2006	583	2021
	2007	6,696	2022
	2008	35,141	2023
	2009	10,017	2024
Grupo Empresarial Sanjose consolidated group		**54,052**	
Spanish companies not included in the consolidated tax groups	From 1994 to 1999	66	From 2009 to 2014
	2000	62	2015
	2001	85	2016
	2002	69	2017
	2003	92	2018
	2004	113	2019
	2005	330	2020
	2006	652	2021
	2007	1,530	2022
	2008	22,951	2023
	2009	8,540	2024
TOTAL outside consolidated tax groups		**33,490**	
Foreign companies	1998	353	-
	1999	484	
	2000	381	
	2002	702	-
	2003	2,955	
	2004	2,775	
	2005	2,941	
	2006	1,680	
	2007	6,805	
	2008	7,024	
	2009	2,859	
TOTAL companies not resident in Spain		**28,959**	

In the case of the Spanish companies and under current legislation, the tax losses of a given year can be carried forward for tax purposes for offset against the taxable profits of the following 15 years. However, the final amount of the tax losses to be offset may be modified as a result of the review by the tax authorities of the years in which the losses were incurred.

20.4 Deferred tax assets and liabilities

The deferred tax assets recognised in the accompanying consolidated balance sheet at 31 December 2009 arose as a result of the following:

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Deferred tax assets derived from	2009
	Grupo San José
Elimination of intra-Group profits on consolidation in relation to the sales of buildable plots	16,697
Financial instruments	9,401
Backlog charge	10,153
Other amortisation charges	225
Other consolidation charges	5,593
Tax credit carryforwards	4,106
Tax assessments Parquesol 2002	3,465
Tax loss carryforwards	41,670
	91,310

The balance of "Deferred tax assets" at 31 December 2009 includes principally the following items:

1. The tax effect arising from the elimination of the gains obtained by certain consolidated companies included in the consolidated tax group headed by the Parent of each tax group from the sale of certain buildable plots to other consolidated companies outside the related consolidated tax group.

2. The tax loss and tax credit carryforwards to the extent that they are recoverable.

3 According to the recognition related to hedge financial instruments.

The deferred tax liabilities recognised in the accompanying consolidated balance sheet at 31 December 2009 arose as a result of the following:

Deferred tax liabilities:	Thousands of Euros
Revaluation of assets from merger	58,378
Deferral for reinvestment of extraordinary gains	3,048
Backlog provisions	414
Elimination of consolidated profit	3,964
Other consolidation adjustments	26,032
Deferred tax liabilities:	91,836

The balance of "Deferred tax liabilities" at 31 December 2009 relates basically to the following items:

1. Deferred tax corresponding to the minority shareholding in registering assets and inventories by merger.

2. The deferred income arising from property, plant and equipment sales made in the period from 1997 to 2001, inclusive, was reinvested in full before 31 December 2006.

3. Derived from the Group's consolidation, the main deferred tax tied to the revaluation of property assets conducted by the former Parquesol Group upon first implementation of the international accounting policy. At 31 December 2009, the deferred tax tied to this revaluation amounts to EUR 8.4 million.

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20.5 Tax credits

The tax credits earned in the year in excess of the applicable legal limits may be deducted from the income tax payable in the coming years, subject to the limits and deadlines established in this connection by the related tax legislation. The Group availed itself of the tax benefits provided for in the aforementioned legislation and recognised EUR 719 thousand as an increase in the income tax asset accrued in 2009, as follows:

Item	Year Incurred	Thousands of Euros
Earned by the Grupo Empresarial San Jose S.A. tax group		
Double taxation tax credit	2009	676
Tax credit for training activities	2009	1
Tax credit for donations	2009	42
		719

At 31 December 2009 the tax credit carryforwards, earned in 2009, 2008 and 2007, were as follows:

Earned by the Grupo Empresarial San Jose S.A. tax group		
Tax credit for reinvestment of extraordinary gains	2008	103
Double taxation tax credit	2008	2628
Tax credit for R+D	2008	329
Tax credit for donations	2008	193
Tax credit for training activities	2008	4
Tax credit for trade fairs	2008	27
Tax credit for training activities	2007	0.2
Double taxation tax credit	2007	4
		3,288.2

The tax credit carryforwards in 2009 were recognised as tax assets with the exception of the double taxation tax credits, since they related to eliminations from the scope of consolidation. In 2007 and 2008 the income tax expense recognised was reduced by the total amounts of the tax credits earned in that year.

The reinvestment requirements relating to the full amount of the tax credits for the reinvestment of extraordinary gains earned by the Group in the period from 2003 to 2008, inclusive, had been met in full by 31 December 2009 within the periods established by current tax legislation.

In Spain, the Group recognised the difference between the provision for accounting purposes and the provision permitted under the new wording of Article 12.3 of the Consolidated Spanish Income Tax Law as a deferred tax asset, as follows:

20.6 Tax receivables and payables

The detail of the Group's tax receivables and payables at 31 December 2009 is as follows:

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	Thousands of Euros	
	Current	Non-current
Tax assets:		
Deferred tax assets	9,080	82,230
Tax receivables (Note 12)-		
VAT receivable	9,006	-
Receivables from Public Authorities	14,757	-
	23,763	-
Total tax assets	**32,843**	**82,230**
Tax liabilities:		
Deferred tax liabilities	978	90,858
Current income tax liabilities	978	90,858
Tax payables (Note 20)-		
Tax payable as a result of tax assessments	3,073	-
VAT payable	34,426	-
Personal income tax payable	3,462	-
Other tax payables	6,494	-
Accrued social security taxes payable	3,134	-
	50,589	-
Total tax liabilities	**51,567**	**90,858**

21. Guarantee commitments to third parties

At 31 December 2009, the Group had received from banks and insurance companies guarantees provided to third parties amounting to EUR 417 million (mainly project and definite tender and performance bonds to public and private bodies). EUR 9.8 million of which correspond to the parent company and the rest to the subsidiaries.

In addition, some associates have guarantee commitments to third parties, related to the corresponding business for EUR 16,066 thousand, EUR 9,516 thousand of which correspond to a guarantee registered by Desarrollo Urbanístico Chamartín, S.A. before the Community of Madrid Tax Department to guarantee the suspension of the collection proceeding in order to file a claim before the Regional Tax Appeal Board in Madrid against the liquidation derived from the payment record and receipt received on 23 December 1998 for Estate and Property Transfer Tax for the tender agreement for the urban development of the RENFE rights at the Chamartín railroad building.

Parent Company and subsidiaries Directors do not consider there will be any liability in connection to the committed guarantees.

22. Income and expenses

22.1 Revenue

The detail of "Revenue" in the accompanying consolidated income statements for 2009 and 2008 is as follows (in thousands of euros):

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	Thousands of Euros	
	2009	**2008**
Construction:		
-Civil works	190,140	259,951
-Residential	159,710	321,626
-Non-residential	493,930	514,382
-Industrial	36,924	64,036
	880,704	**1,159,995**
Real estate	142,560	139,133
Concession and services	34,685	30,500
Energy.	4,800	3,390
Other	20,850	16,687
Net revenue	**1,083,599**	**1,349,705**

64.4% of the construction revenues refer to sales to the public sector.

EUR 222 million of the more than EUR 1,083 million of net revenues relate to joint ventures (see Annex III).

Virtually all the work was performed as prime contractor.

The project backlog still to be performed at 31 December 2009 amounted to EUR 2,045 million, broke down as follows:

	(Million Euros)
Construction	
Civil works	339.1
Residential	191.8
Non-residential	634.9
Industrial	46.7
Construction subtotal	**1,212.5**
Concession and services	353.8
Energy	504.1
TOTAL	**2,070.4**

At 31 December 2009, 81.5% of the entire portfolio refers to public customers, while foreign customers represent 30.8%.

22.2 Procurements and other external expenses

The breakdown of "Procurements" in the consolidated income statements for 2009 and 2008 is as follows:

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	Thousands of Euros	
	2009	2008
Purchases of raw materials and other supplies	232,201	348,585
Impairment losses on inventories in 2008 (Note 22.10)	7,910	53,701
Reversal of impairments	(185)	-
Purchase volume - rebates	-	(329)
Works performed by other companies	451,420	649,249
Total supplies	**641,346**	**1,051,206**

"Work Carried out by Other Companies" includes work that forms part of the Group's own production process but is commissioned from subcontractors or other companies.

The breakdown of "Other current operating expenses" in the consolidated income statements for 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
R+D expenses	302	-
Utilities	23,934	14,964
Repairs and maintenance	5,144	2,128
Transport and freight costs	21,446	4,277
Insurance premiums and banking services	2,251	4,261
Services from independent professionals	6,349	26,212
Leases	689	33,733
Advertising and publicity	3,126	4,932
Other services	42,944	53,569
Taxes	18,218	16,622
Other operating expenses	5,635	14,783
Total	**130,038**	**175,481**

The fees paid to the principal auditor for the audit of the 2009 financial statements of the consolidated companies amounted to EUR 621 thousand. Also, the fees paid to other auditors participating in the audit of the subsidiaries amounted to EUR 225 thousand.

The fees paid to the auditors for other services amounted to EUR 111 thousand in 2009.

22.3 Staff costs

The detail of "Staff Costs" is as follows:

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	Thousands of Euros	
	2009	2008
Wages and salaries	113,386	137,282
Termination benefits	3,390	2,022
Employer social security costs	28,656	30,391
Other social costs	2,471	9,922
	147,903	**179,617**

The average number of employees at the Group, by professional category, was as follows:

	2009		2008	
Category	Men	Women	Men	Women
University graduates	355	172	375	154
University graduates, three-year degree courses	420	145	499	184
Clerical staff	157	164	108	240
Manual workers and technical personnel	2,227	141	2,862	76
	3,159	**622**	**3,844**	**654**

The average workforce at 31 December 2009 amounted to 3,581 and comprised 2,980 men and 622 women.

22.4 Compensation in kind

At 31 December 2009, there was no significant compensation in kind.

22.5 Share-based payment

There are no share-based payments.

22.6 Leases

Operating leases

At the reporting date the Group did not have any operating leases of a material amount and had not assumed any future minimum lease payment obligations.

Finance lease

At 31 December 2009, the Group had acquired future lease payment obligations under finance leases entered into amounting to EUR 6,799 thousand, most of which will be amortised in the next six years. Said balance is included under "Bank borrowings" (see Note 16.1).

22.7 Financial income

The detail of "Finance income" in the consolidated income statements is as follows:

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	Thousands of Euros	
	2009	2008
Interest on receivables	8,427	15,939
Income from equity investments	152	130
Other finance income	57	1,569
	8,636	**17,638**

"Interests on receivables" from 2009 includes approximately EUR 6 million corresponding to interests on short-term deposits. The reminder corresponds mainly to late interest for deferral of collection to customers and settlement of exchange rate hedge instruments.

22.8 Finance costs

The detail is as follows:

	Thousands of Euros	
	2009	2008
Interest on debts	64,532	91,179
Other finance costs	15,312	-
Changes in fair value	4,693	7,083
	84,537	**98,262**

"Other finance costs" from 2009 includes EUR 10,780 corresponding to the costs from the previous syndicated financing, yet to be registered in the income statement at 1 January 2009.

22.9 Impairment and gains or losses on disposals of non-current assets

The detail is as follows:

	Thousands of Euros	
	2009	2008
Gains/Losses on write-offs of fixed assets (Note 7)	(1,209)	(2,872)
Impairment of property, plant and equipment	-	(244)
Impairment of investment property (Note 8)	(10,428)	(2,840)
Other	72	(201)
	(11,565)	**(6,157)**

"Impairment Losses on Investment Property" mostly corresponds to the Algeciras Shopping Centre impairment.

22.10 Changes in operating provisions and allowances

The changes in operating provisions and allowances in the consolidated balance sheet in 2009 and 2008 were as follows:

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Year 2009

	Thousands of Euros				
	Inventories (Note 12)	Operating insolvencies (Note 13)	Other operating provisions	Provisions risks and expensesv(Note 15)	Total
Balances at 1 January 2009	66,377	22,069	37,538	16,916	142,900
Provisions	36,066	8,087	9,488	4,879	58,520
Applications	(1,854)	(1,716)	(3,081)	(1,068)	(7,719)
Total provisions//applications	**34,212**	**6,371**	**6,407**	**3,811**	**50,801**
Reversals	(185)	(1,632)	(16,774)	-	(18,591)
Changes in the scope and other	3,148	(2,934)	(1,781)	4,851	3,284
Balances at 31 December 2009	**103,553**	**23,873**	**25,390**	**25,578**	**178,394**

Year 2008

	Thousands of Euros				
	Inventories	Operating insolvencies	Other operating provisions	Provisions risks and expenses	Total
Balances at 1 January 2008	3,249	16,921	36,357	13,082	69,609
Provisions	57,211	10,796	1,503	7,758	77,268
Applications	(3,510)	(777)	(1,822)	(1,087)	(7,196)
Changes in exchange rates	-	-	-	-	-
Provisions/Applications	53,701	10,019	(319)	6,671	70,072
Changes in the scope and other	9,428	(4,872)	1,500	(2,837)	3,219
Balances at 31 December 2008	**66,378**	**22,068**	**37,538**	**16,916**	**142,900**

Current provisions classified under "Short-term provisions" include estimated amounts to face possible business contingencies. During 2009, EUR 13,306 thousand, linked to provisions for conclusion of property developments, were reversed as they no longer apply.

22.11 Change in inventories of finished goods and work

Breakdown of "Changes in inventories" is as follows:

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	Thousands of Euros	
	31 Dec. 2009	**31 Dec. 2008**
Change in inventories for recorded expenses/sales	(69,028)	46,504
Change in inventories for impairment (see Note 22.10)	(26,304)	-
In-house work on non-current assets	9,256	6,534
Total	**(86,076)**	**53,038**

23. Balances and transactions with non-consolidated associates and joint ventures

All the material balances at year-end between the consolidated companies and the effect of the transactions performed between them during the year were eliminated on consolidation. The detail of the most significant balances between the Group and the non-consolidated associates and joint ventures and the effect of the transactions performed with them on the consolidated income statements are as follows:

	Thousands Euros
Assets:	
Antigua Rehabitalia, S.A.(Note 13.4.2)	15,200
Other	2,047
Liabilities:	
Pontegrán, S.A.	14,349
Other	1,502
Transactions:	
Expenses	312

24. Remuneration

24.1 Remuneration of directors

The detail of the remuneration of all kinds earned in 2009 by the directors of Grupo Empresarial San José, S.A. and of the Group company, jointly controlled entity or associated oblied to pay such remuneration are as follows:

	Thousands of Euros
	2009
Wages and salaries	2,568

The amount for 2009 also includes Directors remunerations for the furtherance of their duties as Senior Management for EUR 2,450 thousand.

At 31 December 2009, no advances, loans or other types of guarantees had been granted to the former or current directors and there were no additional pension or life insurance obligations to them. In addition, the Group does not have any other kind of transactions with related parties.

Pursuant to Article 127 ter.4 of the Spanish Companies Law, introduced by Law 26/2003, of 17 July, which amends the Securities Market Law and the Spanish Companies Law, in order to reinforce the transparency of corporations, the following information is provided about the Parent's directors:

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Owner	Investee	Activity	Interest	Functions
Mr. Jacinto Rey González	Desarrollo Urbanístico Chamartín, S.A.	Real estate		Director
Mr. Jacinto Rey González	Inmobiliaria Europea de Desarrollos Urbanísticos, S.A.	Real estate		Sole Director
Mr. Jacinto Rey González	Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.	Real estate		Sole Director
Mr. Jacinto Rey González	Desarrollos Urbanísticos Udra, S.A.	Real estate		Sole Director
Mr. Jacinto Rey González	Sanjose Concesiones y Servicios, S.A.	Real estate		Sole Director
Mr. Jacinto Rey González	Carlos Casado S.A.	Construction company		Director
Mr. Jacinto Rey González	Udra México S.A. de CV.	Construction company		Director
Mr. Jacinto Rey González	Udra Valor S.A.	Securities holdings		Sole Director
Mr. Jacinto Rey González	Pinos Altos Inversiones S.L.	Subscription and purchase of shares		Sole Director
Mr. Jacinto Rey González	San José Bau GMBH	Construction	12%	-
Mr. Jacinto Rey González	Constructora San José Argentina, S.A.	Construction	5%	-
Mr. Jacinto Rey González	Udra Argentina, S.A.	Real estate	10%	-
Mr. Jacinto Rey González	Pinos Altos XR, S.L.	Securities holdings	55%	Sole Director
Mr. Jacinto Rey Laredo	Constructora San José, S.A.	Construction company		Chairman and CEO
Mr. Jacinto Rey Laredo	San José Bau GMBH	Construction company		Sole Director
Mr. Jacinto Rey Laredo	San José Construction Group	Construction company		Director
Mr. Jacinto Rey Laredo	Udra Limitada	Construction company		Sole Director
Mr. Jacinto Rey Laredo	SJB Mullroser Bau MBH	Construction company		Joint Director
Mr. Jacinto Rey Laredo	SJ France	Construction company		Director
Mr. Jacinto Rey Laredo	Constructora Sao Jose Cabo Verde	Construction company		Director
Mr. Jacinto Rey Laredo	Pinos Altos XR, S.L.	Securities holdings	20%	-
Mr. Jacinto Rey Laredo	Udra Valor, S.A.	Securities holdings	4.64%	-
Mr. Francisco Hernanz Manzano	El Reino de D. Quijote, S.A.	Property development		Chairman
Mr. Francisco Hernanz Manzano	Lico Inmuebles, S.A.	Property development		Director
Mr. Francisco Hernanz Manzano	CCM Corporación, S.A.	Property development		Joint Administrator
Ms. Altina de Fátima Sebastián González	Ferrovial	Construction	100 shares	-
Mr. Roberto Rey Perales	Arquitrabe Activos S.L.	Securities holdings		Director

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Owner	Investee	Activity	Interest	Functions
Mr. Roberto Rey Perales	Caja de Burgos Habitarte Inmobiliaria, S.L.	Property development		Director
Mr. Roberto Rey Perales	Nuevo Hospital de Burgos S.A.	Construction and operation of real estate		Director
Mr. Roberto Rey Perales	Desarrollos Empresariales el Plantio, SL	Property development		Director
Mr. Roberto Rey Perales	Inpsa SGPS, S.A.	Securities holdings		Director
Mr. Roberto Rey Perales	Sociedad Gestora de Parques Eólicos de Castilla y León, S.A.	Operation of wind farms		Director
Mr. Roberto Rey Perales	Hermenpo Eólica, S.L.	Securities holdings		Director
Mr. Roberto Rey Perales	Concessia, Cartera y Gestión de Infraestructuras, S.A.	Construction and operation of infrastructure		Director
Mr. Santiago Martínez Carballal.	San José Desarrollos Inmobiliarios S.A.	Property development		Chairman
Mr. Santiago Martínez Carballal.	Constructora San José S.A.	Construction company		Director
Mr. Santiago Martínez Carballal.	Sanjose Tecnologías S.A.	Industrial and Technological facilities		Director
Mr. Santiago Martínez Carballal.	Comercial Udra S.A.	Commercial services		Director
Mr. Santiago Martínez Carballal.	Cadena de Tiendas, S.A.	Setting up of shops, Branches and offices		Sole Director

1. Detail of investments in companies engaging in a similar activity:

   For the purposes of this section, and as established in Article 127 ter.4 of the Spanish Companies Law, the Parent considers that, despite the fact that its company object comprises a range of activities, which have historically been carried on by the Company, its activity is currently focused on the development of all kinds of property, the performance of public or private works, the purchase and sale, administration and operation of property; the purchase and manufacture of electronic, computer and telecommunications products and systems; the full maintenance of hospital facilities, maintenance of operating theatres and electromedical equipment; the manufacture and sale of integrated systems for operating theatres; and air conditioning projects and installation. Consequently, the information provided by the members of the Board of Directors to be disclosed in this section is confined to these activities.

