

Grupo Empresarial San José, S.A. and Subsidiaries

Consolidated Financial Statements
for 2011 and Consolidated
Directors' Report, together with
Independent Auditors' Report

*Translation of a report originally issued in Spanish
based on our work performed in accordance with
the audit regulations in force in Spain. In the
event of a discrepancy, the Spanish-language
version prevails.*

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force 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.:

1. We have audited the consolidated financial statements of Grupo Empresarial San José, S.A. ("the Company") and Subsidiaries ("the Group"), which comprise the consolidated statement of financial position at 31 December 2011 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 2 to the accompanying consolidated financial statements, the Directors are responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. 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 the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.
2. In our opinion, the accompanying consolidated financial statements for 2011 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 2011, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.
3. Without qualifying our audit opinion, we draw attention to Note 16.3 to the accompanying consolidated financial statements relating to the global economic and financial situation and, in particular, the situation of the construction and property industries in Spain, which has caused the Group to incur losses in recent years. In this context, on 21 April 2009, Grupo Empresarial San José, S.A. completed a process to renegotiate all its bank borrowings in order to adjust its financial obligations to the situation of the aforementioned industries, adapting the Group's financial structure to the cash flows envisaged in the Business Plan for 2009-2013.
4. The accompanying consolidated Directors' report for 2011 contains the explanations which the Directors of Grupo Empresarial San José, S.A. 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 2011. 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 José, S.A. and Subsidiaries.

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



Miguel Laserna Niño
29 February 2012

Grupo Empresarial San José, S.A. and subsidiaries

Consolidated Financial Statements
for the year ended 31 December 2011 and
Management Report and Independent
Auditors' Report.

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

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

Consolidated Balance Sheet at 31 December 2011 and 2010.

(Thousands of Euros)

	31-12-11	31-12-10	31-12-11	31-12-10
ASSETS			EQUITY AND LIABILITIES	
NON-CURRENT ASSETS			EQUITY	
Property, plant and equipment (Note 7)	76,218	82,914	Share capital	1,951
Investment property (Note 8)	546,785	556,666	Issuance premium	155,578
Goodwill on consolidation (Note 9)	15,465	15,465	Reserves	239,001
Intangible assets (Note 10)	16,318	17,014	Translation differences	(20,211)
Investments in associates and joint ventures	78,782	83,662	Equity-Valuation adjustments	(16,398)
Equity investments in associates (Note 11)	63,051	68,207	Profit for the year attributable to the parent company	(36,150)
Loans to related companies (Note 13.4)	15,731	15,455	Equity attributable to shareholders of the Parent	323,771
Other non-current financial assets (Note 13.4)	58,050	20,868	Minority interests	25,355
Deferred tax assets (Note 20.4)	93,714	75,218	TOTAL EQUITY (Note 14)	349,126
TOTAL NON-CURRENT ASSETS	885,332	851,807		
			NON-CURRENT LIABILITIES	
			Long-term provisions (Note 15)	27,176
			Non-current bank borrowings (Note 16)	1,509,105
			Bank loans and overdrafts	1,490,277
			Finance lease creditors	3,839
			Other financial liabilities	14,989
			Derivative financial instruments (Note 16 and 17)	27,816
			Deferred tax liabilities (Note 20.4)	71,982
			TOTAL NON-CURRENT LIABILITIES	1,636,079
			CURRENT LIABILITIES	
CURRENT ASSETS			Short-term provisions (Note 22.10)	20,353
Inventories (Note 12)	1,260,604	1,278,996	Current bank borrowings (Note 16)	374,705
Trade and other receivables	476,594	546,434	Bank loans and overdrafts	368,387
Trade receivables for sales and services (Note 13.1)	454,768	506,430	Finance lease creditors	1,002
Related companies receivables (Note 23)	630	473	Other financial liabilities	5,316
Sundry accounts receivable	2,401	5,867	Derivative financial instruments (Note 16 and 17)	7,192
Public administrations (Note 20.6)	16,421	28,366	Payables to related companies (Note 23)	10,982
Other current assets	2,374	5,278	Trade and other payables	498,643
Other current financial assets (Note 13.3)	106,464	19,805	Trade payables (Note 18.1 and 18.3)	441,767
Cash and cash equivalents (Note 13.2)	188,086	172,777	Tax payables (Note 20.6)	45,351
TOTAL CURRENT ASSETS	2,011,748	2,018,012	Other current liabilities (Note 18.2)	11,525
TOTAL ASSETS	2,897,080	2,869,819	TOTAL CURRENT LIABILITIES	911,875
			TOTAL EQUITY AND LIABILITIES	2,897,080

Accompanying Notes 1 to 26 to the Consolidated Annual Report and Annex I, II and III are an integral part of the Consolidated Balance Sheet at 31 December 2011.

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

Consolidated Income Statement for
2011 and 2010
(Thousand of Euros)

	Year 2011	Year 2010
CONTINUING OPERATIONS		
Revenue (Note 22.1)	752,232	852,251
Sales	712,727	788,485
Provisions of services	39,505	63,766
Other operating income (Note 22.1)	5,888	13,304
Gains on disposal of investment property	-	482
Change in inventories of finished goods and work in progress (Note 22.11)	(9,988)	(29,006)
Procurements (Note 22.2)	(462,393)	(529,858)
Cost of raw materials and other consumables used	(158,231)	(152,247)
Works performed by other companies	(295,259)	(367,248)
Impairment of goods held for resale, raw materials and other supplies (Note 12)	(8,903)	(10,363)
Staff costs (Note 22.3)	(112,233)	(126,555)
Other operating expenses	(118,170)	(134,884)
Losses on impairment and change in allowances for trade receivables (Note 22.10)	(20,178)	(11,921)
Other current operating expenses (Note 22.2)	(97,992)	(122,963)
Depreciation and amortisation charge (Notes 7, 8 and 10)	(15,301)	(14,016)
Excessive provisions (Note 22.10)	2,479	1,487
Impairment and gains or losses on disposals of non-current assets (Note 22.9)	(7,480)	(8,472)
PROFIT FROM OPERATIONS	35,034	24,733
Finance income (Note 22.7)	10,570	6,929
Finance costs (Note 22.8)	(73,936)	(60,818)
Changes in fair value of financial instruments (Note 4.11)	(10,351)	(3,402)
Exchange differences	34	2,313
Impairment and gains or losses on disposals of financial instruments (Note 2.4.d)	(8,770)	(5,682)
FINANCIAL LOSS	(82,453)	(60,660)
Result of companies accounted for using the equity method (Note 11)	(1,180)	2,549
PROFIT (LOSS) BEFORE TAXES	(48,599)	(33,378)
Income tax (Note 20)	10,968	9,796
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(37,631)	(23,582)
PROFIT (LOSS) ATTRIBUTABLE TO EXTERNAL PARTNERS (Note 14.8)	(1,481)	(2,048)
PROFIT (LOSS) FOR THE YEAR	(36,150)	(21,534)
Earnings per share (Euros/share) (Note 5)		
-Basic	(0.56)	(0.33)
-Diluted	(0.56)	(0.33)