2. Performance of similar activities by the directors as independent professionals or as employees:

   Similarly, as disclosed in the foregoing section, the Company did not receive any notification from its directors declaring that they carry on, as independent professionals or as employees, any activity that is identical, similar or complementary to the activity that constitutes the company object of UDRA, S.A. as defined above.

The information relating to the Group companies, jointly controlled entities and associates of the UDRA Group is disclosed in the separate financial statements of the Parent.

24.2 Remuneration and other benefits of senior executives

The total remuneration of all kinds of the Parent's General Managers and persons discharging similar duties – excluding those who are simultaneously members of the Board of Directors (whose remuneration is disclosed above) - in 2009 is summarised as follows:

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Number of People	Thousands of Euros
15	4,036

Additionally, the Company does not have any pension or life insurance obligations to these executives.

25. Information on the environment

In view of the business activity carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

26. Events after the balance sheet date

Since 2009 year-end up until the date when these consolidated financial statements were prepared, no significant events have taken place.

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Appendix I

Consolidated subsidiaries:

Company	Auditing Company	Location	Activity	% of voting rights controlled by Parent companies			Cost of share (Thousands of Euros)
				Direct	Indirect	Other	
1681 West Avenue, LLC	Not Audited	Delaware (USA)	Property development	-	100	-	5,225
Altiplano Desarrollos Inmobiliarios, S.L.	-	Valladolid	Property development	-	55	45	1,375
Argentimo	Deloitte, S.L.	Buenos Aires (Argentina)	Property development	-	100	-	20,932
Arserex, S.A.U.	Not Audited	Madrid.	Commercialisation and distribution of sportswear in Spain	-	100	-	2,357
Asesoramiento y Gestión Integral de Edificios, S.A.U. (AGEINSA)	-	Barcelona.	No operations	-	100	-	74
Azac, S.A.U.	-	Barcelona.	No operations	-	100	-	13,339
Basket King, S.A.U.	Not Audited	Madrid.	Commercialisation and distribution of sportswear in Spain	-	100	-	963
Burgo Fundiarios, S.A.	Deloitte, S.L.	Oporto (Portugal)	Real estate	-	100	-	5,510
Cadena de Tiendas, S.A.U.	Not Audited	Pontevedra	Commercialisation, manufacturing, distribution, exportation and importation of clothing.	100	-	-	60
Carlos Casado, S.A.	Ricardo Casal	Buenos Aires (Argentina)	Property development	-	50.4	49.6	25,393
Cartuja Inmobiliaria, S.A.U.	Deloitte, S.L.	Seville	Construction	-	100	-	3,884
Centro Comercial Panamericano, S.A	Deloitte, S.L.	Buenos Aires (Argentina)	Property development	-	100	-	410
CIMSA Argentina, S.A.	Ricardo Casal	San Luis (Argentina)	Civil works	-	94	6	(760)
Comercial Udra, S.A.U.	Deloitte, S.L.	Pontevedra	Commercial Services	100	-	-	1,748
Constructora Panameña de Aeropuertos, S.A.	Bustamante y Bustamante	Panama City (Panama)	Construction	-	94.8	5.2	786
Constructora San José Argentina, S.A.	Ricardo Casal	Buenos Aires (Argentina)	Construction	-	100	-	4,372
Constructora San José Cabo Verde, S.A.	Not Audited	Cape Verde	Construction	-	100	-	451
Constructora San José, S.A.	Deloitte, S.L.	Pontevedra	Construction	-	99.79	0.21	88,106
Constructora Udra Limitada	Deloitte, S.L.	Monaco (Portugal)	Complete construction, preservation and repair.	7	52.59	40.41	270
Copaga, S.L.U.	-	Vigo (Pontevedra)	Real estate	-	100	-	1,323
Desarrollos Urbanisticos Udra, S.A.	Not Audited	Pontevedra	Property development	-	100	-	20,200
Desarrollos Inmobiliarios Makalu	-	-	Property development	-	50	-	(5,727)
Douro Atlantico Sociedade Inmobiliaria, S.A.	Deloitte, S.L.	Oporto (Portugal)	Real estate	-	100	-	14,909
Douro Atlantico, S.L.U.	Deloitte, S.L.	Pontevedra	Real estate	-	100	-	3,033
Edificio Avenida da Liberdade,	-	Lisbon (Portugal)	Rent	-	100	-	50
Edificio Duque de Palmela	-	Lisbon (Portugal)	Rent		100	-	50
Enerxías Renovables de Galicia, S.A.	Not Audited	Pontevedra	Production and commercialisation of electricity through renewable energy.	-	100	-	750
Eraikuntza, Birgaikuntza Artapena, S.L.U.	Deloitte, S.L.	Vitoria Gasteiz	Construction	-	100	-	435
Rexa Constructora S.A.	Deloitte, S.L.	Lima (Peru)	Construction	-	75	25	348
Inmobiliaria 2010, S.L.	Deloitte, S.L.	Lima (Peru)	Construction and Development	-	75	25	1,297

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Company	Auditing Company	Location	Activity	% of voting rights controlled by Parent companies			Cost of share (Thousands of Euros)
				Direct	Indirect	Other	
Fashion King, S.A.U.	Not Audited	Madrid.	Commercialisation, manufacturing, distribution, exportation and importation of clothing.	-	100	-	60
Gabinete de Selección, S.L.	Not Audited	Vigo (Pontevedra)	Manpower Selection	99.9	0.1	-	38
Gestión de servicios de la salud S.L.	-	-	Hospital Services	-	60	-	54
Green Inmuebles, S.L.	-	Valladolid	Rent	-	50	50	155
Hood Sports, S.A.U.	Not Audited	Madrid.	Manufacturing, storage and distribution of manufactured goods	-	100	-	60
Hotel Rey Pelayo, S.L.	-	Gijón (Asturias)	Rent	-	100	-	4,683
Iniciativas Galebal, S,L.	Not Audited	Palma de Mallorca	Property development	-	56	44	(7)
Inmobiliaria Americana de Desarrollos Urbanisticos, S.A.U.	Not Audited	Pontevedra	Property development	-	100	-	60
Inmobiliaria Europea de Desarrollos Urbanísticos, S.A.U.	Not Audited	Pontevedra	Property development	-	100	-	8,648
Inmobiliaria Sudamericana de Desarrollos Urbanísticos, S.A.	Deloitte, S.L.	Buenos Aires (Argentina)	Property development	-	100	-	680
Inmoprado Laguna, S.L.	-	Valladolid	Property development	-	50	50	1,503
Inversiones Patrimoniales Guadaiza, S.L.U.	Not Audited	Pontevedra	Property development	-	100	-	8,905
Kantega Desarrollos Inmobiliarios			Property development	-	50	-	4.972
Lardea, S.L.	-	Madrid.	Property development	-	100	-	10,284
Metrocity	-	Lisbon (Portugal)	Property development	-	50	-	500
Outdoor King, S.A.U.	Not Audited	Madrid.	Manufacturing, storage and distribution of manufactured goods	-	100	-	60
Parquesol Construcciones, Obras y Mantenimientos, S.L.	-	Valladolid	No operations	-	97	3	95
Parquesoles Portugal SGPS, S.A.	-	Lisbon (Portugal)	Holding company	-	100	-	6,700
Parquesoles Inmobiliaria y Proyectos, S.A. *(formerly Almarjurbe-Investimentos Imobiliarios, S.A.)*	-	Lisbon (Portugal)	Property development	-	100	-	50
Poligeneraciones parc de L´Alba	Not Audited	Barcelona.	Construction, start-up and maintenance of polygeneration energy systems	-	76	14	3,420
Promoción Cultural Galegas, S.A.	Not Audited	Vigo (Pontevedra)	Publishing House	-	59.48	40.52	643
Promoción Cultural Galega 2007, S.L.	Not Audited	Vigo (Pontevedra)	Publishing House	-	97.58	2.42	3
Xornal de Galicia, S.A.	Not Audited	Galicia	Press	79.15	-	-	2,593
Xornal Galinet	Not Audited	La Coruña	Press	100	-	-	1,100
Running King, S.A.U.	Not Audited	Pontevedra	Commercialisation, manufacturing, distribution, exportation and importation of clothing.	-	100	-	1
San José BAU GmBH	Wisbert & Partner	Berlin (Germany)	Construction	-	84	16	114

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Company	Auditing company	Location	Activity	% of voting rights controlled by Parent companies			Cost of share
				Direct	Indirect	Other	(Thousands of Euros)
San José Concesiones y Servicios, S.A.U.	Not Audited	Pontevedra	Sanitary and social services	-	100	-	52
San José Construction Group, Inc	Not Audited	Washington (USA)	Construction	70	30	-	695
San Jose Desarrollos Inmobiliarios	Deloitte, S.L.	Pontevedra	Property development		95		88,974
San José France, S.A.S.	Not Audited	Le Haillan (France)	Holding company	-	100	-	969
San José Perú, S.A.C.	Deloitte, S.L.	Lima (Peru)	Construction	-	100	-	9,257
San José Real Estate Development, LLC	Not Audited	Delaware (USA)	Property development	-	100	-	5,207
San José Uruguay, S.A.	Not Audited	Colonia Sacramento (Uruguay)	Industrialisation and marketing	-	100	-	10
San Pablo Plaza, S.L.U.	Not Audited	Seville	Property development	-	100	-	9,124
SCPIParquesol Rue de la Bienfaisance	-	Paris (France)	Rent	-	100	-	5
SefriIngenieros Maroc, S.A.R.L	Not Audited	Morocco	Engineering and installation services	-	75	25	(97)
Sociedad Concesionaria Chile Tecnocontrol	Not Audited	Santiago de Chile (Chile)	Infrastructure concessions	100	-	-	2,678
Inversión SanJose Chile Limitada	Not Audited	Santiago de Chile (Chile)	Investments and real property	70	-	-	1
SJB Mullroser	Wisbert & Partner	Mullroser (Germany)	Construction	100	-	-	(1,992)
Sofía Hoteles, S.L.U.	-	Valladolid	Management of "Tryp Sofía" Hotel, located in Valladolid	-	100	-	15,785
SUPRA Desarrollos Inmobiliarios, S.L.	-	Seville	Property development	-	55	45	441
Tecnoartel Argentina, S.A.	Ricardo Casal	Buenos Aires (Argentina)	Maintenance and installation work	-	100	-	23,364
Tecnocontrol Servicios, S.A.U.	Deloitte, S.L.	Tres Cantos (Madrid)	Maintenance services	-	100	-	1,395
Tecnocontrol Sistemas de Seguridad, S.A.U.	Not Audited	Tres Cantos (Madrid)	Security systems maintenance	-	100	-	120
Trendy King, S.A.U.	Not Audited	Madrid.	Commercialisation and distribution of sportswear in Spain	-	100	-	1,515
Udra Argentina, S.A.	Ricardo Casal	Buenos Aires (Argentina)	Real estate	-	90	10	504
San José Tecnologías S.A.	Deloitte, S.L.	Pontevedra	Installations	-	100	-	10,768
- Udra Mantenimiento, S.L.U.	Not Audited	Tres Cantos (Madrid)	Public Telephone Networks maintenance and collection	-	100	-	3
Udra Medios, S.A.U.	Not Audited	Pontevedra	Publishing, making, re-making and advertising of books, newspapers, mazines and any sound and image media.	100	-	-	359
Udra Medios Editora de Galicia	Not Audited	Galicia	Press				4
Udra México S.A. de C.V.	-	Mexico	Construction company		97.18	-	490
Udralar, S.L.	Not Audited	Tres Cantos (Madrid)	Real estate	-	100	-	(7,857)
Udramar Inmobiliaria, S.L.U.	Not Audited	Tres Cantos (Madrid)	Real estate	-	100	-	(7,138)
Udrasol Inmobiliaria, S.L.U.	Not Audited	Tres Cantos (Madrid)	Real estate	-	100	-	(3,621)
Udrasur Inmobiliaria, S.L.U.	Not Audited	Tres Cantos (Madrid)	Real estate	-	100	-	1
Zivar, investimentos inmobiliarios C.	-	Portgal	Real estate		52.5	-	2,597
San Jose Energía y Medio ambiente	-		Energy production		1	-	(248)
Urbemasa, S.A.U.	-	Valladolid	No operations	-	100	-	272

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Appendix II
Associates accounted for using the equity method

Company	Auditing Company	Location	Activity	% of voting rights controlled by the Parent			Cost of share
				Direct	Indirect	Other	(Thousands of Euros)
Pontegran, S.L.	Deloitte, S.L.	Madrid.	Property development	-	45	55	8,654
Corporación San Bernat SCR,SA	Audihispana	Barcelona.	Securities Holdings	-	28	-	6,820
Antigua Rehabilitalia, S.A.	Deloitte, S.L.	Madrid.	Property development	-	40	60	-
Zonagest, S.L.	Not audited	Madrid.	Property development	-	15	80	712
Desarrollo Urbanistico Chamartín, S.A.	Deloitte, S.L.	Madrid.	Property development	-	27.5	72.5	11,246
Editorial Ecoprensa	-	Galicia	Press	-	6	-	2,187
Panamerican Mall, S.A.	KPMG	Buenos Aires (Argentina)	Property development	-	20	80	20,245
Nuevo Parque de Bomberos, S.A.	Not audited	Palma de Mallorca	Construction and operation of a new fire station	-	28	72	456
Otoño, S.L.	-	Valladolid	No operations	-	67	33	42
Pinar de Villanueva, S.L.	-	Valladolid	Operation of small farms and buildings, urbanisation and real state developments	-	50	50	9,394
Villa del Prado Patrimonio, S.L.	-	Valladolid	No operations	-	50	50	3
Villa del Prado Gestión, S.L.	-	Valladolid	No operations	-	50	50	3
Green Cines, S.L.	-	Valladolid	Operation of film theatres	-	50	50	535
Filmanova S.L.	-	La Coruña	No operations	-	11	-	37
Bodegas Altanza	-	Logroño	Winery	-	8	-	994
Unirisco Galicia S.C.R.	-	La Coruña	-	-	16	-	407
Discoval 2000, S.L.	-	Valladolid	No operations	-	50	50	139

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Annex III

Consolidated joint ventures:

Company	Registered Office	Activity	Effective ownership of interest of Parent company	Thousands of Euros Cost of share
Desarrollos Inmobiliarios Makalu, S.L. (1)	Madrid.	Property development	50.00	1,002
Kantega Desarrollos Inmobiliarios, S.A. (*)	Seville	Property development	50.00	5,515
Metrocity Investimentos Imobiliários Ibéricos, S.A.	Lisbon (Portugal)	Property development	50.00 (a)	500
				7,017

(*) (*) The cost of the ownership interest in this company subscribed by the Group amounted to EUR 12,000 thousand at 31 December 2009, of which EUR 6,485 thousand remained outstanding.

(a) This ownership interest is held indirectly through Parquesoles Portugal SGPS, S.A.

(1) Companies audited by Deloitte, S.L.