Accompanying Notes 1 to 26 to the Annual Report and Annex I, II and III form an integral part of the Consolidated Income Statement for 2011

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/ Serafín Pumar, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
990320766 - 966890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

Consolidated Cash Flow Statement for 2011 and 2010

(Thousands of Euros)

	Year 2011	Year 2010
Cash Flows from operating activities		
(+) Profit (Loss) before tax	(48,599)	(33,377)
(+) Depreciation and amortisation charge	15,301	14,016
(+/-) Changes in operating allowances	34,588	30,072
(-) Financial income	(10,570)	(6,929)
(+) Financial costs	73,936	60,818
(+/-) Exchange differences	(34)	(2,313)
(+/-) Result of changes in value of financial instruments	10,351	3,402
(+/-) Result of companies accounted for using the equity method	1,180	(2,549)
(+/-) Other gains or losses	8,067	5,130
Total Cash Flows from operating activities	84,220	68,270
Other adjustments		
(+/-) (Increase) / Decrease in working capital	23,597	41,223
(+/-) Other collections/ (payments) due to operating activities	(1,013)	(2,156)
1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	106,804	107,337
Investments:		
(-) Property, plant and equipment and investment property	(6,233)	(6,846)
(-) Intangible assets	(705)	(398)
(-) Shares and other financial assets	(42,741)	(15,845)
Total Investments	(49,679)	(23,089)
Dividends received:	5,297	751
Disposals:		
(+) Property, plant and equipment and investment property	633	1,180
(+) Intangible assets	52	79
(+) Shares and other financial assets	-	1,570
Total Disposals	685	2,829
Other collections/ (payments) due to operating activities	(86,659)	(4,928)
2. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	(130,356)	(24,437)
Other collections/ (payments) due to treasury share transactions	(6,972)	(129)
Dividends paid	-	-
Increase/ (decrease) in borrowings	95,580	(34,722)
Net interest		
Received	3,079	2,978
Paid	(71,467)	(60,005)
Total net interests	(68,388)	(57,027)
Other collections/ (payments) due to financing activities	(1,359)	2,835
3. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES	18,861	(89,043)
TOTAL CASH FLOWS FOR THE YEAR	(4,691)	(6,143)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	172,777	178,920
Changes in the year	(4,691)	(6,143)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	168,086	172,777

Accompanying Notes 1 to 26 to Annual Report and Annex I, II and III are an integral part of the Consolidated Cash Flow Statement for 2011.

ESTEFANIA CALVO IGLESIAS
 INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/ Seralita Ferrero, 5, 1º
 36900 Maciñeira (Pontevedra)
 calvo.estefania@gmail.com
 986329766 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR 2011 AND 2010

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

(Thousands of Euros)

	Year 2011	Year 2010
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	(37,631)	(23,582)
Income and expenses recognised directly in equity		
- Cash flow hedges	(14,358)	(9,253)
- Other	1,355	(60)
- Tax effect	2,043	2,723
	(10,960)	(6,590)
Transfers to income statement		
- Cash flow hedges	12,104	17,070
- Other	(900)	(204)
- Tax effect	(3,589)	(5,060)
	7,615	11,806
TOTAL RECOGNISED INCOME / (EXPENSES)	(40,976)	(18,366)
a) Attributable to the Parent	(39,975)	(16,318)
b) Attributable to Minority Interests	(1,001)	(2,048)

ESTEFANIA CALVO IGLESIAS
 INTERPRETE JURÍDICO INGLÉS-ESPAÑOL
 C/Serafín Tubío, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 993320706 - 986690498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR 2011 AND 2010.

B) STATEMENTS OF CHANGES IN TOTAL EQUITY (Thousands of Euros)

	Capital	Issuance premium	Legal Reserve	Other reserves of the Parent	Consolidated reserves		Translation differences	Adjustments to equity	Profit (Loss) for the year	Equity attributable to the Parent	Minority Interests	Total Equity
					In IGIP companies	In associates						
Balance at 31 December 2009	1,951	155,578	263	167,149	125,785	13,225	(18,670)	(21,639)	(43,569)	380,072	33,271	413,343
Distribution of profit for year 2009:												
-to reserves	-	-	-	(74,257)	32,389	(1,701)	-	-	43,569	-	-	-
Translations differences	-	-	-	-	-	-	2,075	-	-	2,075	457	2,532
Changes in the scope of consolidations (Notes 1 and 3)	-	-	-	-	910	-	-	-	-	910	(2,824)	(1,914)
Recognised income and expenses	-	-	-	-	-	-	-	5,216	(21,534)	(16,318)	(2,048)	(18,366)
Balance at 31 December 2010	1,951	155,578	263	92,892	159,085	11,524	16,595	(16,423)	(21,534)	366,739	28,656	395,396
Distribution of profit for year 2010:												
-to reserves	-	-	-	(3,560)	(20,623)	2,549	-	-	21,534	-	-	-
Translations differences	-	-	-	-	-	-	(3,616)	-	-	(3,616)	(1)	(3,617)
Changes in the scope of consolidations (Note 2)	-	-	-	-	638	(16)	-	-	-	622	(2,499)	(1,877)
Transfers and others	-	-	-	-	(3,651)	-	-	3,651	-	-	-	-
Recognised income and expenses	-	-	-	-	-	-	-	(3,625)	(36,150)	(39,975)	(1,001)	(40,976)
Balance at 31 December 2011	1,951	155,578	263	89,332	135,349	14,057	20,211	(16,398)	(36,150)	323,770	25,355	349,126

Notes 1 to 26 together with Appendix I, II and III form an integral part of the Consolidated Statement of Changes in Equity for year 2011.

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Grupo Empresarial San José, S.A. and subsidiaries

Notes to the Consolidated Financial Statements for the year 2011

1. Group companies

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. It holds tax identification number A-36,046,993.

Registered office is located in Pontevedra, at calle Rosala 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 electro medical 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; electro medicine and gas facilities and maintenance.

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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.

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.

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).

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.

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

Spin-off of San José Tecnologías, S.A.U. in favour of Constructora San José, S.A., San José Energía y Medio Ambiente, S.A. and San José Concesiones y Servicios, S.A.U.

In the first half of the year 2010, the Board of Directors of San José Tecnologías, S.A.U., Constructora San José, S.A., San José Energía y Medio Ambiente, S.A. and San José Concesiones y Servicios, S.A.U., have agreed on the spin-off of the company San José Tecnologías, S.A.U. and its division into three business activities, each of which is transferred en bloc to the beneficiary company assuming the shares of the divided company according to its participation percentage.

The business activities are identified:

- Engineering and industrial construction, including construction, mechanical, electrical, plumbing, telecommunications and mechanical assembly facilities of any type of building, infrastructure, transport network, and industrial plant, even renewable and cogeneration power plants. This business activity is executed by SANJOSE TECNOLOGIAS S.A.U., and associates. Net value of the business activity branch amounts to EUR 5,045 thousand according to the balance sheet at 31 December 2009.

The beneficiary entity of this branch of activity is CONSTRUCTORA SAN JOSE, S.A., who will increase its share capital in EUR 74 thousand due to the issuance of 28,446 shares of EUR 2.60 par value each fully subscribed and paid up. These shares have an issuance premium of EUR 4,971 thousand.

ESTEFANIA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafín Jubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
600320709 - 986890438

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

- Maintenance of all type of facilities, including real estate maintenance activities (residential buildings, administrative buildings, sport facilities or industrial installations), maintenance of electro medicine equipment, telecommunications, treatment of gases or fire protection, maintenance of sanitary facilities and integral management of buildings and facilities of whatever use, cleaning, gardening and maintenance activities, restoration and refurbishment by SANJOSE TECNOLOGIAS S.A.U., or by of its associates. Net value of the business activity branch amounts to EUR 2,386 thousand according to the balance sheet at 31 December 2009.

The beneficiary entity of this branch of activity is SANJOSE CONCESIONES Y SERVICIOS S.A.U, which will increase its share capital in EUR 2,386 thousand due to the issuance of 397,686 shares of EUR 6.00 par value each fully subscribed and paid up. These shares do not have an issuance premium.

- Energy development and electricity generation through the development, management and maintenance of power plants of any type of electricity, heat, thermal, cogeneration energy or even wind, solar, biomass, biogas, hydraulic and renewable energies. This branch of activity is developed by SANJOSE TECNOLOGIAS S.A.U., and associates. Net value of the business activity branch amounts to EUR 3,978 thousand according to the balance sheet at 31 December 2009.

The beneficiary entity of this branch of activity is SANJOSE CONCESIONES Y SERVICIOS S.A.U, which will increase its share capital in EUR 3,978 thousand due to the issuance of 3,978,415 shares of EUR 1 par value each fully subscribed and paid up. These shares do not have an issuance premium.

The aforementioned spin-off will qualify for taxation under the tax neutrality regime provided for Act 2005/19/CE and in Chapter VIII of Title VII on the Special regime of mergers, spin-off and exchange of shares established by the Legislative Royal Decree 4/2004 of 5 March approving the Consolidated Spanish Corporation Tax Law.

The aforementioned transaction was recorded at the Mercantile Register of Pontevedra as of 20 July 2011 for the companies San José, S.A. and the Mercantile Register of Madrid as of 19 September 2011 for the Company San Jose Energia y Medio Ambiente, S.A.U.

Transactions executed within the Group during previous years:

Segregation of branch of activity of Grupo Empresarial San José, S.A. (formerly, Udra, S.A.) and capital increase of the beneficiary: San José Desarrollos Inmobiliarios, S.A. (formerly, Inmobiliaria Udra, S.A.)

The shareholders at the Ordinary and Extraordinary General Meeting Grupo Empresarial San José, S.A., held on 28 June 2010 resolved to approve the segregation of the real estate branch activity of the company, being the beneficiary San José Desarrollos Inmobiliarios, S.A.

Grupo Empresarial San José, S.A. has resolved to segregate the real estate business and transfer this activity to San José Desarrollos Inmobiliarios, S.A. that increases its share capital. The total number of shares representing this capital increase is allotted to Grupo Empresarial San José, S.A. who subscribes shares by providing the segregated branch activity business.

Capital increase of the beneficiary company does not include irrevocable subscription.

The segregation transaction is subject to the Structural Modifications Act 3/2009, Chapter VIII, Title VII, mergers, and segregations, transfer of assets and exchange of shares established by Legislative Royal Decree 4/2004 on 5 March on Profit Tax.

The total value of the branch amounts to EUR 33,945 thousand according to the segregation balance at 31 December 2009, according to the study executed by KPMG, acting as independent expert appointed by the Trade Registrar of Pontevedra, and its report issued on 11 May 2010.

Consequently, the receiving company increases its share capital in EUR 31,267 thousand arranged into 5,211,192 shares of EUR 6.00 par value each and share premium of EUR 2,678 thousand. The new shares bear the right to share profit from 1 January 2010.

ESTEFANIA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/ Serafin Teijeiro, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
996320768 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

This transaction was recorded at the Registrar of Companies of Pontevedra on 7 September 2010.

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

Transactions executed by absorbed companies are taken into consideration by Constructora San Jose, S.A. for accounting purposes as on 1 January 2008.

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 the GRUPO EMPRESARIAL SAN JOSÉ, S.A. (formerly, Udra, S.A., absorbing company) and of its subsidiaries San José Infraestructuras y Servicios, S.A., Udramed, S.L.U., Parquesol Inmobiliaria y Proyectos, S.A. y LHOTSE Desarrollos Inmobiliarios, S.L., signed a merger by absorption plan, which was filed at the Pontevedra, Madrid and Valladolid Trade Registry of Companies for subsequent publication at the Official Gazette of the Trade Registry of companies (BORME).