1. Joint ventures in the construction industry:

Joint Venture	**Interests (%)**	**Thousands of Euros Certificates Issued/Income (at 100% of UTE)**	**Status**
Construction company San José			
S.Jose-Cimsa-Rodio O/Montijo	90%	-	In progress
San Jose-Abengoa O/La Lama	75%	-	In progress
Novo Hospital	95%	-	In progress
Andujar	80%	-	In progress
Santa Marta Magasca	60%	-	In progress
Aljarafe	75%	-	In progress
Tercia Baena	20%	-	Pending deregistration
Barrio Bajo	80%	-	In progress
Tarongers	80%	-	Settlement pending
Cimsa-Ploder "Velilla"	50%	-	In progress
Hospital Cruz Roja	20%	-	Settlement pending
Cejoysa	60%	-	In progress

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Pista 18	25%	-	In progress
Torrelaguna	50%	5	In progress
Puente Genil	100%	-	Settlement pending
Hospital Xeral De Lugo	50%	11,693	In progress
Cinturon De Vigo	50%	-	In progress
Daimiel	100%	-	Settlement pending
Aportacion Hosp Almansa	70%	-	In progress
Nueva Sede Diputación De Malaga	50%	-	In progress
Zona De Contacto Toledo	100%	-	Settlement pending
Cañada Ancha	100%	-	In progress
Almanjayar	75%	3,959	In progress
Plaza El Arbol	20%	-	Settlement pending
Variante Iscar	100%	-	Settlement pending
A.I. La Nava	100%	-	In progress
Chiclana	100%	-	In progress
Acceso Zona Contacto Toledo	100%	-	In progress
San Lucar	100%	-	In progress
Rivas Oeste	100%	-	In progress
Aeropuerto De Menorca	50%	1,413	In progress
Museo Del Prado	50%	-	In progress
Ciudad De La Cultura	50%	2,481	In progress
Jabalon (Manserja)	40%	-	In progress
Prolongacion Avenida Alvaro Domecq	100%	-	In progress
Nueva Estacion Pinar Del Rey	100%	-	In progress
Becerril	100%	-	Settlement pending
Avenida De Europa Jerez	100%	-	In progress
La Granja-Jerez	100%	-	In progress
C.P Leliana	70%	-	In progress
Piscina Parla	60%	2,584	In progress
Ac-301 Padron	100%	-	In progress

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Viviendas Alcosa	80%	-	In progress
Resultado Edificio Ciudad Cultura	50%	-	In progress
Metro Boadilla	30%	-	In progress
Nueva Ciudad Deportiva De Umbrete En Sevilla	100%	31	In progress
Ccb Mallorca	55%	-	In progress
Alcorcon	100%	-	In progress
Jarosa El Escorial	100%	-	Settlement pending
El Puerto	100%	105	In progress
Autovía A-50 Salamanca	100%	11,624	In progress
Fondo Operativo Hospital Asturias	43%	24,744	In progress
M-40 Pau Las Tablas	50%	-	In progress
Puerto De La Atunara	80%	-	Settlement pending
Depuradora Cutar	20%	-	In progress
Hosp.Verge Cinta	20%	-	In progress
O/Ceip Beethoven	20%	77	Settlement pending
O/ Urbaniz. Barrio San Isidro	100%	-	In progress
O/ Parque Lineal Rivas	75%	38	In progress
Escola Bressol	20%	-	In progress
Csj-El Ejidillo (Fondo Operativo)	60%	10,218	In progress
Autovia Encinas Reales Cordoba	70%	9,754	In progress
EstadiMunicipal Montcada	20%	-	Settlement pending
Ceip San Jordi	20%	-	In progress
Embalse Contreras	50%	13,409	In progress
Estacion Ave Zaragoza	55%	-	In progress
Ceip San Jose Calasanz – Bigastro	60%	(103)	In progress
Adecuacion Edificio Camara De Comercio	60%	-	In progress
Centro De Salud Lucero En Madrid	70%	-	In progress
Bjologicas-Uv reforms	60%	-	In progress
Ingeniería Industrial	50%	2,526	In progress
Hospital De Guadix	50%	14	In progress

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Ocaña	70%	15,590	In progress
Zona Comercial Aeropuerto Menorca	50%	96	In progress
Colegio Alameda De Osuna	65%	348	In progress
Autovía Verín-Frontera Portuguesa	50%	11,638	In progress
Regadio Canal Del Páramo Bajo	50%	126	In progress
Valdebebas Lote 6	50%	1,378	In progress
Paso Inferior Ifema	50%	-	In progress
Anillo Norte Estacion Delicias	63%	1,822	In progress
Hospital De Plasencia	45%	1,153	In progress
Ronda Suroeste Toledo	50%	18,185	In progress
Arroyo De La Vega Ampliacion Edar	50%	1,405	In progress
Proyecto Y Obras De La Edar Aranjuez Norte	50%	778	In progress
El Tejar	70%	2,688	In progress
Csj-Obremo	67%	72	In pogress
Parque De Bomberos	51%	254	In progress
Escuela Universitaria De Magisterio	80%	15,048	In progress
Mieres	60%	2,621	In progress
Ensanche Barajas	50%	221	In progress
Vall Nuria	20%	-	In progress
Vilanova	20%	-	In progress
EtsiUniversidad Valencia	80%	10,897	In progress
Hotel Colon Sevilla	70%	5,911	In progress
San Jose El Ejidillo E	60%	59	In progress
San Jose El Ejidillo F	60%	43	In progress
Nave Ind.Vicalvaro	60%	-	In progress
Gandia Hospital	70%	2,786	In progress
Fase IiH.Juan Canalejo La Coruña	50%	1,885	In progress
Palacio Justicia Paterna	60%	936	In progress
Jardineria Ifema	60%	158	In progress
Parque Fuensanta	60%	31	In progress
Zonas Verdes Ferrol	60%	650	In progress

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Ajardinamiento Y Mejora Elup De Calles Juan Vera	60%	74	In progress
Vpo La Torre Valencia	50%	-	Settlement pending
Castell De Castells	70%	320	In progress
Csj-Guamar Malaga	70%	365	In progress
Rehabilitacion Poboado Mineiro Fontao	80%	(136)	In progress
Casco Historico Cartagena	60%	839	In progress
San Jose El Ejidillo Paseo De Europa	70%	940	In progress
Depuradora Cutar	20%	-	In progress
Hosp.Verge Cinta	20%	25	In progress
Tratamiento Agua Potable Villanubla	20%	-	In progress
Vall Nuria	20%	-	In progress
Vilanova	20%	-	In progress
Ciudad Jardin (Malaga) football field	75%	1,151	In progress
Sistema Luces Aeropuerto	20%	-	In progress
Santa Maria De La Isla	20%	-	In progress
Renovacion Red De Saneamiento Teruel	20%	-	In progress
Tratamiento Agua Potable Villanubla	20%	-	In progress
Coveta Fuma	20%	-	In progress
Captacion Bombeo Cubillo De Butron	20%	-	In progress
Abastecimiento Fuensaldaña	20%	-	In progress
Agua Potable Proteccion Legionelosis	20%	-	In progress
Almuradiel	20%	-	In progress
Saneamiento En Kareaga Goikoa	20%	-	In progress
Desagüe De Pluviales Ronda Parque	20%	-	In progress
Ciudad De La Luz – Alicante	20%	-	In progress
Ciudad De La Luz – Alicante	20%	-	In progress
Lagunilla	70%	-	In progress
Tecno-Cimsa Alumbrado Camino Carmen	20%	-	In progress
Construccion De Un Centro Ludico-Acuatico En Montecerrao	50%	-	In progress
Arcade Pontecaldelas Cimsa	50%	-	In progress
Son Tous - Tecnocontrol Cimsa	20%	-	In progress

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Facultad De Ciencias (Puerto Real)	50%	163	Liquidated
Reforma Radioterapia H.Virgen Del Rocio	50%	699	In progress
Edificio Multiusos Telde	60%	311	In progress
<u>Cartuja Real Estate</u>			
Estero	25%	-	In progress
Baeza	45%	-	Tax deregistration
Tercia De Baena	80%	(12)	Deregistration pending
Casa De Niños Quijorna (Children's house)	20%	-	Deregistration pending
WTC Sevilla	20%	-	Deregistration pending
Redes Tic	20%	-	Deregistration pending
Hospital Valle Del Guadiato	60%		In progress
Valle De Los Pedroches Hospital	60%	761	In progress
Hospital De Guadix	50%	57	Deregistration pending
Rehabilitacion Teatro San Fernando	80%	503	In progress
Rehabilitacion Poboado Mineiro De Fontao	20%	(216)	In progress
Facultad de Ciencias	50%	655	In progress
<u>Eraikuntza Birgaikuntza Artapena</u>			
Cruz Roja	80%	-	Settlement pending
Barañáin	50%	-	Settlement pending
Kultur Etxea Hondarribia	80%	365	In progress

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2. Joint ventures in the industrial sector:

Joint Venture	Interests (%)	Thousands of Euros Certificates Issued/Income (at 100% of UTE)
San José Tecnologías		
Museo del Prado	50%	-
Talavera	20%	-
Aeropuerto de Barcelona	33%	938
Cutar de Málaga	80%	-
Climatización El Empecinado	20%	-
Residencial Docente Do Burgo	20%	-
Trauma V. Hebron	20%	-
Radial M50	33%	-
Subest.Transformadora Rio Adaja	50%	-
Captacion De Bombeo Cubillo Butron	80%	-
Inst.Electricas Novo Hosp.Lugo	34%	3,056
Inst.Comunicac. Novo Hosp.Lugo	50%	466
Set Cortadura Subest. 66kven L.A.V. Tramo Aerop.	50%	-
Hosp.Verge Cinta	80%	127
Trauma V.Hebron	80%	86
Planta A-400m Airbus Sevilla	40%	316
Universidad De Santiago	80%	282
Redes Telefonia Y Datos, Ministerio Del Interior	80%	196
Climatizacion Base El Empecinado	80%	-
Estacion Ave Zaragoza	45%	-
Residencial Docente Do Burgo	80%	-
Comunicación De Cocheras Vallecas	80%	-
Cymitec Serv.Centrales Ciudad De La Cultura Santiago	50%	94
Explotacion Vall De Nuria	80%	-
Centro De Salud Lucero	30%	-
Cap Rubí 3 – Csterrassa	80%	-
PciLinea 3 – Madrid underground	80%	-
Gespa Mas Oliva-Ajuntament Roses	50%	-
Extincion De Incendios Residencia Militar Alcazar	80%	-
Tecosa-Teco Sist.Seguridad Arroyos	50%	-
Copisa-Tecno S.FerroviariL'anoia IEl Bages	40%	2,541
Tecno-Telvent By-Pass Sur Tunel Norte	50%	-
Tecnoditec Comunicaciones	60%	-
Desaladora El Mojon	25%	37
Ampliacion Hospital Pozoblanco	40%	761
Har Peñarroya Valle Del Guadiato	40%	-
Poligeneracion Cerdanyola Del Valles	95%	7,572
Tecno-Elecnor Cabildo Insular	50%	120

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Tecno-Moelca Ae.Fuerteventura	55%	3,348
Imhuca Hospital De Oviedo	35%	13,119
Aparcamiento P-2 Aeropuerto De Malaga	80%	892
Arnau Vilanova	80%	-
Museo del Prado	50%	-
Sum.Equip.Inform. Canarias	50%	-
Sum. Proyectores prog. Fomento	50%	-
Comunicación Cocheras de Vallecas	20%	-
Universidad de Santiago	20%	-
Redes Telefonía Ministerio del Interior	20%	-
Bajondillo	25%	-
Torre Iberdrola	30%	2,479
Kultur Etxea Hondarrubia	20%	365
Tecnocontrol Servicios		-
Planta de reciclaje Colmenar	50%	522
Campo de football la Vinyassa	52%	46
Aeropuerto Barajas Mantenimiento	50%	1,939
Clima Terminal Sud	50%	959

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

2009 Directors' Report

1. Business performance and situation of the Group:

1.1 Market performance

After the heavy worldwide economic slowdown which began in the second half of 2007, 2009 has been characterised by a slight recovery enabling most European countries to overcome the economic recession. However, Spain has maintained throughout 2009 negative growth rates, as one of the last western countries to leave recession behind.

Therefore, Spain's 2009 GDP has reached a 3.1% contraction rate, which means that Spain saw five consecutive quarters of negative growth, yet data from the fourth quarter of 2009 has only suggested a 0.1% year-on-year contraction, supporting the possibility to return to positive growth figures in early 2010.

As regards to the breakdown of internal demand, only public sector consumption grew in 2009, whilst private sector consumption fell sharply with a year-on-year decrease of 3.5% and a 12.9% drop of gross capital formation. Accordingly, gross capital formation decreased by 10.2%, home construction showing the worst results. On the contrary, the other construction sectors show a better performance as a direct result of the good evolution shown by infrastructure, especially that related to local corporations and high speed railroad.

In parallel, the unemployment rate intensified, exceeding the barrier of four million people unemployed.

Given the slight recovery of the main European countries' economic parameters, Spain's growth rates are below the European mean for the first time since the economic crisis of the early 90's, pushing us farther away from real integration.

Even though some economic indicators are starting to show signals of improvement, such as car registrations in January with an 18% increase, available indicators suggest a period of economic lethargy with a slow recovery placing the Spanish GDP in 2010 around 1%, a figure that according to specialists would be insufficient to create jobs. The forecast, therefore, indicates high rates of unemployment will remain throughout 2010.

The situation of the real economy has also worsened as a result of the liquidity and confidence crises in international financial markets. Throughout 2009 and up until now, there have been continuing signs of instability, transferring the mentioned risk from the global financial system's main private entities to the sovereign debt of certain countries. Hence, the uncertainty about the sovereign debt of Dubai or Greece has generated a domino effect on the debt of those countries with important fiscal deficits, Spain among them. This has translated into increasing differentials on the German debt and a higher cost of CDS, as well as a drop in the debt rating developed by one of the main agencies.

Despite the tensions, interest rates have remained at a low level as a result of support policies introduced by the European Central Bank (ECB), contributing with an important amount of liquidity to the system to prevent a liquidity crisis. In the coming months, and if the recovery of the main European economies is confirmed, the ECB could introduce a more restrictive policy, either through liquidity withdrawals or slight interest rate increment.

In Spain, the continued liquidity tensions have been materialised through further difficulty to access credit, significantly increasing the number of bankruptcies, and higher default rates in banks, involved in a reorganisation process not yet started, mainly in Savings Banks. The above anticipates high financial restrictions will remain throughout 2010.

In Portugal, the Group's other large European market, the situation resembles that of Spain, with a falling GDP for 2009 of 3.5% and similar problems related to confidence in the Portuguese sovereign debt. In Latin America, activity indicators show the beginning of the recovery, with growth rates ranging between 2% and 5% for the countries where the Group operates.

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1.2 Performance of the construction industry in 2009

Throughout 2009, the real estate industry has continued falling and, consequently, so has the residential construction industry. The construction industry activity has been significantly affected by a factor that, perhaps, is having the greatest negative impact on the industry and will continue to do so, namely: the liquidity difficulties that are evident in the financial services industry. This is not only causing an increase in the spreads applied in financing, but also, a reduction of credits granted to companies.

The residential construction industry has experienced in 2009 a 20.6% reduction in new housing, it is, therefore, estimated that, should the weak demand, financial difficulties and the large stock of unsold housing continue, this subsector will maintain low activity rates.

With regards to public work, the Spanish government has approved a second E Plan consisting of a further EUR 5 million to maintain local administrations' bidding volumes. However, the important fiscal deficits have pushed the government to announce an austerity plan that, should it fail to be implemented, would significantly affect the expense of the Ministries of Development and the Environment. Central and autonomous government bidding volumes are, thus, expected to fall year-on-year (they have already registered volumes lower than in 2008).

1.3 Risks associated with business activities

The Group carries on its activities in industries, countries and socio-economic and legal environments that entail different levels of risk. The Group controls these risks in order to avoid decreased shareholder returns or difficulties for its customers. It uses instruments in order to identify these risks sufficiently in advance or to avoid them by minimising them.

1.4 Main indicators of consolidated profits or losses

Pursuant to applicable legislation, all groups of companies whose shares are admitted to trading on secondary markets or that exercise control over listed companies or groups of companies are obliged to file consolidated financial statements from 2005 onwards.

However, the San José Group opted for early adoption and prepared financial statements under IFRSs for the first time in 2006.

Therefore, the San José Group discloses its financial/accounting information under the same accounting standards and principles as the main construction groups and companies. This entails the following advantages:

- **Financial information that is uniform**, convergent and comparable with that of the main construction groups in Spain and abroad that operate under IFRSs.

- **A clearer and more transparent view** of its financial situation and its ability to generate liquidity from its ordinary activities. Adequate information with respect to the Group's ability to manage its exposure to financial risks arising from its business diversification and international presence, disclosing the Group's risk hedging policy.

- A **more detailed disclosure of the business structure** and its ability to create wealth through segment reporting (by activity or market).

Equity: the Group's equity at 2008 year-end totalled just over EUR 413 million.

Profit: Revenue amounted to EUR 1,084 million, a decrease of 19.7%. The current situation of the Spanish economy, and in particular the construction and real estate markets, led the Group to give maximum priority to solvency and new contract profitability, which had a slight adverse impact on revenue. However, the good performance of profit margins should be noted, highlighting a 6.6% positive EBITDA margin, slightly above the 6.1% recorded in the previous year, a situation that has undoubtedly influenced in the generation of a positive net cash flow of EUR 35.1 million.

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1.5 Main actions of the Group's business units

The Group is a diversified group as regards its activities and the geographical areas in which it carries them on. The following divisions are present in the Group: construction, concessions y maintenance, energy, and real estate and urban development.

The growth of the Company fundamentally follows criteria of profitability and diversification and/or expansion of the activities related to the various strategic industries in which it currently operates.

Investments in other industries, represented by the securities portfolio, will continue depending on the evolution of their value and on the financial opportunities that may arise.

The basic strategies which characterise the Group can be summarised as follows:

1. Industry diversification and internationalisation as the cornerstones of stability and growth.
2. Integrated project management, offering a global service.
3. Maintenance of the level of shareholder independence.
4. Investment in human capital formation and cutting-edge technology to drive development.
5. Focus on companies with significant strategic importance, substantial returns on investment and a marked social component.
6. Priority to solvency and profitability over growth policies.