On 19 and 20 May 2008 the 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.

Transactions executed by absorbed companies are taken into consideration by Constructora San Jose, S.A. for accounting purposes as on 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

ESTEFANIA CALVO
INTERPRETE JURADO INGLES-ESPAÑOL
C/Serafin Abio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
99320799 - 986890488

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

The aforementioned merger entails proportionally consolidating 100% of the balances and transactions of the Company Lhotse Desarrollos Inmobiliarios, S.L, in the Group's 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 EUR 17,257 thousand, due to the capital increase in order 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.

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., Sefri Ingenieros 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.

Transactions executed by absorbed companies are taken into consideration by Sanjose Tecnologías, S.A. for accounting purposes as on 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.

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Tabo, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
99320708 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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 aforementioned public deed was registered at the Mercantile Registry on 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 of Sanjose Tecnologías, S.A.U. and the investees: 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 Sanjose 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 aforementioned public deed was registered at the Mercantile Registry 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 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.

Transactions executed by absorbed companies are taken into consideration by Sanjose Tecnologías, S.A.U. for accounting purposes as on 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. Sanjose Tecnologías S.A.U. must comply with certain requirements pursuant to Articles 90.1 and 90.2 of said Royal Decree 4/2004.

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Merger of Constructora San José, S.A and the investees: Alcava Mediterránea, S.A.U., Constructora Avalos, S.A.U., Balltagi Mediterrani, 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.A.U., Constructora Avalos, S.A.U., Balltagi Mediterrani, 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.A.U., Constructora Avalos, S.A.U., Balltagi Mediterrani, 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., Balltagi Mediterrani, 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.

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 2011 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 IFRSs, and, accordingly, they present fairly the Grupo San Jose's consolidated equity and financial position at 31 December 2011 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 IFRSs.

The consolidated financial statements of Grupo San José and Subsidiaries for 2010, 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 27 June 2011. Also, the 2011 consolidated financial statements of the Group and the individual financial statements of the Group companies for 2011 have not yet been approved by the 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.

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Jubio, 5. 1º
36900 Maza (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Standards and interpretations applicable for the year

New accounting standards were enforced in 2011 and therefore they were taken into account when preparing the consolidated financial statements attached hereto:

- Amendment of IAS 32 "Financial instruments: Presentation - Classification of rights on shares". It changes the accounting treatment of right, option and warrants in a currency other than the functional currency.
- Revision of IAS 24 "Information to be released on related parties". It changes the definition of "related party" and reduces breakdown obligation of related parties for being under the control of the Government.
- IFRS improvements. Amendment of standards.
- Amendment of IAS 14 "Financial instruments: The payment in advance in accordance with minimum funding requirements.
- Understanding of IFRIC19 "Settlement of financial liabilities with equity instruments".

These amendments have not had a significant impact on 2011 consolidated financial statement,

During year 2010 the following amendments became into force: Amendment of IAS 27 "Consolidated and individual financial statement", IAS 39 "Financial instruments: recognition and measurement of eligible hedged items", amendment of IFRS 3 "Business Combinations", understanding of IFRS 12 "Service Concession Arrangements ", IFRIC15 "Agreements for the Construction of Real Estate", IFRIC 16 "Hedges of a Net Investment in a Foreign Operation", IFRIC 17 "Distributions of Non-cash Assets to Owners" and IFRIC 18 "Assets received from customers".

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, were as follows:

ESTEFANIA CALVO IGLESIAS
INTERPRETE JURADO INGLÉS-ESPAÑOL
C/Serafín Rubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

		Compulsory application for the Group
Standards and amendments		
IFRS 9	It replaces financial assets and liabilities classification set forth by IAS 39.	1 January 2015
Amendment IAS 12	On the calculation of deferred tax liabilities of real estate properties at fair value.	1 January 2012
IFRS 10	It replaces consolidation requirements set forth by IAS 27.	1 January 2013
IFRS 11	It replaces IAS 21 on joint business	1 January 2013
IFRS 12	Regulation which sets forth breakdown obligations regarding subsidiaries, affiliates, joint business and non consolidated entities.	1 January 2013
IFRS 13	Framework for assessment at fair value.	1 January 2013
Amendment IAS 27	After IAS 10, this shall concern on financial statement for a single entity.	1 January 2013
Amendment IAS 28	Revision regarding IFRS 11, joint agreements.	1 January 2013
Amendment IAS 1	Amendment regarding submission of the Other Result.	1 July 2012
Amendment IAS 19	Amendment of defined beneficiary plans, elimination of the "fluctuation margin".	1 January 2013
Amendment IAS 32	Additional notes on the compensation of financial assets and liabilities as of IAS 32 and new breakdown obligation on affiliates set out by IFRS 7.	1 January 2014
Amendment IAS 7	Additional notes on the compensation of financial assets and liabilities as of IAS 32 and new breakdown obligation on affiliates set out by IFRS 7.	1 January 2013
Understanding and amendments:		
Understanding IFRIC 20	The Understanding Committee of the IFRS deals with the accounting treatment of the costs derived from the elimination of waste and open mines.	1 January 2013

The directors are assessing 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).
2. 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. Assessment of potential impairment losses (see Notes 4.2, 4.3, 4.4, 4.5, 4.7 and 4.8).
5. The probability of occurrence and the amount of uncertain or contingent liabilities (see Notes 4.17 and 4.18).
6. The fair value of certain financial instruments (see Note 4.9).
7. The fair value of assets and liabilities resulting from business combinations (see Note 2.4).

ESTEFANIA CALVO IGLESÍAS
 INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/Serapia Teo, 5, 1º
 36900 Mañá (Pontevedra)
 calvo.estefania@gmail.com
 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

8 The probability of recovery of financial loans (see Note 4.16).

Although these estimates were made on the basis of the best information available at 31 December 2011 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 2011 is as follows:

Country	Currency	Exchange rate at 31/12/2011	Average exchange rate for 2011
United States	US Dollar	1.29	1.39
Mexico	Mexican peso	18.09	17.31
Argentina	Argentine peso	5.57	5.73
Cape Verde	Cape Verde escudo	110.27	110.27
Panama	Panamanian balboa	1.27	1.37
Uruguay	Uruguayan peso	25.10	26.26
Paraguay	Guarani	5,597.33	5,744.11
Peru	Peruvian sol	3.47	3.79
Chile	Chilean peso	672.286	669.441
Brazil	Brazilian real	2.41	2.33
Romania	Romanian Leu	4.31	4.23
India	Rupee	70.29	65.25
Morocco	Morocco Dirham	11.09	11.19

None of these countries are considered to be hyperinflationary economies as defined by IAS 29.

Main balances and transactions of the Group in a foreign currency correspond to those from Chile, Peru, Argentina and Cape Verde. Total assets and turnover for year 2011 amounts to EUR 97,776 and 344,319 thousand, respectively (see Note 6).

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.

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

The investment in the Group Company Otoño, S.L. was accounted for using the equity method because it is scantily 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 excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

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.

Appendix I to 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.

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

c) *Associates*

Associates are companies over which the Parent is in a position to exercise significant influence, but not effective control or joint management. 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 there from 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 I to these notes to the consolidated financial statements details the subsidiaries included in consolidation and significant information thereon.

d) *Changes in the scope of consolidation*

Main changes in the scope of consolidation in 2011 were as follows:

1. As a result of the absorption by "Constructora San José, S.A.", "Sanjose Energía y Medio Ambiente, S.A." and "Sanjose Concesiones y Servicios, S.A.U" of the branches of activity of "Sanjose Tecnologías, S.A.U." (see Note 1), the beneficiary companies have received its participation at companies of the group:
 - "Tecnoartel Argentina, S.A.": the participation of "Constructora San José, S.A." prior to the absorption transaction was 99.99%, and had been increased at 31 December 2011 to 100% of share capital.
 - "Sociedad Concesionaria San José – Tecnocontrol, S.A" and "Inversiones Sanjose Chile Ltda.": "Sanjose Tecnologías, S.A.U." hold a participation of 30% and transferred said participation at spin-off process to "Constructora San José, S.A."
 - "San Jose Energía y Medio Ambiente, S.A." has received the participation of 76% and 75% of the "Poligeneracio Parc de L'Alba ST-4, S.A." and "Energías Renovables de Galicia, S.A.", respectively.
 - "San Jose Concesiones y Servicios, S.A.U." has received the participation of 100% of "Tecnocontrol Servicios, S.A.U.", "Udra Mantenimiento S.L." and "Tecnocontrol Sistemas de Seguridad S.A.U."
2. Incorporation of "Constructora Sanjose Brasil, Ltda.", dated 25 May 2011, with registered office at Salvador de Bahía, Brazil, and devoted to the provision of construction and real estate services. Said company has been incorporated with a total share capital of 1,000 shares of BRL 1.00 par value each, subscribed and paid up in a ratio of 60% and 40%, respectively, by "Constructora San José, S.A." and "Constructora Udra Ltda." In September, this company attended a capital increase for a total amount of BRL 607 thousand (nearly EUR 244 thousand), being fully subscribed by "Constructora San José, S.A."
3. At the end of year 2010, having executed all administrative procedures at early 2011, the company "Constructora San José, S.A." incorporated "Sanjose Maroc, S.A.R.L.A.U.", with registered office in Rabat, Morocco, devoted to the provision of construction and real estate services with a total share capital of MAD 10,000.

ESTEFANIA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Estro, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
890328785 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

4. During year 2011, "Constructora San José, S.A." increased its total share capital participation in "San Jose India Infrastructure & Construction Private Limited" in INR 44,018.335 (EUR 715 thousands, represented by 44,018, 335 shares fully paid up and subscribed as of 31 of December of 2011.
5. In June 2011, 28% ownership of the Group in "Nuevo Parque de Bomberos Mallorca, S.A." was sold out. Profit arising from this transaction amounted to EUR 466 thousand recorded under " Impairment and profit/(loss) on disposal of financial instruments " in the accompanying income statement
6. During 2011, the following restructuring transactions of financial ownership interests of the Group in Chile took place:
 - On 19 August 2011, the company "Sanjose Constructora Chile Ltda." increased its share capital for a total amount of CLP 13,300,000, fully subscribed and paid up by the company "Inversiones Sanjose Chile Ltda.". Consequently, at 31 December 2011, "Inversiones Sanjose Chile Ltda.", "Inversiones Sanjose Andina Ltda." and "Constructora San José, S.A." hold ownership interests amounting to 95%, 4.995% and 0.005%, respectively.
 - On 19 August 2011, the company "Sanjose Constructora Chile Ltda." increased its share capital for a total amount of CLP 13,300,000, fully subscribed and paid up by the company "Constructora Sanjose , S.A." and "Sanjose Concesiones y Servicios, S.A.U." for a total amount of CLP 13,152,800 and CLP 147,800, respectively. Consequently, at 31 December 2011, "Inversiones Sanjose Chile Ltda.", "Inversiones Sanjose Andina Ltda." and "Constructora San José, S.A." hold ownership percentages amounting to 99% and 1%, respectively.
 - On 14 September 2011, the company "Inversiones Sanjose Andina Ltda." increased its share capital for a total amount of CLP 11,142,782,631 fully subscribed and paid up by the company "Constructora San José, S.A.", which holds 99.99% total share capital. Said transaction was carried out by means of non-monetary contributions, consisting of 10,989 shares of "Sociedad Concesionaria San José-Tecnocontrol, S.A.", representing 100% share capital of said company.
7. "Eskonel Company, S.A." was incorporated as of 23 March 2011 with a total share capital consisting of 400,000 shares of UYU 1.00 par value each. As of 23 August and 15 September 2011, capital increases were carried out, being shares fully subscribed and paid up by "Constructora San José, S.A." by means of ownership interest in "Fingano, S.A.", for a total amount of EUR 181 thousand, representing, at 31 December 2011, 99.9% share capital.
8. As of 31 March 2011, the company "Constructora San José, S.A." has carried out a capital increase of share capital of "Udra México, S.A. de C.V.", for a total value of USD 4,000 thousand (EUR 2,837 thousand) by means of capitalization of syndicated loans. At 31 December 2011, the Group hold 99.99% share capital of "Udra México, S.A. de C.V."
9. The company "San Jose Construction Group, Inc.", at Extraordinary Shareholders' Meeting held as of 6 July 2011 decided a capital increase of 393 shares to be fully subscribed and paid up by "Constructora San José, S.A." for a total amount of USD 5,000 thousand (EUR 3,511 thousand). Consequently, at 31 December 2011, the Group held ownership interest percentage of 76.5% of total share capital of "San Jose Construction Group, Inc."
10. Incorporation, dated as of 1 August 2011, of the company "O&M Parc de L'Alba ST-4, S.A." with total share capital amounting to EUR 60 thousand, represented by 60,000 shares, of which "San José Energía y Medio Ambiente, S.A." has subscribed and paid up 65%. This company is devoted to the design, execution, operation and maintenance of facilities.
11. On 10 March 2011, the associate "Sanjose Desarrollos Inmobiliarios, S.A." has entered into a purchase agreement by public deed for the acquisition to "Macosta Inmobiliario, S.L." of 11, 250 shares, equivalent to ownership at Altiplano Desarrollos Inmobiliarios, S.L." Said transaction was carried out for EUR 1,237,098 being fully paid up in compensation for debts hold by previous shareholder. Consequently, at 31 December 2011, the Group bears 100% of share capital of the associate being applied to the consolidation by integration method.