Objectives for 2010

Construction: to emphasise to a greater extent the process of geographical diversification. Also, to seek greater cost structure efficiencies. The Company's clear objective is to consolidate its position as one of Spain's leading construction groups, while continuing to meet quality requirements and deadlines. Strengthen the civil engineering business with further significant infrastructure projects and studying the possibility of corporate acquisitions.

In this regard, the construction division maintains a backlog still to be executed of EUR 1,212 million, consisting mainly of non-residential building construction and civil engineering projects (52% and 28%, respectively). 70% of this total figure is for public-sector customers.

Energy: further specialisation and optimisation of resources in order to manage projects that require greater technological and financial commitment. This will enable us to position ourselves in a higher value added segment.

The project backlog still to be executed at 31 December 2009 amounted to EUR 504 million[1].

Maintenance and concessions: This Division has been clearly relaunched after the awarding of the construction and operation of two hospitals in Chile. The purpose is to strengthen this division, both at domestic and international level, through projects with own financing vehicles, with appealing profit rates, return on investment rates that are not excessively long and which guarantee recurring income in the future.

Real estate: Internally, the objective is the legal unification of the entire real estate business into a head of the group with its own legal structure. In terms of operation, efforts will be headed toward concluding property developments under construction to speed up their sale, maintaining the cost reduction policy to suit a bearing market. As to rent, a higher level of occupation will be promoted, improving commercial policies.

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[1] Said portfolio does not include the one derived from the awarding by the Galician Department of Innovation and Industry of the construction and subsequent operation of 5 wind plants (142 Mw) in Galicia, as the process is at a standstill.

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Markets: Balance overall revenue by giving greater weight to the international business, promoting development in the countries in which we are already present and in new countries.

1.6 Information on events relating to the environment and to human capital

In view of the business activities carried on by the Group companies, they do not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to the Group's equity, financial position and results.

The Group's human resources policy consists basically of maintaining and hiring committed and knowledgeable teams with a high degree of specialisation, capable of generating new business opportunities and offering the best customer service.

In addition, specialised training in each business has been strengthened in order to improve the Group's processes and safety levels.

2. Events after the balance sheet date:

Since 2009 year-end up until the date when these consolidated financial statements were prepared, no significant events have taken place.

3. Future outlook:

2009 has shown the economic recession's severity and intensity both internationally and in the Spanish market itself. It is generally agreed that we are undergoing a stabilisation phase, with low growth rates that will maintain those levels for at least two years. The Group used 2009 in order to adapt its structure and strategy to the current climate, with the aim of minimising the adverse effects of the crisis and to seize the opportunities that are also arising. The Group's activity is, therefore, focused on profitability parameters and ensuring operations' solvency rather than growth.

The slowdown of the residential property market is creating a greater competition in public bids for tender, which is unavoidably having an impact on profit margins which are slightly tighter than before. Also, in view of the fact that the projected volume of public-sector investment will not allow construction companies to maintain their current level of activity, they will be obliged to broaden their outlook and promote and reinforce new geographical (mainly Latin America and the Middle East) and business (energy in all its facets, technology, etc.) diversification policies.

Next year, the Company will continue to manage the activities of the different Group companies and will continue to consider the acquisition of ownership interests in other complementary or strategic industries for the Group. The consolidation of the various investees in their respective sectors of activity and their current backlog point towards maintaining in 2010 Group billings achieved in 2009.

4. Research and development:

Given the characteristics of the activity developed by Group companies, R+D+I are not particularly relevant.

Notwithstanding that, a Management System was implemented in the technological sector, within the Management Systems area, for AENOR certification. A Project called "Design, development and implementation of R+D+i management systems for industrial companies", was developed and coordinated by the National Association of Capital Goods Manufacturers (SERCOBE). The Project was approved and subsidised by the Ministry of Industry, Tourism and Trade.

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In addition, the development of a project that started in 2008, called "More efficient thermosolar and photovoltaic plants adjusted to new locations minimising their environmental impact" was concluded during the period. The Project was classified as R+D+I Project, as the Thermosolar Energy component was considered part of "R+D" and the Photovoltaic Energy component part of "iT". Based on this classification, companies will be granted tax credits for the incurred costs.

Finally, the Project called "R+D in the introduction of new native and xeric varieties in Spanish gardens" is under development. This Project is conducted in cooperation with Constructora San José, S.A. and El Ejidillo Viveros Integrales. The Project started in July 2009 and will last 24 months. It was presented at the Centre for Industrial Technological Development as an Intercompanies Cooperation project, applying for different types of subsidies given its interest.

5. Treasury share transactions:

The Parent did not perform any transactions involving treasury shares.

6. Use of financial instruments in risk management:

Interest rate risk: This is the main risk to which the Group is exposed as a result of the bank borrowings described in the notes to the consolidated financial statements. In order to minimise exposure to this risk, the Group's financial management has arranged cash flow hedges to protect the Company against foreseeable interest rate increases in the future.

Foreign currency risk: The Group's policy is to borrow in the same currency as that of the cash flows of each business. Consequently, there is currently no significant foreign currency risk. However, noteworthy in this connection are the exchange rate fluctuations arising in translating the financial statements of foreign companies whose functional currency is not the euro. In view of the Group's geographical expansion over the last few years, exposure to foreign currency risk may arise in the future. Should this risk arise, the best solution will be analysed in order to minimise it by arranging hedges, provided such instruments conform to the Group's corporate criteria.

Liquidity risk: The Group maintains sufficient liquidity levels to hedge short and medium-term obligations, through tranches envisaged in the period's refinancing process.

Any cash surpluses are used to make short-term investments in highly liquid deposits with no risk.

Available self-financing is used as far as possible to finance investing activities, thereby ensuring shareholder return, attention to debt requirements and the management of working capital.

Credit risk: credit risk, which arises from customer defaults, is managed by means of the preventive assessment of the solvency rating of the Group's potential customers at the beginning of the relationship and throughout the duration of the contract, evaluating the credit rating of the outstanding amounts receivable and reviewing and segregating the estimated recoverable receivables from doubtful receivables.

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Annex I to the Management Report

Explanatory report prepared by Grupo Empresarial San José, S.A.'s Board of Directors about the Additional information to be included in the Management Report pursuant to Article 116 Bis of the Securities Exchange Act:

Pursuant to article 116 bis of Act 24/1998 of 28 July, of the Securities and Exchange Commission, introduced by Act 6/2007 of 12 April. The following information is presented below:

1. **CAPITAL STRUCTURE**

Pursuant to article 5 of Bylaws at 31 December 2009, Grupo Empresarial San José, S.A.'s share capital consists of 65,026,083 fully subscribed and paid shares of EUR 0.03 par value each, recognised as a single stock issue, represented by book entries and granting the same rights and obligations.

There are no issued securities enabling their Exchange into Grupo Empresarial San José, S.A.'s shares.

2. **RESTRICTIONS TO TRANSFERABILITY OF SHARES**

According to the bylaws, there are restrictions to transferability of shares representing the share capital.

3. **DIRECT AND INDIRECT SIGNIFICANT SHAREHOLDING**

According to the information included in the Spanish National Securities Market Commission's records, the breakdown of direct and indirect significant ownership interest in Grupo Empresarial San José, S.A.'s share capital at 31 December 2009 is as follows:

	Percentage of direct ownership	Percentage of indirect ownership	Total percentage
Ms. Julia Ávalos Pérez	12.627%	-	12.627%
Ms. María José Sánchez Ávalos (1)	-	5.869%	5.869%
Caja de Ahorros de Castilla-La Mancha (2)	1.425%	4.120%	5.545%
Mr. Jacinto Rey González (3)	24.952%	27.955%	52.907%

(1) Indirect ownership through Valjoyval Holding España, S.L.
(2) Direct ownership through Caja Castilla-La Mancha Corporación, S.A.
(3) Indirect ownership through: Pinos Altos Inversiones S.L. 3.430%
Pinos Altos XR, S.L. 17.350%
Udra Valor, S.A. 7.175%

4. **RESTRICTIONS TO VOTING RIGHTS**

There are no voting right restrictions. However, shareholders should hold at least one hundred shares to attend and vote at a General Meeting. Shareholders with no sufficient shares to attend General Meetings may group them with those from other shareholders in the same situation to reach the minium required, conferring upon one of them the power to attend the Meeting. Alternatively, their right to be represented could be conferred to another shareholder with the right to attend.

5. **SHAREHOLDERS AGREEMENTS**

There are no shareholders agreements of any kind.

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6. RULES APPLICABLE TO APPOINTMENT AND REPLACEMENT OF BOARD MEMBERS AND AMENDMENT OF BYLAWS

- Appointment of Directors (article 21 of the Board Regulations).

Directors will be appointed by the General Meeting or the Board of Directors pursuant to the regulations included in the Spanish Companies Act.

Directors' appointment proposals submitted by the Board of Directors to the General Meeting and the appointment decisions made by the Board by virtue of the legally conferred powers of cooptation should follow, as applicable, the corresponding proposal and supporting report prepared by the Appointments, Remuneration and Good Governance Commission.

Pursuant to the Spanish Companies Act, Directors should be Company shareholders to be appointed by cooption.

In any case, the person to be appointed as Director or legal entity representative appointed as Director could not be involved in any of case of incompatibility or prohibition established by law or by the company.

The position of Director will be compatible with any other function within the Company.

- Re-appointment of Directors (article 23 of the Board Regulations).

Proposals to re-appoint Directors submitted by the Board to the General Meeting should follow a report, if applicable, by the Appointments, Remuneration and Good Governance Commission.

- Term of office (article 24 of the Board Regulations).

Directors' term in office will last no more than six (6) years, with the possibility to be re-elected.

Directors appointed by cooption will remain in office until the following General Meeting or until the legal term to hold the General Meeting to resolve the approval of the prior period's financial statement has elapsed.

- Removal of Directors (article 25 of the Board Regulations).

Directors will resign when their elected terms expire or when asked to do so by shareholders at a General Meeting or when involved with any of the causes stated in this respect by Law.

Directors must offer their resignation to the Board and execute that resignation when they fall under any of the prohibitions established by Article 124 of the Spanish Companies Act and other legislation in force at any given time.

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- Amendments to the Bylaws

The General Meeting is responsible for adopting resolutions related to the amendment of the bylaws, for which, pursuant to article 17 of the Company Bylaws, shareholders present or represented on first call holding at least 50% of the subscribed share capital with voting right should attend the meeting. Only 25% of said share capital is necessary on second call. When shareholders representing less than 50% of the subscribed capital with voting right attend, resolutions to amend Bylaws could only be validly adopted with the affirmative vote of two thirds of the share capital present or represented at the Meeting.

7. BOARD MEMBER POWERS

Mr. Jacinto Rey González, as President of the Board of Directors and Mr. Miguel Zorita Lees, CEO, have all the powers that may be delegated by the Board. There are no general or special Powers of attorney in favour of Board members, except for the Executive Directors Mr. Jacinto Rey Laredo (Vice-president) and Mr. Santiago Martínez Carballal.

Through timely resolutions validly implemented by shareholders at the Ordinary General Meeting of 30 June 2009, the Board of Directors has been conferred the following authorisations and powers:

Authorisation for the Company to acquire, either directly or through group companies, or accept as pledges, treasury shares in accordance with the provisions of Article 75 of the Spanish Companies Act, establishing limits or requirements for such acquisitions.

Authorise the acquisition of Company shares at any time during the time this resolution is in force and as many times as is deemed necessary by the company, whether through acquisition, swap or any other means permitted by law at any given moment, directly or through investee companies, and the acceptance of pledges of shares up to a maximum number of shares which, added together to those already possessed by the Company and any of its subsidiaries, does not exceed the maximum number allowed by Law and for a price or compensation that cannot be less than the par value of the shares or be more than 20% higher than the listed price on the stock market at the time of acquisition. The authorisation includes carrying out any futures, options or other transactions involving company shares.

This authorisation will initially be in force for 18 months (which has been automatically extended to 5 years as from the date of the Ordinary General Meeting after the entry into force of Law 3/2009 (3 April) regarding structural modifications to companies) as from the date of this General Meeting and subject to compliance with all other applicable legal requirements.

Delegation to the Board of Directors of the authority to increase share capital through monetary contributions, in accordance with the provisions of Article 153.1.b) of the Spanish Companies Act and, if appropriate, to exclude the preferential acquisition right in accordance with the provisions of Article 159.2 of that same law.

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The Company's Board of Directors is entrusted, as is legally most appropriate and pursuant to Article 153.1.b of the Spanish Companies Act, with the power to increase share capital, once or several times and at any given time, within a maximum period of five years from the approval of the resolution by the General Meeting, and with no need to summon a General Meeting or a subsequent resolution by it, up to an equivalent to half of the current share capital, through the issue of new ordinary, privileged or any type of shares allowed by law, including redeemable shares with or without share premium, with or without voting right, with equivalent value in monetary contributions, having the possibility to set the terms and conditions for the capital increase and the share characteristics, as well as to offer the new shares not subscribed within the term of terms to exercise preferential acquisition rights. Said powers could be, in turn, delegated by the Board of Directors to any Board member or any other person expressly designated by the Board.

The Board of Directors is authorised to partially or totally exclude the preferential acquisition right regarding the shares subject to this delegation pursuant to Article 159.2 and related articles of the Spanish Companies Act, provided it is so requested by the Company's interest and all the other legal requirements are met. Said powers could be, in turn, delegated by the Board of Directors to any Board member or any other person expressly designated by the Board.

Delegation to the Board of Directors of the authority to issue debentures, bonds and other fixed income securities, either ordinary or "swappable" and/or convertible, as well as warrants on newly issued shares or shares in the company or group companies that are in circulation or not, allowing for the possibility that preferential acquisition rights may be excluded. Establishment of the criteria for determining the bases and types of conversion and/or swap, at a fixed or variable rate. Authorisation of the Board to increase share capital in the amount necessary to cover the conversion. Authorisation for the Company to secure obligations of all kinds that may derive for its subsidiaries during the issue of fixed income securities.

The Company's Board of Directors is entrusted, as is legally most appropriate and efficient and pursuant to Article 319 of the Mercantile Registry Regulations and the general scheme for the issue of bonds and, similarly pursuant to Articles 153.1.b) and 159.2 of the Spanish Companies Act for capital increase, the power to issue debentures, bonds, promissory notes and any other fixed income securities, either ordinary or convertible into Company shares and/or swappable for shares in the Company or any other company whether or not they belong to the Group, as well as preferential acquisition rights, warrants (options on newly issued shares or shares in the Company or any other company whether or not it belongs to the Group) and, in general, any mode allowed by law to issue fixed income securities.

The issue could be performed once or several times as from the date of the resolution and up to five years following the date of this resolution.

The maximum total amount for securities issue or issues pursuant to the powers delegated will be that of the share capital paid plus reserves indicated in the last approved balance. For the purpose of calculating the limit above, warrants will include the addition of premiums and price for exercising said warrants in each issue approved pursuant to the powers hereby delegated.

8. SIGNIFICANT AGREEMENTS THAT COULD BE AMENDED OR TERMINATED IN CASE OF CHANGE OF CONTROL

There are no significant agreements that could be attended or terminated in case of change of control, except for the syndicated credit facility mentioned in Note 16 of the attached financial statement, which considers the change of control in the San José Group as a cause for total or partial early maturity.

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9. AGREEMENTS BETWEEN THE GROUP, EXECUTIVES, DIRECTORS OR EMPLOYEES PROVIDING FOR TERMINATION BENEFITS ON CONCLUDING THE RELATION WITH THE GROUP FOLLOWING A TAKEOVER BID

There are no agreements between the Group and its Executives, Directors or employees providing for termination benefits upon concluding the relation with the Group.

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Exhibit II to the Directors' Report

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

ISSUER'S DETAILS

DATE YEAR-END: **31/12/2009**

EMPLOYER'S
IDENTIFICATION NUMBER.
A-36046993

Company name:
GRUPO EMPRESARIAL SAN JOSÉ, S.A.