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

12. On 30 September 2011, agreements resolved by the Extraordinary Shareholders' Meeting of the company "Inmoprado Laguna, S.L.", held at 27 September 2011, were granted by public deed. Said agreement refers to:
 - Capital decrease in order to round off par value of each share. Thus, share capital consisting of 500,000 shares of EUR 6,01012 par value each moves to EUR 6,01 par value each. Consequently, a total capital reduction for EUR 60.52 was recorded.
 - Additional capital decrease for EUR 1,502,500 by the settlement of 250,000 shares, numbered from 250,001 to 500,000, both included, representing 50% of share capital, of "Martinsa-Fadesa, S.A.". In order to restore contributions of said partner, the associate has transferred to said partner the plot of land P-39 B of Plan Parcial Boyal, located in the municipality of Laguna del Duero.Consequently, the Group has increased in participation ownership holding at 31 December 2011, 100% share capital of "Inmoprado Laguna, S.L."
13. As of 2 December 2010, the General shareholders' Meeting of the company "Parquesoles Portugal SGPS, S.A." agreed, so as to restore equity, the decrease capital by the settlement of 1,393,000 shares of 5.00 par value each. Consequently, share capital was reduced from 8,115 to 1,150 thousand represented by 230,000 shares of 5.00 par value each.
14. As of 9 February 2011, the company EBA, S.L. acquired 100% share capital of "Alexin XXI, S.L.U.", consisting of 3,300 shares of 1.00 par value each for a total price of EUR 3,300. Social object of said company is the development of an urban development consisting of 111 housing units in Larrein".
15. As of 28 February 2011, the company has transferred to its ownership incurred costs regarding said urban development, as well as advance payments for the related plot of land. As of 1 March 2011, the associate "Alexin XXI, S.L.U." has executed purchase option of said plot of land for total value of EUR 3,554,892.

In general, transactions for the year refer to restructuring and operating and tax optimisation transactions. Impact of said transactions on equity is minor. Additional, equity impact on the income statement involves an increase of consolidated reserves for a total value of EUR 622 thousand, as well as a reduction of minority interests for a total amount of EUR 2,499 thousand (see Note 14.8).

Main changes in the scope of consolidation in 2010 were as follows:

1. Incorporation in Santiago de Chile, dated 13 May 2010, of "Constructora San José, S.A. Agencia en Chile" with a total share capital of CLP 2,000 million (EUR 2,633 thousand), fully subscribed by "Constructora San José, S.A., having paid at 31 December 2010 CLP 1,000 million (EUR 1,317 thousand). The object of this company is the construction and operation of any type of project and assembly.
2. Acquisition of shares of the Company Constructora Panameña de Aeropuertos, S.A. and subsequent capital decrease of the same. This transaction modifies the participation percentage from 94.8% to 97%. Share capital is reduced from \$ 1,000,000 to \$ 100,000.
3. During 2010, "Constructora San José, S.A." and "Sanjose Tecnologías, S.A.U." paid up the remaining payment for the incorporation of the "Sociedad Concesionaria San José – Tecnocontrol, S.A" in year 2009 according to the agreement under concession regime granted by the State of Chile for a total of EUR 12,255 thousand. Besides, in order to offset exchange differences between CLF and UF, participation increase in EUR 244 thousand. Share capital was fully paid up at 31 December 2010. Share capital was fully paid up at 31 December 2010.
4. Incorporation in New Delhi (India), dated 24 May 2010, of the company "San Jose India Infrastructure & Construction Private Limited" with a total share capital of Rs. 610,000 represented by 61,000 shares of which the Group, through Constructora San José, S.A., subscribes 99.99%, of Rs 610,000 (EUR 10,900) par value totally paid up. The object of this company is the development, construction and operation of infrastructure.

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin 11, 2º, 5. 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890411

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

5. During 2010, the associate Corsabe, S.C.R., S.A., associate of "Constructora San José, S.A." by the 28.02% of its share capital, has reduced its share capital in a total of EUR 3,910 thousand by partner refund.
6. In 2010, spin-off of the real estate branch of activity of the Parent in favour of "San José Desarrollos Inmobiliarios, S.A.", parent of the Real Estate Division of the Group was completed. Therefore, this company increases its share capital in 5,211,192 shares without right for minority shareholders. This transaction was recorded at the Registrar of Companies of Pontevedra on 7 September 2010 (see Note 1).

As a result of this transaction, the Groups participation at the company increases from 94.95% to 97.17%.

7. In 2010, the Parent has increased its participation in "San José Desarrollos Inmobiliarios, S.A." in EUR 756 thousand, what represents 1.524% of its share capital, through the acquisition of shares to minority interests. This transaction was executed by exchange of treasury shares of the Parent . Said Company who has sold a total of 115,431 treasury shares previously purchased at market price.
8. Redemption by "Udra Medios S.A.U." of the shares of "Promoción Cultura Galega 2007, S.L.". This transaction was executed at a cost of EUR 3,025. Since situations prior to the purchase were not made public, the Group decided to execute right to redemption.
9. At 1 June 2010 agreements entered at the Extraordinary General Meeting of the Group "Supra Desarrollo Inmobiliario, S.A.", held on 19 February 2010 and which establish capital reduction and transformation of the company into a limited liability company are executed through public deed. Share capital of the company was reduced from EUR 1 million to EUR 10 thousand. The Parent owns 55% of the shares.
10. At 8 April 2010, the company "Parquesoles Portugal, SGPS, S.A." sold the shares of "Metrocity – Inwestimentos Inmobiliarios Ibéricos, S.A." to Edifer Inmobiliaria. 500,000 shares of EUR 1 par value each for EUR 600 thousand were sold. The company distributed profit of previous years for EUR 1,350 thousand.
11. At 24 March 2010, the company Zonagest, S.L. (society in which the Group participated in 15% of its share capital through the society "San José developments real estate, S.A.") has made a reduction and subsequent capital increase. The reduction was carried out by 100% of the share capital, in the process simultaneously to carry out a capital increase amounting to EUR 2 million, in which the Group has renounced the exercise of preferential subscription rights. Thus, at 30 June 2010, the group does not maintain any participation in this society.

The impact of the operations referred to in paragraphs 8, 9, 10 and 11 above amounts to a total of 2,352 thousand Euros, registered under the heading "deterioration and proved by disposal of financial instruments" of the account of consolidated results for the year 2010 Deputy. In addition, under this heading include the deterioration of financial accounts charge provided by the group in the year 2010..

12. At 16 December 2010, the company of the group "San José Desarrollos Inmobiliarios, S.A." entered an agreement with the partner that participates jointly to 50% equity of the company "Green Inmuebles, S.L.", who expressed the intention to proceed with a capital reduction of EUR 3,258 thousand in order to partially offset accumulated losses, and simultaneous increase capital EUR 1,119 thousand with a total share premium of EUR 4,558 thousands fully subscribed by "San José Desarrollos Inmobiliarios, S.A." and paid up through capitalization of credits.

As a result, the group will proceed to hold 75% of the investee company.

Such agreements have been executed through public deed at 13 January 2011.

Pursuant to this agreement:

ESTEFANIA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Xabris, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
998820708 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

- Consolidated financial statements for year 2010 include the ownership of the Group of "Green Inmuebles, S.L." by the method of global integration, as well as those for year 2009, yet taking into consideration new ownership's percentage.
 - Subsidiaries with an ownership percentage of 100% of its share capital, "Green cinemas, S.L." and "Discoval, S.L.", which were recorded under the global integration method in year 2010. Impact on equity, including both assets and liabilities, is not relevant.
13. Incorporation at 19 November 2010 of the company "Tecnologías Renovables de Aragón, S.A." with a total share capital of EUR 61,000 represented by 61,000 shares owned by San José Energía y Medio Ambiente, S.A. who fully subscribes 100% of the shares. The main object of the company will be the production and commercialization of energy. The main object of the company will be the production and commercialization of energy.
 14. Incorporation at 6 July 2010 of the company "Tecnologías Renovables de Catalunya, S.A." with a total share capital of EUR 61,000 represented by 61,000 shares owned by San José Energía y Medio Ambiente, S.A. who fully subscribed 100% of the shares. The main object of the company will be the production and commercialization of energy.
 15. Incorporation in Bucharest (Romania) at 8 April 2010 of the company "Pontus Euxinus Tehnologii Renovabile, S.R.L." with a total share capital of EUR 10,000 represented by 100 shares of EUR 100 par value each owned by San José Energía y Medio Ambiente, S.A., who subscribes 75% of the shares totally paid up. The main object of the company is the production, transport and distribution of electrical energy.
 16. At 27 May 2010 the company "Top Brands, S.A.", located in Buenos Aires (Argentina) increased its share capital to ARS 1,467,225. The company of the Group Arserex, S.A., subscribed 953,697 shares (totally paid up), increasing its ownership interest to 65% of the share capital. The main object of the company is the design and trading of textiles.

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.

2.5 Information comparison

Information recorded on the consolidated financial statements for year 2011 is provided for comparison purposes only with that provided as of the year ended 31 December 2010.

2.6 Changes in accounting criteria

Apart from changes detailed below and the entrance in force of new accounting criteria applicable during year 2011, changes are the same as those implemented in year 2010.

Upon the entrance into effect of CINIIF 12 and once closed all aspects relating to the execution of the energy polygeneration plant "ST-4", the Group recorded under "intangible assets" items associated to such plant. This changes have been applied retroactively as of 1 January 2010 and their main impact has been the reclassification of assets inherent to such concession as intangible assets, which amounted to EUR 14,505 thousand (see Note 10).

No other significant changes in accounting criteria have taken place during 2011 regarding those of year 2010.

3. Distribution of the Parent's profit

Parent Company Directors will propose to the General Shareholders' Meeting the recognition of 2011 losses, EUR 1,837 thousand, with a charge to "Prior years' losses", to offset the profits the Parent Company generates in the future.

ESTEFANÍA CAIJO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Fuco, 5, 1º
36900 Marín (Pontevedra)
caijo.estefania@gmail.com
690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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 2011 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 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 2011 and 2010, 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.

The detail of the allocation of the excess amounts paid in business combinations that occurred in 2011 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.

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

On disposal of a subsidiary, associate or jointly controlled entity, the applicable 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 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. The remaining amount is presented under "Other Operating Income" in the consolidated 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 is 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.

This item included concessions within CINIIF 12 and that correspond, mainly, to energy and environmental infrastructure investment by subsidiaries of Grupo SANJOSE and "Project finance" funding (limited funding applied to projects), either whenever the group or the grantor assume related risks. Cash flows generated by the involved companies and assets act as hedge.

Main features to be taken into consideration are as follows:

- Assets object of concession regime are usually property of the Grantor.
- The Grantor controls or monitors the Concessionaire, as well as funding conditions and terms.
- Concessional Rights imply the monopoly exploitation of a service for a period of time. After which, real estate necessary for the provision of services becomes property of the concessional company.
- Income derives from the provision of services can be received directly from customers or from the concessional company. Prices for services are usually established by the concessional company.