MODEL OF ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED LIMITED COMPANIES

For a better understanding of the model and subsequent preparation of the report, please read the instructions at the end before filling it out. The column corresponding to CIF, (Tax Identification Code), NIF (Tax Identification Number) or the like, which shall not be of public domain, shall always be filled in when required to complete individual or legal entities data:

Tax ID or similar number	Other information
A-36046993	

A OWNERSHIP STRUCTURE

A.1 Fill out the following table on the Company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
27/06/2008	1,950,782.49	65,026,083	65,026,083

Indicate if there are different classes of shares that carry different rights:

Yes No X

Class	Number of shares	Unit par value	Unit number of voting rights	Other rights
All shares are of the same class	65,026,083	0.03	0.03	-

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A.2 List the direct and indirect holders of significant ownership interests in the Company at year-end, excluding directors:

Name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% over total voting rights
MS. JULIA AVALOS PEREZ	8,210,673	-	12.627%
MS. MARÍA JOSÉ SÁNCHEZ AVALOS	-	3,816,530	5.869%
CAJA DE AHORROS DE CASTILLA-LA MANCHA	926,900	2,678,930	5.545%

(*) Through:

Name or company name of direct holder of ownership interest	Number of direct voting rights	% over total voting rights
CAJA CASTILLA LA MANCHA CORPORACIÓN, S.A.	2,678,930	4.120%
VALJOYVAL HOLDING ESPAÑA, S.L.	3,816,530	5.869%

Specify the most significant variations in shareholder structure throughout the year:

Name of the shareholder	Date of the transaction	Description of the transaction
Shareholders from Grupo Empresarial San José, S.A. (formerly Udra S.A.), the acquiring company and the target companies, Grupo Empresarial San José, S.A., San JoséInfraestructuras y Servicios S.A. , Parquesol Inmobiliaria y Proyectos, S.A. and Lhotse Desarrollos Inmobiliarios, S.L.	17/07/2009	Share capital increase deriving from a merger

A.3 Fill out the following tables on the members of the company's Board of Directors who hold voting rights over shares in the company:

Name of the Director	Number of direct voting rights	Number of indirect voting rights (*)	% over total voting rights
Jacinto Rey González	16,224,994	18,178,183	52.907%
Miguel Zorita Lees	30,205	-	0.046%
Jacinto Rey Laredo	2,858	-	0.004%

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Roberto Álvarez Álvarez	7,583	-	0.012%
Ramón Barral Andrade	347,200	-	0.534%

(*) Through:

Name or company name of direct holder of ownership interest	Number of direct voting rights	% over total voting rights
Pinos Altos Inveriones, S.L.U.	2,229,303	3.430%
Pinos Altos XR, S.L.	11,279,513	17.350%
Udra Valor, S.A.	4,669,367	7.175%

Total % of voting rights held by the Board of Directors	53.503 %

Fill out the following tables on the members of the Company's Board of Directors who hold rights over shares in the Company:

Name of the Director	Number of direct voting rights	Number of indirect options	Equivalent number of shares	% over total voting rights
--	---	---	---	---

A.4 Indicate, as appropriate, any relationships of a family, commercial, contractual or corporate nature existing between the holders of significant ownership interests, insofar as they are known to the company, unless they have scant relevance or arise from the ordinary course of business:

Name of related person or company	Type of relationship	Brief description
CAJA CASTILLA LA MANCHA CORPORACIÓN, S.A.	Corporate	Pertained to Caja de Ahorros Castilla la Mancha
Ms. Julia Ávalos and Ms. María José Sánchez Ávalos	Family	First degree family relationship (mother/daughter)

A.5 Indicate, as appropriate, any relationships of a commercial, contractual or corporate nature existing between the holders of significant ownership interests and the company and/or its Group, unless they have scant relevance or arise from the ordinary course of business:

Name of related person or company	Type of relationship	Brief description

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A.6 Indicate whether the company has been notified of any shareholders agreements that may affect it pursuant to Article 112 of Spanish Securities Market Law. If so, briefly describe them and specify the shareholders party to those agreements:

Yes□ No X

Parties to the shareholders' agreement	% of affected share capital	Brief description of agreement

Indicate whether the company is cognizant of the existence of concerted actions between the shareholders. If so, briefly describe them:

Yes□ No X

Parties to concerted action	% of affected share capital	Brief description of agreement

Expressly indicate any amendment to or termination of such agreements or concerted action during the fiscal term: N/A

A.7 Indicate whether there is any individual or legal entity that exercises, or can exercise, control over the Company, in accordance with Article 4 of the Securities Market Law. If so, describe them briefly:

Yes X NO □

Name
MR. Jacinto Rey González
Comments
52,907 % del capital social

A.8 Fill out the following tables on the company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % on share capital

(*) Through:

Name or company name of direct holder of ownership interest	Number of direct shares
Total	

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Give details of any significant variations during the year, in accordance with Royal Decree 1362/2007:

Notification date	Total direct purchased shares	Total indirect purchased shares	Total % on share capital

Gains / (Losses) from treasury shares sold during the period.

A.9 State the conditions and the term of the authorisation currently in force granted by the General Meeting to the Board of Directors to carry out acquisitions or transfers of treasury shares.

Shareholders at a General Meeting held on 30 June 2009 approved the Board of Directors' proposal to:

Authorise the acquisition of Company shares at any time during the time this resolution is in force and as many times as is deemed necessary by the company, whether through acquisition, swap or any other means permitted by law at any given moment, directly or through investee companies, and the acceptance of pledges of treasury shares up to a maximum number of shares which, added together to those already held by the Company and any of its subsidiaries, does not exceed the maximum number allowed by Law and for a price or compensation that cannot be less than the par value of the shares or be higher in more than 20% than the listed price on the stock market at the time of acquisition. The authorisation includes the power to carry out any futures, options or other transactions involving company shares.

This authorisation will initially be in force for 18 months (which, unless this Resolution has been previously revoked, will automatically extend to 5 years as from the date of this Ordinary and Extraordinary General Meeting after the entry into force of Law 3/2009 (3 April) regarding structural modifications to companies) as from the date of this General Meeting and subject to compliance with all other applicable legal requirements.

For the purposes of the provisions of Article 75.1 of the Spanish Companies Act, it is specifically noted that the shares acquired may be sold or written-off, or subsequently delivered to employees, executives and Directors of the Company or the Group or, if appropriate, to satisfy option rights exercise held or to develop programs that encourage the taking of shareholdings in the company, such as dividend reinvestment or similar plans.

Authorise the Board of Directors, in the broadest terms, to exercise the authority granted in this Resolution and to carry out the intended actions described herein and this authority may be delegated by the Board of Directors to any other Board member or person expressly designated by the Board.

This Resolution revokes and cancels, to the extent it was not utilized, the authorisation granted to the Board of Directors by shareholders at a General Meeting held on 27 June 2008.

A.10. Indicate any legal or bylaw restrictions on the exercise of voting rights and any legal restrictions on the acquisition or transfer of ownership interests in the share capital.

State if there are any legal restrictions on the exercise of voting rights:

Yes☐ No X

There are no restrictions on the exercising of voting rights or the transfer of shares.

Maximum percentage of voting rights that can be exercised by a shareholder due to legal restriction	

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State if there are any bylaws restrictions on the exercise of voting rights:

Yes☐ **No X**

Maximum percentage of voting rights that can be exercised by a shareholder due restriction in the bylaws	

Description of legal and bylaw restrictions to voting rights

State if there are any legal restrictions on the acquisition or transfer of equity interests:

Yes☐ **No X**

State if there are any legal restrictions on the acquisition or transfer of equity interests

A.11 State if the General Meeting has resolved to adopt measures to neutralise a take-over bid pursuant to the provisions of Law 6/2007.

Yes☐ **No X**

No neutralisation measures have been agreed.

If applicable, describe the measures approved and the terms under which the restrictions shall become void:

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B MANAGEMENT STRUCTURE OF THE COMPANY

B.1 **Board of Directors**

B.1.1 Detail the maximum and minimum number of directors as per the bylaws:

Maximum number of directors	15
Minimum number of directors	5

B.1.2 Fill out the following table with the Board members:

Name of the Director	Representative	Board office	Date of first appointment	Date of last appointment	Procedure for election
MR. JACINTO REY GONZALEZ		Chairman and CEO	18 august 1987	30 June 2009	General Shareholders Meeting of 30 June 2009
Mr .JACINTO REY LAREDO		DEPUTY CHAIRMAN	25 May 2009	06 July 2009	General Shareholders Meeting of 30 June 2009
MR. MIGUEL ZORITA LEES		CHIEF EXECUTIVE OFFICER	27 June 2008	30 June 2009	Cooption by Resolution of the Board of Directors
FRANCISCO HERNANZ MANZANO		DIRECTOR	27 June 2008	30 June 2009	General Shareholders Meeting of 30 June 2009
ROBERTO REY PERALES		DIRECTOR	27 June 2008	30 June 2009	General Shareholders Meeting of 30 June 2009
MR. FRANCIS LEPOUTRE		DIRECTOR	27 June 2008	30 June 2009	General Shareholders Meeting of 30 June 2009
MS. ALTINA DE F. SEBASTIAN GONZÁLEZ		DIRECTOR	27 June 2008	30 June 2009	General Shareholders Meeting of 30 June 2009.
MR. SANTIAGO MARTÍNEZ CARBALLAL		DIRECTOR	30/june/2009	30 June 2009	General Shareholders Meeting of 30 June 2009
MR. RAMON BARRAL ANDRADE		DIRECTOR	30/june/2009	30 June 2009	General Shareholders Meeting of 30 June 2009
MR. ROBERTO ÁLVAREZ ÁLVAREZ		DIRECTOR	27/june/2008	30 June 2009	General Shareholders Meeting of 30 June 2009

Total number of directors	10

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Indicate any removals of directors during the year:

Name of the Director	Director's condition upon termination	Date of termination
MR. Guillermo Mesonero-Romanos Aguilar	Member	30/june/2009
MR. Pedro Pérez Fernández de la Puente	Member	30/june/2009

B.1.3 Fill out the following tables on the members of the Board and their status:

EXECUTIVE DIRECTORS

Name or company name of director	Committee proposing appointment	Office per Company organisation chart
MR. MIGUEL ZORITA LEES	APPOINTMENTS, REMUNERATION AND GOOD GOVERNANCE COMMITTEE	CHIEF EXECUTIVE OFFICER
MR. SANTIAGO MARTÍNEZ CARBALLAL	APPOINTMENTS, REMUNERATION AND GOOD GOVERNANCE COMMITTEE	CHIEF FINANCIAL OFFICER

Total number of executive directors	2
Total % of the Board	20 %

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name or company name of director	Committee proposing appointment	Name or company name of significant shareholder represented or proposing appointment
JACINTO REY GONZÁLEZ	APPOINTMENTS AND REMUNERARTION COMMITTEE	JACINTO REY GONZÁLEZ
JACINTO REY LAREDO	APPOINTMENTS AND REMUNERARTION COMMITTEE	JACINTO REY GONZÁLEZ

Total number of proprietary directors	2
Total % of the Board	20 %

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INDEPENDENT NON-EXECUTIVE DIRECTORS

Name or company name of director	Profile
Ramón Barral Andrade	Economist
Roberto Álvarez Álvarez	Economist

Total number of proprietary directors	2
Total % of the Board	20 %

OTHER NON-EXECUTIVE DIRECTORS

Name or company name of director	Committee proposing appointment
FRANCISCO HERNANZ MANZANO	APPOINTMENTS, REMUNERATION AND GOOD GOVERNANCE COMMITTEE
ROBERTO REY PERALES	APPOINTMENTS, REMUNERATION AND GOOD GOVERNANCE COMMITTEE
D.FRANCIS LEPOUTRE	APPOINTMENTS, REMUNERATION AND GOOD GOVERNANCE COMMITTEE
MS. ALTINA DE F. SEBASTIAN GONZÁLEZ	APPOINTMENTS, REMUNERATION AND GOOD GOVERNANCE COMMITTEE

Total number of other non-executive directors	4
Total % of the Board	40%

Give reasons why these other non-executive directors cannot be considered either proprietary or independent members and their relations, whether with the company or its officers, or with its shareholders:

Name of the Director	Reason	Associated company, executive or shareholder
FRANCISCO HERNANZ MANZANO	Director of Caja Castilla la Mancha Corporación S.A., which has a significant shareholding in the Company.	CAJA CASTILLA LA MANCHA CORPORACIÓN,S.A
ROBERTO REY PERALES	Has been a representative of Caja de Ahorros Municipal de Burgos, a Director of Parquesol Inmobiliaria y Proyectos S.A.	CAJA DE AHORROS MUNICIPAL DE BURGOS
MR. FRANCIS LEPOUTRE	Has been a representative of Grupo Empresarial San José, S.A., a Director of Parquesol Inmobiliaria y Proyectos, S.A.	Grupo Empresarial San José , S.A
MS. ALTINA DE F. SEBASTIAN GONZÁLEZ	Has been a representative of Constructora San José, S.A., a Proprietary Director of Parquesol Inmobiliaria y Proyectos, S.A.	Constructora San José, S.A.

Indicate any variations in the status of each director that may have occurred during the year:

Name of the Director	Date of change	Previous status	Current status

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B.1.4 Describe, if applicable, the reasons why proprietary directors have been appointed at the initiative of shareholders whose shareholding is less than 5%:

Name of the shareholder	Evidenced by:

State if formal requests for a presence of the Board have been rejected from shareholders with a shareholding equal to or greater than that of others who have been successfully appointed proprietary directors. If applicable, state the reasons for such rejection:

Yes ☐ **No X**

No requests of this type have been received.

Name or company name of shareholder	Explanation
----	----

B.1.5 State if a director has resigned from his or her directorship before completing the term of office, if such director has given his or her reasons to the Board and by what means; and, if the reasons have been notified in writing to the entire Board, describe below at least the reason argued by the director:

Name of the Director	Reason for exit
MR. Guillermo Mesonero-Romanos Aguilar	Personal reasons
MR. Pedro Pérez Fernández de la Puente	Personal reasons

B.1.6 Indicate what powers, if any, have been delegated to the Chief Executive Officer/s:

Name of the Director	Brief description
MR. JACINTO REY GONZALEZ AND MR. MIGUEL ZORITA LEES	Indistinctly. ALL OF THE POWERS FALLING TO THE BOARD OF DIRECTORS, EXCEPT THOSE THAT CANNOT BE DELEGATED IN ACCORDANCE WITH THE LAW.

B.1.7 Identify, as appropriate, the Board members who hold office as directors or executives at other companies forming part of the listed company's group:

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Name of the Director	Company name of Group company	Position
MR. Jacinto Rey González	Carlos Casado, S.A. Desarrollos Urbanísticos Udra, S.A. San José Concesiones y Servicios, S.A.U. Inmobiliaria Europea de Desarrollos Urbanísticos, S.A.U. Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U. Udra México, S.A. de C.V. Desarrollos Urbanístico Chamartín, S.A Udra Valor S.A. Pinos Altos Inversiones S.L.	Director Sole Administrator Sole Administrator Sole Administrator Sole Administrator Director Director Sole Administrator Sole Administrator
MR. Jacinto Rey Laredo	Constructora San José, S.A. Udra Limitada San José Construction Group Inc. SJB MÜLLROSER BAUGESELLSCHAFT MBH SAN JOSÉ BAU GMBH SAN JOSÉ FRANCE SAU Constructora San José Cabo Verde	Chairman and CEO. Sole Administrator Director Joint and Several Administrator Sole Administrator Administrator Director
MR. Santiago Martínez Carballal	San José Desarrollos Inmobiliarios, S.A. Constructora San José, S.A. San José Tecnologías, S.A.U. Comercial Udra, S.A.U. Cadena de Tiendas, S.A.U.	Chairman Director Director Director Sole Administrator
MR. Francisco Hernanz Manzano	El Reino de D. Quijote, S.A. Lico Inmuebles, S.A. CCM Corporación, S.A.	Chairman Director Joint Administrator
MR. Roberto Rey Perales	Arquibe Activos S.L. Caja de Burgos Habitarte Inmobiliaria, S.L. Nuevo Hospital de Burgos S.A. Desarrollos Empresariales el Plantio, S.L. Inpsa SGPS, S.A. Sociedad Gestora de Parques Eólicos de Castilla y León, S.A. Hermenpo Eólica, S.L Concessia, Cartera y Gestión de Infraestructuras, S.A.	Director Director Director Director Director Director Director Director Director Director

B.1.8 Give details, as appropriate, of any directors of the company who are members of the Boards of Directors of other non-Group companies that are listed on official securities markets in Spain, as disclosed to the Company:

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Name or company name of director	Company name of listed company	Position

B.1.9 State and, if applicable, explain if the company has set forth rules on the number of boards on which its directors may hold seats:

Yes☐ **No X**

Explanation of rules

B.1.10 In relation to recommendation 8 of the Unified Code, state the company general policies and strategies whose approval is reserved for the full Board:

	Yes	No
Investment and financing policy	X	
Definition of the structure of the corporate group	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan and the annual management objectives and budgets	X	
Remuneration and performance evaluation policy for senior executives	X	
Risk control and management policy and periodic monitoring of internal reporting and control systems	X	
Dividend policy, as well as treasury shares policy and, in particular, limits thereon.	X	

B.1.11 Fill out the following tables on the aggregate remuneration of directors accrued during the year:

a) At the reporting company:

Remuneration item	Data in thousands of Euros
Fixed remuneration	1,375
Variable remuneration	1,075
Attendance fees	108
Bylaw-stipulated directors' emoluments	
Share options and/or other financial instruments	
Other	
TOTAL:	**2,558**

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Other benefits	Data in thousands of Euros
Advances	
Loans granted	
Pension funds and plans: Contributions	
Pension funds and plans: obligations	
Life insurance premiums	
Guarantees provided by the Company for directors	

b) Due to membership of the Company's directors of other boards of directors and/or of the senior management of Group companies:

Remuneration item	Data in thousands of Euros
Fixed remuneration	
Variable remuneration	
Attendance fees	10
Bylaw-stipulated directors' emoluments	
Share options and/or other financial instruments	
Other	
TOTAL:	**10**

Other benefits	Data in thousands of Euros
Advances	0
Loans granted	0
Pension funds and plans: Contributions	0
Pension funds and plans: obligations	0
Life insurance premiums	0
Guarantees provided by the Company for directors	0

c) Total remuneration by type of director:

Type of director	By Company	By Group
Executive directors	2	695
Non-executive proprietary directors	2	1,815
Independent non-executive directors	2	8
Other non-executive directors	4	50
Total	**10**	**2,568**

d) With respect to profit attributable to the Parent:

Total directors' remuneration (thousands of Euros)	2,568
Total directors' remuneration/ profit attributable to the Parent (expressed as %)	(6%)

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B.1.12 Identify the senior executives who are not executive directors, and indicate the total remuneration accrued for them during the year:

Name	Position
MR. Jacinto Rey González	Chairman and CEO Grupo Empresarial San José
MR. Jacinto Rey Laredo	Vice-Chairman Grupo Empresarial San José
Miguel Zorita	Chairman and CEO Grupo Empresarial San José
MR. Santiago Martínez	Chief Financial Officer
Ms. Estela Amador Barciela	Director of Human Resources, Quality, Environment and Communications
MR. Antonio Moure Figueiras	Director of Legal Services
Ms. Lourdes Freiría Barreiro	Director of Insurance and Risks
Ms. Cristina González	Director of Tax Services
MR. Valeriano García García	CEO of SJ Constructora
MR. Juan Areses Vidal	Director of Civil Works at SJ Constructora
MR. Jordi Artigas Olivares	Director of Building services at SJ Constructora
MR. Pedro Aller Román	CEO of SJ Tecnologias
MR. Guillermo Briones Rodino	CEO SJ Energia and Medio Ambiente
MR. Ignacio Alonso López	Director of Comercial Udra
MR. Jean Claude Curell Costanzo	Deputy Director of International Area

Total remuneration of senior executives (thousand Euros)	4,036

B.1.13 Identify in aggregate terms whether there are any guarantee or golden parachute clauses for senior executives, including executive directors of the Company or of its group, in the event of termination or changes in control. State if such agreements should be reported and/or approved by the bodies of the Company or its group:

Number of beneficiaries	-

	Board of Directors	**Annual General Meeting**
Body approving clauses		

	YES	**NO**
Is the Annual General Meeting informed of the clauses?		

B.1.14 Describe the process for setting Board members' remuneration and the relevant provisions in the company bylaws:

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Process for setting Board members' remuneration and the relevant provisions in the company bylaws.
Shareholders at the General Meeting will adopt a resolution determining fixed remuneration for each year and the Board will establish the individual remuneration levels for each Director. **Article 25 of the Bylaws Directors Remuneration** 1. Those attending Board meetings may receive attendance fees. 2. Directors may also receive remuneration from the Company. 3. Remuneration for the various Directors may be different based on their nature, whether executive Directors or not and the services rendered to the Company in general, or while serving on Board Committees. For these purposes, the Annual General Meeting will establish annual remuneration for Directors. The Board will establish the individual remuneration levels for the various Directors. 4. The Company may take out third-party liability insurance for its Directors. 5. In any event, Board Member remuneration will always fall within the limits established by legislation in force at any given moment.

State whether any of the following decisions are reserved for approval by the full Board:

Not expressly	Yes	No
At the proposal of the Company's chief executive, the appointment and possible removal of senior executives, as well as their indemnity clauses.		X
The remuneration of directors and, in the case of executive directors, the additional remuneration for their executive functions and other conditions to be fulfilled by their contracts.		X

B.1.15 State whether the Board of Directors approves a detailed remuneration policy and specify the issues on which it makes a pronouncement:

Yes X **No ☐**

	Yes	No
Amount of fixed components, with an itemisation, where applicable, of fees for participation at the meetings of the Board and its Committees and an estimate of the annual fixed remuneration derived therefrom.	x	
Variable remuneration components.	x	

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Main characteristics of social security systems, with an estimate of their amount or equivalent annual cost.		X
The conditions to apply to the contracts of executive directors exercising senior management functions. Among them		X

B.1.16 State whether the Board brings before the General Meeting for a vote, as a separate point on the agenda, and on a consultative basis, a report on the directors remuneration policy. If so, explain the aspects of the report in relation to the remuneration policy approved by the Board for the coming years, the most significant changes therein with respect to the one applied during the year and an overall summary of how the remuneration policy was applied during the fiscal year. Describe the role played by the Remuneration Committee and state whether outside advisory service has been used. If so, identify the external consultants providing such advice:

Yes **No X**

Issues on which the remuneration policy report makes a pronouncement

Remuneration Committee 's role

	Yes	**No**
Has external advisory service been used?		
Identify the external consultants		

B.1.17 Indicate, as appropriate, which Board members are, in turn, members of the Boards of Directors or executives or employees of companies that hold significant ownership interests in the listed Company and/or group companies:

Name of the Director	Name or company name of significant shareholder	Position
JACINTO REY GONZÁLEZ	San José Bau GMBH Pinos Altos XR, S.L. Udra Argentina, S.A. Constructora San José Argentina, S.A.	NONE SOLE ADMINISTRATOR NONE NONE
JACINTO REY LAREDO	Pinos Altos XR, S.L. Udra Valor, S.A.	NONE NONE
ALTINA DE FÁTIMA SEBASTIÁN GONZALEZ	FERROVIAL	NONE

Give details, as appropriate, of any material relationships, other than those envisaged under the preceding heading, of the members of the Board of Directors with significant shareholders and/or at Group companies:

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Name or company name of associated director	Name or company name of significant associated shareholder	Description of relationship

B.1.18 Indicate the amendments, if any, to the Board Regulations during the year:

Yes X **No**

Description of changes
On 26 May 2009 the Board Regulations were amended as follows: **Article 14. - Delegated Bodies and Board Committees.** As regards the Executive Committee: The Executive Committee will meet in accordance with the schedule established at the start of each year, notwithstanding the fact that it will also meet when convened by the Chairman, as many times he deems necessary for the proper operation of the Company. At each of its meetings, the Board has full knowledge of all the matters discussed and the decisions adopted by the Executive Committee. Similarly, the Board of Directors may create, as is deemed necessary or advisable, other advisory committees for consultation or proposal purposes, among which will be in any event an Audit Committee and an Appointment, Remuneration and Good and Governance Committee. Notwithstanding the possible assignment of other duties by the Board of Directors, the advisory Committees will be entitled to receive information, provide advisory services and make proposals in the areas defined by the following Articles, as well as any others the Board of Directors considers appropriate. The Committees' powers to make proposals do not preclude the Board from adopting Resolutions regarding these issues at its own initiative. The Chairman of each of the advisory Committees will be appointed from among its members, by the Board of Directors and must be, in all cases, an Independent Director. **Article 15. - The Audit Committee: Composition, operation and internal regulations.** The section regarding the Chairman of the Committee is amended: The Audit Committee will be entitled to receive information, supervise, advise and make proposals in its area of authority. The Board will appoint the Chairman from among its members, who must be an Independent Director. **Article 16. - Authority of the Audit Committee.** This Article is amended to read as follows: Notwithstanding other duties assigned by the Board of Directors, the Audit Committee will have the following competencies: 1. Inform the shareholders for their approval at the General Meeting, regarding any questions that shareholders may have within its area of authority. 2. Make recommendations to the Board of Directors for submission to the shareholders for their approval at the General Meeting, with regard to the appointment, of the external auditors, as well as the terms of engagement and, if applicable, their revocation or non-renewal. 3. Oversee the internal audit service established by the Board of Directors, before the issue of the relevant report by the Appointments, Remunerations and Good Governance Committee, and propose the selection, appointment, re-election or removal of the Director of these services, propose a budget, receive regular information regarding its activities and verify that senior management takes into account the conclusions and recommendations made in its reports. 4. Oversee the financial information process and the Company's internal control systems. 5. Maintain relations with external auditors to receive information regarding issues that may put their independence into

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question in any other issues relating to the audit of the accounts, as well as any other communications established under audit legislation and technical regulations. 6. Any others assigned by the Bylaws, these regulations, the internal Code of Conduct and other regulations in force at the Company. When performing its duties, the Audit Committee may obtain assistance from experts when it is deemed that the Company's technical resources are not sufficient, due to reasons of independence or specialisation. The Audit Committee must be able to call any employee or executive at the Company, even without the presence of any other executive.

B.1.19 Indicate the procedures for the appointment, re-election, evaluation and removal of directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

In all of the indicated circumstances, the Appointments, Remunerations and Good Governance Committee will perform a preliminary evaluation, and issue the report it deems appropriate. This report will be sent to the Board of Directors, which will adopt all resolutions deemed appropriate or make a proposal to shareholders General Meeting.

B.1.20 Indicate the cases in which the directors must resign.

Article 25 of the Board's Regulations lays down the following: Directors will resign when their elected terms expire or when asked to do so by shareholders at a General Meeting or when involved with any of the causes stated in this respect by Law.

Directors must offer their resignation to the Board and execute that resignation when they fall under any of the prohibitions established by Article 124 of the Spanish Companies Act and other legislation in force at any given time.

B.1.21 State whether the chairman of the Board of Directors also performs the functions of the company's Chief Executive. If so, describe the measures taken to limit the risks of power being concentrated in the hands of one person:

Yes X **No □**

Measures to limit risks
The CEO and an Executive Committee made up of four members.

Indicate, and if applicable describe, any rules that have been established that authorise an independent director to request that a Board meeting be called or that new topics be included on the agenda, to coordinate and voice the concerns of non-executive directors and to manage the evaluation by the Board of Directors.

Yes□ **No X**

Explanation of rules

B.1.22 Are qualified majorities, other than statutory majorities, required for any type of decision?

Yes□ **No X**

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Describe how resolutions are adopted by the Board of Directors and specify, at least, the minimum attendance quorum and the type of majority for adopting resolutions:

Adoption of resolutions		
Resolution description	**Quorum**	**Type of majority**
Resolutions adopted with respect to issues included in the Agenda.	Half of the members plus one, in person or by proxy.	Absolute unless a higher majority is required by current law or the Bylaws.

B.1.23 Explain whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman.

Yes□ **No X**

Description of requirements

B.1.24 State whether the Chairman has a casting vote:

Yes X **No □**

Matters to which casting vote applies
The Chairman holds a casting vote in the event of a tie.

B.1.25 Indicate whether the bylaws or the board regulations set any age limit for directors:

Yes□ **No X**

Age limit for Chairman □

Age limit for Chief Executive □ **Age limit for Directors □**

B.1.26 Indicate whether the Bylaws or the Board Regulations set a limited term of office for independent directors:

Yes□ **No X**

Maximum term of office (years)	

B.1.27 If the number of female Board members is nil or small, explain the reasons why and describe the initiatives adopted to correct this situation.

Description of the reasons and initiatives
There is a female Director.

In particular, state whether the Appointments and Remuneration Committee has laid down any procedures so that the selection processes are not affected by implicit biases that may hinder the selection of female directors, and instead deliberately seek out female candidates with the required profile:

Yes□ **No X**

Describe the main procedures

B.1.28 Indicate whether there are any formal procedures for granting proxies to vote at Board meetings. If so, give brief details.

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Representation authority must be delegated to another member of the Board of Directors in writing specifically for each Board Meeting.

B.1.29 Indicate the number of Board meetings held during the year and how often the Board has met without the Chairman's attendance:

Number of Board meetings	8
Number of Board meetings without Chairman's attendance	0

Indicate how many meetings of the various Board Committees were held during the year.

Number of Executive or Delegated Committee meetings	0
Number of Audit Committee meetings	4
Number of Appointments, Remuneration and Good Governance Committee meetings	3

B.1.30 State the number of meetings held by the Board of Directors during the financial year, which were not attended by all members. For this purpose, appointments of representatives without specific instructions will be considered non-attendance:

Number of non-attendance by directors during the period	13*
% non-attendance of total votes during the period	16.25%

* 8 Board Meetings have been held and voting powers have been delegated to the Chairman 13 times.

B.1.31 Indicate whether the individual and consolidated financial statements submitted for approval by the Board are duly certified:

Yes☐ **No X**

Indicate, as appropriate, the person(s) who certified the Company's individual and consolidated financial statements for formal preparation by the Board:

Name	Position

B.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements prepared by it from being submitted at the Annual General Meeting with a qualified auditors' report.

There are no specific mechanisms

B.1.33 Is the Board Secretary a director?

Yes☐ **No X**

B.1.34 Describe the procedures for appointment and removal of the Board Secretary, stating whether the appointment and removal are reported on by the Appointments Committee and approved by the full Board.

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Procedure for appointment and removal
The Appointment Committee makes a proposal and approval is obtained from the full Board in the case of appointments and removals.

	Yes	No
¿Does the Appointment Committee report on the appointment?	X	
¿Does the Appointment Committee report on the removal?	X	
Is the appointment approved by the full Board?	X	
Is the removal approved by the full Board?	X	

Is the Board Secretary charged with the function of procuring, most especially, compliance with the good governance recommendations?

Yes X **No** □

Comments
The final section of Article 12 of the Board Regulations stipulates that the Secretary is also responsible for verifying the Company's compliance with Corporate Governance legislation and the interpretation of this legislation as stated in these Regulations. In addition, it will analyse the recommendations regarding corporate governance that may be made at any given moment for possible inclusion in the Company's internal regulations.

B.1.35 Indicate the mechanisms, if any, established by the Company to preserve the independence of the auditors, of financial analysts, of investment banks, and of rating agencies.

One of the Audit Committee's responsibilities is to supervise and maintain a relationship with external auditors to receive information on matters that may call the auditor's independence into question.

In addition, the Auditor is always one of the leading firms in the market.

B.1.36 State whether the Company has changed its external auditor during the period. If so, identify the incoming and outgoing auditors:

Yes□ **No X**

Outgoing auditor	**Incoming auditor**

If there were disagreements with the outgoing auditor, describe the content of such differences:

Yes□ **No X**

Explanation of disagreements

B.1.37 Indicate whether the audit firm performs other non-audit work for the Company and/or its group and, if so, state the amount of fees received for such work and the percentage over the fees billed to the Company and/or its Group:

Yes X **No** □

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	Company	Group	Total
Amount of other non-audit work (thousands of Euros)	93	17.5	110.5
Amount of other non-audit work/total amount billed by audit firm (as a %)	48%	4%	18.6%

B.1.38 State whether the audit report on the financial statements for the previous year contained reservations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes☐ **No X**

Explanation of reasons

B.1.39. Indicate the number of years that the current audit firm has been uninterruptedly auditing the financial statements of the Company and/or the Group. Also indicate the number of years audited by the current audit firm as a percentage of the total number of years during which the financial statements have been audited:

	Company	Group
Number of uninterrupted years	15	15

	Company	Group
Number of years audited by current firm/number of years the company has been audited (as a %)	100%	100%

B.1.40 Indicate any ownership interests, disclosed to the Company, held by the members of the Company's Board of Directors in the capital of entities engaging in an activity that is identical, similar or complementary to the activity that constitutes the object of the Company or of its Group. Also indicate the positions they hold or the functions they discharge at these companies:

Name or company name of director	Name of investee	% ownership interest	Position / functions
MR. Jacinto Rey González	Desarrollo Urbanístico Chamartín, S.A.	-	Director
MR. Jacinto Rey González	Inmobiliaria Europea de Desarrollos Urbanísticos, S.A.	-	Sole Administrator
MR. Jacinto Rey González	Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.	-	Sole Administrator
MR. Jacinto Rey González	Desarrollos Urbanísticos Udra, S.A	-	Sole Administrator
MR. Jacinto Rey González	Sanjose Concesiones y Servicios, S.A.	-	Sole Administrator
MR. Jacinto Rey González	Carlos Casado S.A.	-	Sole Administrator
MR. Jacinto Rey González	Udra México S.A. de CV.	-	Sole Administrator
MR. Jacinto Rey González	Udra Valor S.A.	-	Sole Administrator

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MR. Jacinto Rey González	Pinos Altos Inversiones S.L.	-	Sole Administrator
MR. Jacinto Rey González	San José Bau GMBH	12%	-
MR. Jacinto Rey González	Constructora San José Argentina, S.A.	5%	-
MR. Jacinto Rey González	Udra Argentina, S.A.	10%	-
MR. Jacinto Rey González	Pinos Altos XR, S.L.	55%	Sole Administrator
MR. Jacinto Rey Laredo	Constructora San José, S.A.	-	Chairman and CEO
MR. Jacinto Rey Laredo	San José Bau GMBH	-	Sole Administrator
MR. Jacinto Rey Laredo	San José Construction Group	-	Director
MR. Jacinto Rey Laredo	Udra Limitada	-	Sole Administrator
MR. Jacinto Rey Laredo	SJB Mullroser Bau MBH	-	Joint and Several Administrator
MR. Jacinto Rey Laredo	SJ France	-	Administrator
MR. Jacinto Rey Laredo	Constructora Sao José Cabo Verde	-	Director
MR. Jacinto Rey Laredo	Pinos Altos XR, S.L.	20%	-
MR. Jacinto Rey Laredo	Udra Valor, S.A.	4.64%	-
MR. Francisco Hernanz Manzano	El Reino de D. Quijote, S.A.	-	Chairman
MR. Francisco Hernanz Manzano	Lico Inmuebles, S.A.	-	Director
MR. Francisco Hernanz Manzano	CCM Corporación, S.A.	-	Joint Administrator
Ms. Altina de Fátima Sebastián González	Ferrovial	100 shares	-
MR. Roberto Rey Perales	Arquitrabe Activos S.L.	-	Director
MR. Roberto Rey Perales	Caja de Burgos Habitarte Inmobiliaria, S.L.	-	Director
MR. Roberto Rey Perales	Nuevo Hospital de Burgos S.A.	-	Director
MR. Roberto Rey Perales	Desarrollos Empresariales el Plantio, SL	-	Director
MR. Roberto Rey Perales	Inpsa SGPS, S.A.	-	Director
MR. Roberto Rey Perales	Sociedad Gestora de Parques Eólicos de Castilla y León, S.A.	-	Director
MR. Roberto Rey Perales	Hermenpo Eólica, S.L.	-	Director
MR. Roberto Rey Perales	Concessia, Cartera y Gestión de Infraestructuras, S.A.	-	Director
MR. Santiago Martínez Carballal.	San José Desarrollos Inmobiliarios S.A.	-	Chairman
MR. Santiago Martínez Carballal.	Constructora San José S.A.	-	Director
MR. Santiago Martínez Carballal.	Sanjose Tecnologías S.A.	-	Director
MR. Santiago Martínez Carballal.	Comercial Udra S.A.	-	Director
MR. Santiago Martínez Carballal.	Cadena de Tiendas, S.A.	-	Sole Administrator

B.1.41 Indicate whether there is a procedure for directors to be able to receive outside advisory services:

Yes X **No ▯**

Details of the procedure
Article 27 of the Board Regulations External advisory services. In order to obtain assistance when exercising its duties, the Directors and the Board Committees and Commissions may ask the Chairman of the Board of Directors to hire legal, accounting, financial or other experts. Such aid shall necessarily respond to specific problems of certain relevance and complexity in the furtherance of their duties.

B.1.42 Indicate whether there is a procedure for the directors to be able to receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance, and if so, give details:

Yes X **No ▯**

Details of the procedure
Apart from forwarding the Agenda, documents that should be taken into account by the Board are sent. Documents that are relevant to the reports are also sent to members of Committees prior to Board meetings.

B.1.43 Indicate whether the Company has put forward rules that compel directors to disclose and, if applicable, resign in situations that may harm the Company's credit and reputation. If so, give details.

Yes ▯ **No X**

Describe the rules
There are no special rules. The provisions of Article 25 of the Board Regulations are followed.

B.1.44 State whether any Board member has advised the Company that he or she has been prosecuted or ordered to stand trial for any of the offences referred to in Article 124 of the Companies Law:

Yes ▯ **No X**

Name of the Director	Criminal Case	Comments

State whether the Board of Directors has analysed the case. If so, provide the rationale of such a decision as to whether or not the director should remain on the Board.

Yes ▯ **NO ▯**

Adopted decision	Reasoned explanation
Applies / Does not apply	

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B.2. Committees of the Board of Directors

B.2.1 Give details of all the committees of the Board of Directors and their members:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Type
JACINTO REY GONZALEZ	CHAIRMAN OF THE COMMITTEE	PROPRIETARY
MIGUEL ZORITA LEES	MEMBER	EXECUTIVE
JACINTO REY JAREDO	MEMBER	PROPRIETARY
ALTINA DE FÁTIMASEBASTIAN GONZÁLEZ	MEMBER	OTHER NON-EXECUTIVE DIRECTORS

AUDIT COMMITTEE

Name	Position	Type
RAMON BARRAL ANDRADE	CHAIRMAN OF THE COMMITTEE	INDEPENDENT
ALTINA DE FÁTIMA SEBASTIAN GONZÁLEZ	MEMBER	OTHER NON-EXECUTIVE DIRECTORS
ROBERTO REY PERALES	MEMBER	OTHER NON-EXECUTIVE DIRECTORS

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Type
RAMON BARRAL ANDRADE	CHAIRMAN OF THE COMMITTEE	INDEPENDENT
FRANCIS LEPOUTRE	MEMBER	OTHER NON-EXECUTIVE DIRECTORS
FRANCISCO HERNANZ MANZANO	MEMBER	OTHER NON-EXECUTIVE DIRECTORS

APPOINTMENT COMMITTEE

Name	Position	Type

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REMUNERATION COMMITTEE

Name	Position	Type

COMMITTE OF ______

Name	Position	Type

B.2.2 State whether the Audit Committee is responsible for the following functions:

	Yes	No
Supervise the preparation and the integrity of the financial information on the Company and, if applicable, the Group, reviewing compliance with the regulatory requirements, proper delimitation of the scope of consolidation and correct application of accounting policies.	X	
Conduct periodic reviews of risk management and internal control systems, so that the principal risks are adequately identified, managed and disclosed properly.	X	
Safeguard the independence and effectiveness of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose that service's budget; receive periodic information on its activities; and verify that the conclusions and recommendations of its reports are taken into account by the top management.	X	
Establish and supervise a mechanism that allows employees to report the irregularities of potential importance, especially financial and accounting ones, that they detect inside the Company, confidentially and, if considered appropriate, anonymously.	X	
Bring before the Board proposals for selection, appointment, re-election and replacement of the external auditor, as well as the terms of the auditor's engagement.	X	
Regularly receive information on the audit plan and the results of its execution from the external auditor, and verify that the senior management takes into account its recommendations.	X	
Ensure the independence of the external auditor.	X	

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In the case of groups, promote the Group auditor's assumption of responsibility for audits in the group companies.	X	

B.2.3 Describe the rules of organisation and functioning, and the responsibilities attributed to each of the Board committees.

The Executive Committee has delegated all of the Board's Authority, except those that cannot be delegated in accordance with the law or the Bylaws.

Article 16 of the Board Regulations sets forth the duties of the Audit Committee.

Notwithstanding other duties assigned by the Board of Directors, the Audit Committee will have the following competencies:

1. Inform shareholders regarding any questions that shareholders may have within its area of authority.

2. Make recommendations to the Board of Directors for submission to the shareholders for their approval at the General Meeting, with regard to the appointment, of the external auditors, as well as the terms of engagement and, if applicable, their revocation or non-renewal.

3. Supervise the internal audit service established by the Board of Directors, before the issue of the relevant report by the Appointment, Remuneration and Good Governance Committee, and propose the selection, appointment, re-election or removal of the Director of these services, propose a budget, receive regular information regarding its activities and verify that senior management takes into account the conclusions and recommendations made in its reports.

4. Oversee the financial information process and the Company's internal control systems.

5. Maintain relations with external auditors to receive information regarding issues that may put their independence into question in any other issues relating to the audit of the accounts, as well as any other communications established under audit legislation and technical regulations.

6. Any others assigned by the Bylaws, these regulations, the internal Code of Conduct and other regulations in force at the Company.

When performing its duties, the Audit Committee may obtain assistance from experts when it is deemed that the Company's technical resources are not sufficient, due to reasons of independence or specialisation. The Audit Committee is able to call any employee or executive at the Company, even without the presence of any other executive.

Article 18 of the Board Regulations sets forth the duties of the Appointment, Remuneration and Good Governance Committee.

Without prejudice to other duties that may be assigned by the Board, the Appointment, Remuneration and Good Governance Committee has the following duties:

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1. Inform and make proposals to the members of the Board of Directors, whether the Board itself to make an appointment to cover a vacancy on that body, or to propose a nomination to shareholders.

2. Establish and propose, for the approval of the Board of Directors, any conditions of the contracts or agreements concluded with the CEO.

3. Inform and propose to shareholders any matters regarding the remuneration to be received by the members of the Board of Directors and for the Board to approve all pertinent matters concerning the attendance fees to be paid for attending meetings and the meetings of any Board Committees.

4. Inform and make proposals for the approval of the Board of Directors with respect to the selection and appointment of Senior Executives at the Company and its subsidiaries, as well as remuneration policy and contractual conditions.

5. Supervise and monitor the transparency of the business, compliance with the Company's corporate governance regulations and the Company's Internal Code of Conduct by the members of the Board and the Company's executives, reporting to the Board any conduct or failure to comply that arise so that they can be corrected, or taken into account, or reported to shareholders if not corrected.

6. Propose amendments to these Regulations after the relevant supporting report has been prepared.

7. Within the scope of their duties bring to the Board all proposals deemed appropriate for analysis and approval.

B.2.4 Indicate, where appropriate, the advisory and consultative powers and any delegated authority held by each of the committees:

Name of the Committee	Brief description
AUDIT COMMITTEE AND APPOINTMENTS, REMUNERATION AND GOOD GOVERNANCE COMMITTEE	They only have the duty to provide advisory services, analysis and recommendations.
EXECUTIVE COMMITTEE	All powers that may be delegated by the Board have been delegated.

B.2.5 Indicate, as appropriate, whether there are any regulations for the Board Committees; if so, indicate where they can be inquired and whether any amendments have been made during the year. Also indicate whether any annual report on the activities of each committee has been prepared voluntarily.

The Board Committee Regulations are included in the Board Regulations and may be obtained from the Company's website.

B.2.6 Indicate whether the composition of the executive committee reflects the participation of the various directors on the Board according to their status:

Yes ☐ **No X**

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If negative, explain the Executive Committee's composition
There are four members on the Executive Committee. They reflect the composition of the Board, by type of Director and on a proportional basis. There is no outside independent Director.

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C - RELATED-PARTY TRANSACTIONS

C.1 State whether only the full Board can approve, upon a prior favourable report from the Audit Committee or some other committee charged with this function, the transactions carried out by the Company with directors, or with shareholders with significant holdings or represented on the Board, or with persons related thereto:

Yes X **No ☐**

C.2 Give details of material transactions entailing a transfer of funds or obligations between the Company or group companies and the significant shareholders of the Company:

Name of significant shareholder	Name of the Company, or Group Company	Nature of relationship	Type of transaction	Amounts used (thousand euro)

C.3 Give details of material transactions entailing a transfer of funds or obligations between the Company or entities of its group and the Company's directors or executives:

Name of administrators	Name of the Company, or Group Company	Nature of transaction	Type of transaction	Amounts (thousand euro)

C.4 Give details of material transactions by the Company with other companies of the same group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and are not conducted within the course of the Company's ordinary business, as regards their subject-matter or terms and conditions:

Name of the group company	Brief description of the transaction	Amount (thousand euro)
Antigua Rehabilitalia, S.A.	Participating loan	15,200
Pontegrán S.A.	Loan	14,349

C.5 State whether the members of the Board of Directors have at any time during the year found themselves in a conflict of interest pursuant to Article 127 under the Companies Law.

Yes ☐ **No X**

Name of the Director	Description of the conflict of interest situation

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C.6 Give details of the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the Company and/or its Group and its directors, executives or significant shareholders.

The appropriate reports are requested regularly with respect to this issue.

C.7 Is more than one company in the group publicly traded in Spain?

Yes ☐ **No X**

Identify the subsidiary companies that are listed in Spain:

Listed subsidiaries

State if the relevant areas of activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies have been defined publicly accurately;

Yes ☐ **NO** ☐

Define any possible business relations between the parent company and the listed subsidiary, and between the latter and the other Group companies.

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and the other Group companies:

Mechanisms to resolve possible conflicts of interest

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D - RISK CONTROL SYSTEMS

D.1 General description of the risk policy of the Company and/or its Group, giving details of and evaluating the risks covered by the system, together with evidence that the system is appropriate for the profile of each type of risk.

Credit risk

The Group does not have any significant credit risk since its customers and the institutions at which cash is placed or from which derivatives are contracted are highly solvent and the counterparty risk is not significant.

The Group's main financial assets are cash and bank balances, trade and other receivable balances and investments, which represent the Group's maximum credit risk exposure in relation to financial assets.

The Group's credit risk is mainly attributable to its trade payables. The amounts involved are recorded in the balance sheet, net of bad debt provisions, which are estimated by Group management on the basis of prior year experience and an assessment of the current economic environment. The amount of financial assets recognised in the consolidated financial statements, net of possible impairment losses, represents the Group's maximum exposure to credit risk, excluding guarantees or other credit improvements provided.

The credit risk affecting liquid funds and derivative financial instruments is limited because the counterparties are banks that international rating agencies have assigned high ratings.

The Group's credit risk concentration is not significant and exposure is distributed among a large number of customers.

The Group has obtained credit insurance that allows it to reduce the commercial risks affecting transactions carried out with customers.

The Group monitors and has laid down specific procedures for managing receivables and has established conditions for accepting orders, which are regularly monitored.

Interest rate risk

This risk derives from changes in the future cash flows from variable rate borrowings (or maturing in the short-term) as a result of changes in market interest rates.

The objective of the management of this risk is to mitigate the impact on the cost of borrowings deriving from fluctuations in interest rates. Financial derivatives are contracted to ensure fixed interest rates or tight fluctuation bands affecting those rates for a substantial port of the borrowings that may be affected by this risk.

Exchange rate risk exposure

In 2009 the Group did not hedge any relevant amount of exchange risks. Its exposure to currency risk relates to shareholdings in foreign companies, which are funded in local currency.

Liquidity risk exposure

The Group carries out the prudent management of the liquidity risk based on holding sufficient cash and negotiable securities, as well as available financing through sufficient credit facilities and the capacity to settle market positions. The Group determines its cash needs by preparing a cash budget covering 12 months. Group financial management considers that the financing framework is sufficiently flexible to adapt to the dynamic needs of the underlying businesses.

D.2 State if any of the different types of risk that affect the Company and/or its Group (operational, technology, financial, legal, reputational, tax, etc):

Yes☐ **No X**

If so, describe the circumstances that gave rise to them and state whether the control systems in place functioned properly.

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Risk materialised during the year	Circumstances giving rise to risk	Operation of control systems

D.3 Indicate whether any committee or other governing body is responsible for establishing and overseeing these control mechanisms:

Yes□ **No X**

No specifically

If so, give details of its functions.

Name of committee or body	Description of functions

D.4 Identification and description of the procedures for compliance with the various regulations affecting the Company and/or its Group.

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E- GENERAL MEETING

E.1 State if there are differences with the quorum provisions of the Spanish Companies Law in respect of General Meetings. If so, give details.

Yes☐ No X

	% quorum different than that established under Article 102 SCA for general cases	% quorum different than that established under Article 103 of the Companies Law for special cases under Article. 103
Quorum required at 1st call		
Quorum required at 2nd call		

Description of the differences

E.2 State if there are differences with the rules laid down in the Companies Law regarding the adoption of resolutions. If so, give details:

Yes ☐ No X

Describe how they differ from the rules established in the Companies Law:

	Reinforced majority other than the one established in Article 103.2 of the Companies Law for the cases contained in Article 103.1	Other cases for reinforced majority
% agreed by the Company for the adoption of resolutions		
Description of changes		

E.3 List any rights of the shareholders in connection with General Meetings that differ from those contained in the Companies Law.

There are no such rights.

E.4 Indicate the measures, if any, adopted to encourage participation by shareholders at General Meetings.

The legal announcements are made.
All documentation is made available to shareholders or it is sent to them free-of-charge if requested.
The shareholder office responds to all questions raised.
All documents are published on the Company's website.
Explanations are provided at a General Meeting by the Chairman and members of the Presiding Table.
Responses are given to requests for information received at various times.

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E.5 Indicate whether the Chairman of the Board of Directors chairs General Meetings. Give details of what measures, if any, are adopted to ensure the independence and correct functioning of the General Meeting:

Yes X **No □**

Details of measures
The Secretary is the Secretary to the Board of Directors. The involvement of a Notary is normally requested. The floor is ceded for requests of reports and to state positions.

E.6 Indicate, as appropriate, any amendments introduced to the General Meeting Regulations during the year.

On 30 May 2009 the Meeting Regulations were amended as follows:

Article 5 of the Shareholders General Meeting Regulations:

In order to adapt the Bylaws to Recommendation 3 of the Unified Code of Good Governance, a proposal has been made to include a new paragraph at the end of Article 5, such that transactions involving a structural change to the company will be submitted to the approval of shareholders at a General Meeting.

Article 9.1 of the Shareholders General Meeting Regulations:

Article 9.1 of the General Meeting Regulations is amended to eliminate the limits to shareholder representatives at General Meetings and to establish that any shareholder may be represented by another person at the General Meeting, whether or not they are a shareholder.

Article 13.1 of the General Meeting Regulations is amended to cover cases to which the quorum for calling a meeting to order has been extended to adopt special resolutions, in accordance with the amendment of Article 103 of the Spanish Companies Act, introduced by the LME: "the increase or reduction of capital and any other amendment to the bylaws, the issue of debentures, the suppression or limitation of preferential acquisition rights for new shares, as well as the transformation, merger, spin-off or universal assignment of assets and liabilities, and the transfer of the domicile to a foreign country".

E.7 Indicate the data on attendance at the General Meetings held in the year to which this report refers:

	Attendance data				
Date the General Meeting	**% attendance in person**	**% attendance by proxy**	**% by remote voting**		**Total**
			Electronic vote	**Other**	
30/06/09	5.85%	74.95%			80.8%

E.8 Briefly indicate the resolutions adopted at the General Meetings held in the year to which this report refers and the percentage of votes with which each resolution was adopted.

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Approval of the Annual Accounts and Directors' Report for the Company and the Annual Accounts and Directors' Report for the consolidated group for the year ended 31 December 2008 and the application of the results obtained. Approval of corporate management.

Amendment of the bylaws as a result of the introduction of certain good governance recommendations and other technical improvements regarding corporate governance (Article 16.5 Right to attend and be represented at General Meetings; Article 32.2 Other Committees and Commissions; Article 33.A).2 The Audit Committee. Composition and Positions; and Article 33.C The Audit Committee. Competencies.

Adaptation of the current text of the bylaws to the amendments introduced by Law 3/2009 on Structural Changes at companies (amendment of Article 8.1 Capital increases; and Article 17.2 Calling a General Meeting to Order Special cases).

Approval of new text in the bylaws.

Approval of amendments to Shareholder General Meeting Regulations in order to introduce certain recommendations concerning good governance and other technical improvements to corporate governance (Article 5 Competencies of the General Meeting; and Article 9 Right to be represented).

Adaptation of the current text of the General Meeting Regulations to include the amendments made by Law 3/2009 on Structural Changes at companies (amendment of Article 13.1 Calling a General Meeting to Order).

Approval of the new text of the Company's General Meeting Regulations.

Information to the Shareholders Meeting about the above changes in the Board Regulations.

Establishment of the number of members of the Board of Directors. Resignation, re-election, appointment and ratification, if necessary, of Directors.

Re-election of the Company and consolidated Group auditors for the financial year between 1 January 2009 and 31 December 2009.

Delegation to the Board of Directors of the authority to increase share capital through monetary contributions, in accordance with the provisions of Article 153.1.b) of the Spanish Companies Act and, if appropriate, to exclude the preferential acquisition right in accordance with the provisions of Article 159.2 of that same law.

Delegation to the Board of Directors of the authority to issue debentures, bonds and other fixed income securities, either ordinary or "swappable" and/or convertible, as well as warrants on newly issued shares or shares in the company or group companies that are in circulation or not, allowing for the possibility that preferential acquisition rights may be excluded. Establishment of the criteria for determining the bases and types of conversion and/or swap, at a fixed or variable rate. Authorisation of the Board to increase share capital in the amount necessary to cover the conversion. Authorisation for the Company to secure obligations of all kinds that may derive for its subsidiaries during the issue of fixed income securities.

Authorisation for the Company to acquire, either directly or through group companies, or accept as pledges, treasury shares in accordance with the provisions of Article 75 of the Spanish Companies Act, establishing limits or requirements for such acquisitions. Authorisation of the Board of Directors to exercise the authority necessary to execute the resolutions adopted by shareholders in this respect.

A list of these resolutions is published on the Company's website.

E.9 Indicate whether the bylaws contain any restriction establishing a minimum number of shares required to attend the General Meeting :

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Yes X **No ☐**

Number of shares required to attend a General Meeting	According to Article 16 of the bylaws, 100 shares must be held individually or collectively to attend a General Meeting.

E.10 Indicate and provide support for the policies followed by the Company with respect to proxy voting at General Meetings.

Share custodians will provide shareholders with possible texts for proxy votings.

E.11 Indicate whether the company is aware of the policy of institutional investors on participating or not participating in the company's decisions:

Yes ☐ **No X**

Describe policy

E.12 Indicate the URL and means of accessing corporate governance content on your website.

All information regarding corporate governance is accessible on the Company's website (www.grupo-sanjose.biz), under the main menu item "Shareholders and investors", under Corporate Governance.

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F - DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

State the extent to which the Company complies or fails to comply with Unified Code recommendations.

In the event of non-compliance with any of the recommendations, explain the recommendations, rules, practices or criteria applied by the Company.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of share purchases on the market.

Complies X Explain ☐

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a) a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

b) The mechanisms in place to resolve possible conflicts of interest.

Complies☐ Partly complies ☐ Explain☐ Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification, and particularly:

a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;

b) Any acquisition or disposal of key operating assets that would effectively alter the Company's corporate purpose;

c) Operations that effectively add up to the Company's liquidation.

Complies X ☐ Partly Complies Explain☐

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

Complies X Explain ☐

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

a) The appointment or ratification of directors, with separate voting on each candidate;

b) Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.

☐ Complies☐ Partly complies X Explain

Some proposals are voted on separately, others jointly and in some there are unique votes through proxies.

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6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

Complies X   Explain ☐

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the Company's best interest and, as such, strive to maximise its economic value over time.

It should likewise ensure that the Company abides by the laws and regulations in its dealings with stakeholders; It should as well fulfil its obligations and contracts in good faith; respect the customs and good practices of the sectors and territories where it does business and uphold any additional social responsibility principles it has subscribed to voluntarily.

Complies X   Partly Complies   Explain ☐

8. The Board should see the core components of its mission as to approve the Company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the Company's interests and corporate purpose. And as such, the Board in full should reserve the right to approve:

a) The Company's general policies and strategies, and in particular:

i) The strategic or business plan, as well as the annual management objectives and budgets;

ii) Investment and financing policy.

iii) Definition of the structure of the corporate group;

iv) Corporate governance policy;

v) Corporate social responsibility policy;

vi) Remuneration and performance evaluation policy for senior executives;

vii) Risk control and management policy and periodic monitoring of internal reporting and control systems..

viii) Dividend policy and treasury shares policy and, in particular, limits thereon.

b) The following decisions :

i) At the proposal of the Company's chief executive, the appointment and possible removal of senior executives, as well as their indemnity clauses.

ii) The remuneration of directors, as well as in the case of executive directors, the additional remuneration for their executive functions and other conditions to be fulfilled by their contracts.

iii) The financial information listed companies must periodically disclose.

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting ;

v) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the Company conducts with directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions").

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However, Board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the board basis to a large number of clients.

2. They go through at market rates generally set by the person supplying the goods or services;

3. Their amount is no more than 1% of the Company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full Board .

Complies X Partly Complies ☐ Explain ☐

Compliance is met, in the terms established in this report.

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer then five and no more than fifteen members.

Complies X Explain ☐

10. External, proprietary and independent directors should occupy a broad majority of Board places, while the number of executive directors should be the minimum practical, bearing in mind the complexity of the corporate group and the ownership interests they control.

See subsections: B.1.3

Complies X Partly Complies Explain ☐

Compliance is met, in the terms established in the preceding sections.

11. In the event that some non-executive director can be deemed neither proprietary nor independent, the Company should disclose this circumstance and the links that person maintains with the Company or its senior officers, or its shareholders.

Complies X Explain☐ Not applicable ☐

12. That among non-executive directors, the relation between proprietary members and independents should match the proportion between the capital represented on the Board by proprietary directors and the remainder of the Company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.

2. In companies with a plurality of shareholders represented on the Board but not otherwise related.

Complies X Explain ☐

13. The number of independent directors should represent at least one third of all Board members.

Complies ☐ Explain X

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The percentage of capital not directly represented on the Board is small.

14. The nature of each director should be explained to the Shareholders' General Meeting, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Appointments Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies X Partly Complies Explain □

15. When women directors are few or non-existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Appointments Committee should take steps to ensure that when proposing vacancies:

a) The process of filling Board vacancies has no implicit bias against female candidates;

b) The Company makes a conscious effort to include women with the target profile among the candidates for Board places.

Complies X Partly Complies □ Explain Not applicable□

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of Board meetings; and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the Company's Chief Executive, along with the chairmen of the relevant board committees,

Complies X Partly Complies □ Explain □

17. When a Company's Chairman is also its chief executive, an independent director should be empowered to request the calling of Board meetings or the inclusion of new issues on the agenda; to coordinate and give voice to the concerns of non-executive directors; and to lead the Board's evaluation of the Chairman.

Complies□ Partly complies □ Explain X Not applicable

There are no special rules in this respect.

18. The Secretary should take care to ensure that the Board's actions:

a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies.

b) Comply with the Company Bylaws and the Regulations of the General Shareholders' Meeting, the Board of Directors and others;

c) Are informed by those good governance recommendations of the Unified Code that the Company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Appointments Committee and approved by a full

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Board meeting; and the relevant appointment and removal procedures being spelled out in the Board's regulations.

Complies X Partly Complies ▯ Explain ▯

19. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each Director may propose the addition of other items.

Complies X Partly Complies ▯ Explain ▯

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

Complies X Partly Complies ▯ Explain ▯

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the Company's performance, and such concerns are not resolved at the Board, the person expressing them can request that they be recorded in the minutes book.

Complies X Partly Complies ▯ Explain▯ Not applicable ▯

22. The board in full should evaluate the following points on a yearly basis:

a) The quality and efficiency of the Board's operation.

b) b) Starting from a report submitted by the Appointments Committee, how well the Chairman and Chief Executive have carried out their duties;

c) The performance of its Committees on the basis of the reports furnished by the same.

Complies▯ ▯Partly Complies Explain X

No formal evaluation is performed.

23. All directors should be able to exercise their right to receive any additional information they require on matters within the Board's competence. Unless the Bylaws or Board Regulations indicate otherwise, such requests should be addressed to the Board's Chairman or Secretary.

Complies X Explain ▯

24. All directors should be entitled to call on the Company for the advice and guidance they need to carry out their duties. The Company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the Company's expense.

Complies X Explain ▯

No Director has raised the need for personal advisory services outside those provided by the Company and those established by the Board or by the shareholders General Meeting.

25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the Company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Complies▯ Partly complies▯ Explain X

At Board Meetings extensive time is spent analysing, informing and evaluating the Company's problems and those of its environment.

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26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

a) Directors should apprise the Appointments Committee of any other professional obligations, in case they might detract from the necessary dedication;

b) Companies should lay down rules about the number of Boards on which their Board members can take part.

Complies☐ Partly complies☐ Explain X

The Company requires sufficient dedication from Directors but there are no formal mechanisms or rules in this respect.

27. The proposal for the appointment or renewal of directors which the Board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the Board:

a) On the proposal of the Appointments Committee, in the case of independent directors.

b) Subject to a report from the Appointments Committee in all other cases.

Complies X Partly Complies ☐ Explain ☐

28. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional experience and background.

b) Directorships held in other companies, listed or otherwise;

c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.

d) The date of their first and subsequent appointments as a Company director, and;

e) Shares held in the Company and any options on the same.

Complies X Partly Complies☐ Explain ☐

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

Complies☐ Explain X

There is no such rule, but there is no person under such circumstances.

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complies X Partly Complies ☐ Explain ☐

31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a proposal from the Appointments Committee In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.

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The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the Company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

Complies X Explain □

There has been no occasion in which to apply this recommendation.

32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in Article 124 of the Companies Law, the Board should examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

Complies X Partly Complies □ Explain □

33. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the Board, Director or otherwise.

Complies X Partly Complies □ Explain□ Not applicable □

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

Complies X Partly Complies □ Explain□ Not applicable □

35. The Company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

a) Amount of fixed components, with an itemisation, where applicable, of fees for participation at the meetings of the Board and its Committees and an estimate of the annual fixed remuneration derived therefrom;

b) Variable remuneration components, including:

i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items.

ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;

iii) The main parameters and grounds for any system of annual *bonuses* or other non cash benefits; and

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iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or assumptions.

c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.

d) The conditions to apply to the contracts of executive directors exercising senior management functions. Among them:

i) Duration;

ii) Notice period; and

iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

Complies☐ Partly Complies☐ Explain X

Remuneration and its application to Directors are described in other sections.

36. Remuneration comprising the delivery of shares in the Company or other companies in the group, share options or other share-based instruments, payments linked to the Company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

Complies☐ Explain X

No plan in this respect has yet been applied.

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Complies X Explain ☐

38. In the case of remuneration linked to Company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies X ☐ Explain Not applicable☐

39. In the case of variable remunerations, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector or circumstances of this kind.

Complies X Explain ☐ Not applicable ☐

40. The board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner the company sees fit.

The report will focus on the remuneration policy the Board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

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The role of the Remuneration Committee in designing the remuneration policy should be reported to the Meeting, along with the identity of any external advisors engaged.

Complies☐ Partly complies☐ Explain X

The remuneration system is reported by the relevant Board Committee and submitted for the approval of the Board, before being presented to shareholders for approval.

A report that is formally separate from this proposal is not submitted.

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

a) A breakdown of the remuneration obtained by each company director, to include where appropriate:

i) Participation and attendance fees and other fixed director payments;

ii) Additional remuneration for acting as chairman or member of a Board committee;

iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;

iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;

v) Any severance packages agreed or paid;

vi) Any remuneration they receive as directors of other companies in the Group;

vii) The remuneration executive directors receive in respect of their senior management posts;

viii) Any kind of remuneration other than those listed above, of whatever nature and provenance within the Group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.

b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:

i) Number of shares or options awarded in the year, and the terms set for their execution;

ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;

iii) Number of options outstanding at the annual year end, specifying their price, date and other exercise conditions;

iv) Any change in the year in the exercise terms of previously awarded options.

c) Information on the relation in the year between the remuneration obtained by executive directors and the Company's profits, or some other measure of enterprise results.

Complies☐ Partly complies X Explain ☐

42. When the Company has an Executive Committee, the breakdown of its members by director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Executive Committee.

Complies X Partly Complies ☐ Explain☐ Not applicable ☐

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43. The Board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

Complies X Explain □ Not applicable □

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Appointment and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the Appointment and Remuneration committee or committees should be set forth in the Board Regulations, and include the following:

a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each Committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first full Board following each meeting;

b) These committees should be formed exclusively of non-executive directors and have a minimum of three members. The foregoing is understood notwithstanding the attendance of executive directors or senior officers when expressly agreed by the Committee's members.

c) Committees should be chaired by an independent director.

d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.

e) Minutes of meeting proceedings should be drawn up and a copy sent to all Board members.

Complies X Partly Complies □ Explain □

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Appointments Committee or, as the case may be, separate Compliance or Corporate Governance Committees.

Complies X Explain □

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Complies X Explain □

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Complies X Explain □

48. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Complies X Partly Complies □ Explain □

49. Control and risk management policy should specify at least:

a) The different types of risk that affect the Company (operational, technology, financial, legal, reputational, tax, etc) with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

b) The determination of the risk level the Company sees as acceptable;

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c) Measures in place to mitigate the impact of risk events should they occur;

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies X Partly Complies ☐ Explain ☐

50. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

a) Supervise the preparation and the integrity of the financial information on the company and, if applicable, the group, reviewing compliance with the regulatory requirements, proper delimitation of the scope of consolidation and correct application of accounting policies.

b) Conduct periodic reviews of risk management and internal control systems, so that the principal risks are adequately identified, managed and disclosed properly.

c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose that service's budget; receive periodic information on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

d) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

a) Bring before the Board proposals for selection, appointment, re-election and replacement of the external auditor, as well as the terms of the auditor's engagement.

b) Receive regular information from the external auditor on the progress *and* findings of the audit programme, and check that senior management are acting on its recommendations.

c) Monitor the independence of the external auditor, to which end:

i) The Company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

ii) The Committee should ensure that the Company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;

iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

d) In the case of groups, promote the Group auditor's assumption of responsibility for audits in the group companies.

Complies X Partly Complies ☐ Explain ☐

51. The Audit Committee should be empowered to meet with any Company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies X Explain ☐

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52. The Audit Committee should prepare information on the following points from the Recommendation or input to board decision-making 8:

a) The financial information listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

Complies X Partly Complies ☐ Explain ☐

53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

Complies X Partly Complies ☐ Explain ☐

54. The majority of Appointment Committee members –or Appointment and Remuneration Committee members, as the case may be– should be independent directors.

Complies☐ Explain X Not applicable ☐

Not met. Due to the shareholdings structure and the representation on the Board of all significant shareholders, there are few independent Directors (two). The majority are external.

55. The Appointment Committee should have the following functions in addition to those stated in earlier recommendations:

a) Evaluate the balance of skills, knowledge and experience of the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b) Examine or organise, in appropriate form, the succession of the Chairman and Chief Executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner.

c) Report on the senior officer appointments and removals which the Chief Executive proposes to the Board.

d) Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

Complies X Partly Complies ☐ Explain☐ Not applicable ☐

56. The Appointment Committee should consult with the Company's Chairman and Chief Executive, especially on matters relating to executive directors.

Any Board member may suggest directorship candidates to the Appointment Committee for its consideration.

Complies X Partly Complies ☐ Explain☐ Not applicable ☐

57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

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a) Propose to the Board of Directors:

i) The remuneration policy for directors and senior officers;

ii) The individual remuneration and other contractual conditions of executive directors.

iii) The standard conditions for senior officer employment contracts.

b) Oversee compliance with the remuneration policy set by the Company.

Complies X Partly Complies ☐ Explain☐ Not applicable ☐

58. The Remuneration Committee should consult with the Chairman and Chief Executive, especially on matters relating to executive directors and senior officers.

Complies X Explain ☐ Not applicable ☐

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G - OTHER INFORMATION OF INTEREST

If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report, indicate and explain below.

This section can include any other information, clarification or qualification relating to the previous sections of the report.

In particular, indicate whether the Company is subject to any legislation other than the Spanish law on corporate governance and, if so, include any mandatory information different from the one required for the purposes of this Report.

Binding definition of Independent Director:

State whether any Independent Director has or has had a relation with the Company, its significant shareholders or its executives that, had it been sufficiently significant or important, would have prevented the Director from being considered independent according to section 5 of the Unified Code on good governance:

Yes☐ No X

Name of the Director	Type of relationship	Explanation

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting held on 28 February 2008.

State if there have been any Directors who have voted against or have abstained from the approval of this Report.

Yes☐ No X

Name or company name of director voting against this report	Reasons (against, abstention, non-attendance)	Explain reasons

25th February 2010

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DIRECTORS' SIGNATURES

For the purposes of R.D. 1362/2007 (19 October) (Article 8.1.b) and Article 10), the undersigned Directors of Grupo Empresarial San José, S.A. hereby make the following statement of liability:

That, to the best of their knowledge, the consolidated annual accounts prepared in accordance with applicable accounting standards present a true and fair view of consolidated equity, the consolidated financial position and the consolidated results obtained by the issuer and its consolidated companies taken as a whole and that the consolidated Directors' Report includes an accurate analysis of business development and results, the position of the issuer and the companies included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties which they face. In witness whereof, the Directors stamp their signatures below:

These Consolidated Financial Statements consisting of the Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Notes to the Consolidated Financial Statements and the accompanying Consolidated Directors' Report and the Corporate Governance Report, presented on 154 sheets of officially stamped single-sheet paper, were prepared by the Company's Board of Directors on 25 February 2010.

Mr. Jacinto Rey González

Mr. Jacinto Rey Laredo

Mr. Miguel Zorita Lees

Mr. Ramon Barral Andrade

Ms. Altina de Fátima Sebastián González

Mr. Francis Lepoutre

Mr. Francisco Hernanz Manzano

Mr. Roberto Rey Perales

Mr. Roberto Alvarez Alvarez

Mr. Santiago Martínez Carballal

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CERTIFICATION	CERTIFICACIÓN
I, Estefanía Calvo Iglesias, English Sworn Translator, certified by the Spanish Ministry of Affairs, **_do hereby certify_** *that the preceding is a true and faithful English translation, on the essentials, of a document originally issued in the Spanish language. In the event of discrepancy the Spanish-language version prevails.*	*Yo, Estefanía Calvo Iglesias, Traductora Jurada de inglés por el Ministerio de Asuntos Exteriores del Gobierno de España,* **_certifico que_** *la que precede es traducción fiel y completa al inglés de un documento redactado en español En caso de discrepancia, el documento original redactado en español prevalece.*
Madrid, twenty-second of June two thousand and ten	Madrid, a veintidós de junio de dos mil diez

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Estefanía Calvo Iglesias