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

In general, there are two clearly marked stages, one in which the concessionaire provides construction or restoration services, according to level of the works pursuant to IAS 11 "Construction Contracts" for an intangible or financial asset, and a second stage in which maintenance and operation services of said infrastructure are provided in accordance with IAS 18 "Ordinary income".

Intangible assets are recorded whenever risk is assumed by the concessionaire and financial assets are recorded if risk is assumed by the grantor, bearing the concessionaire the right to be paid for provided construction or improvement services. Royalties for awarding of concession regime are also recorded as assets.

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.

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.

Issuance rights

Issuance rights are recorded in the consolidated balance sheet as of the date of arising rights. They are recorded as follows:

Initial recognition –

Issuance rights shall be valued at acquisition price or production cost. In the case of rights available for free or for a price substantially below market value, said rights shall be recorded at acquisition market price thereof at the time of purchase.

Issuance rights arising from the National Allocation plan shall be recorded at the beginning of the natural year.

Subsequent recognition –

Issuance rights shall be valued at acquisition price or production cost and are not subject to depreciation.

Provisions for their lower value at the end of each year shall be recorded as long as recorded carrying value in book may not be recoverable.

Expenses related to the emission of greenhouse gases accrue as greenhouse gases are rendered. A provision for risks and related costs shall be recorded as liabilities in the consolidated balance sheets until settlement of the same by delivering relevant issuance rights.

4.4 Property, plant and equipment and investment property

Property, plant and equipment

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

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Dubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
666328785 - 986896498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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 facilities, tools and furniture	12-33
Other items of property, plant and equipment	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.

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.

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

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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 in concessions

Concession agreements imply an agreement between a concessional entity, usual a public entity, and companies of the Group for providing public services through the operation of several assets necessary for the provision of services.

Concessional Rights imply the monopoly exploitation of a service for a period of time, after which, real estate necessary for the provision of services becomes property of the concessional company.

Income derives from the provision of services can be received directly from customers or from the concessional company. Prices for services are usually established by the concessional company.

This type of projects is usually financed with long-term borrowings; cash flows generated by the involved companies and assets as hedge. Since cash flow is the main hedge for returning borrowings, shareholders will not receive profits till certain annual conditions have been satisfied.

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 2011, 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, 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.

In 2011 and 2010, the Group has not capitalised borrowing costs under "Inventories" in the attached consolidated balance sheet.

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).

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Nubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
996920765 : 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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.

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.

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.

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

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin 7, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

4.7 Inventories

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

- 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 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 2011 amounted to EUR 552 thousand (EUR 2,630 thousand in 2010) (see Note 12).

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 32,185 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 (see Note 18.3).

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.

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Turiel, 5 - 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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.

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 from the consolidated balance sheet 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.

ESTEFANÍA CALVO IGLESIAS
. INTERPRETE JURADO INGLÉS-ESPAÑOL
C/Serafín Turiso, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

The fair value of OTC derivatives or derivatives traded in scantily 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.).

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 reprising date on the basis of the changes in the future cash flows arising there from.

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

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Tellechea, 5, 1º
36900 Maro (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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.

Grupo San Jose recognises the derecognising of financial assets when they expire or whenever cash flow rights over the financial assets have been transferred together with the inherent risks and profits through sale of assets, factoring credit transfers, sale of assets with put option at fair value.

On the other hand, Grupo San Jose will not recognise the derecognising of financial assets and will recognise financial liabilities equal to the received consideration in transfers of assets in which risks and profits are not transferred.

Equity

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

Grupo SANJOSE did not hold any treasury shares at 31 December 2011 and 2010.

In year 2011, no transactions with treasury shares took place. In 2010, the Group has purchased treasury shares for a total amount of EUR 115,431. These treasury shares have been used consideration in exchange of shares of its associate "San José Desarrollos Inmobiliarios, S.A." (see Note 2.4).

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 (IRS), 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.

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. 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.

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

- **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 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.

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 2011 were recognised under "Equity – Valuation Adjustments" in the accompanying consolidated balance sheet (see Note 14.6).

Changes 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 (IRS), 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 2011, the Group held interest rate swaps (IRS and collars) for a total notional amount of EUR 1,025 million, expiring between 2012 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 24,709 thousand, approximately. Of this amount, EUR 10,351 thousand were recognised under "Changes in Fair Value of Financial Instruments" in the accompanying consolidated income statement for 2011, since they did not fully qualify for hedge accounting (see Note 17).

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) is 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.

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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.

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.

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.

ESTEFANIA CALVO GLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Turiso, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

- 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.

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 benefit 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

ESTEFANIA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafín Rubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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 Currency

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.
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 arising on the acquisition of a foreign company is treated as an asset of the foreign company and is 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:

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Turiel, 5, 4º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Company:	Address	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)	Industry and Trade
San Jose Construction Group	Washington (USA)	Construction
San José Real Estate Development, LLC	Delaware (USA)	Real estate development
1681 West Avenue, LLC	Delaware (USA)	Real estate development
Tecnoartel Argentina, S.A.	Buenos Aires (Argentina)	Maintenance and facilities
Constructora Panameña de Aeropuertos, S.A.	Ciudad de Panama (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)	Real estate development
Argentimo, S.A.	Buenos Aires (Argentina)	Real estate development
Inmobiliaria Sudamericana de Desarrollos Urbanísticos S.A.	Buenos Aires (Argentina)	Real estate development
Sefri Ingenieros Maroc, S.A.R.L	Morocco	Engineering and facilities
Udra Argentina, S.A.	Buenos Aires (Argentina)	Real estate
Udra México S.A. de C.V.	Mexico	Holding
San Jose India Infrastructure & Construction Private Limited	New Delhi India	Construction
Pontus Euxinus Tehnologii Renovabile, S.R.L.	Bucharest (Romania)	Industry and Trade
Concesionaria San Jose Tecnocontrol, S.A.	Santiago de Chile (Chile)	Construction and hospital management
Sanjose Maroc, S.A.R.L.A.U.	Casablanca (Morocco)	Construction
Constructora Sanjose Brasil Ltda	Salvador de Bahía (Brazil)	Construction
ZIVAR – Invertimentos Imobiliários, S.A.	Lisbon (Portugal)	Real estate
Carlos Casado, S.A.	Buenos Aires (Argentina)	Equity holding

None of these countries are considered to be hyperinflationary economies as defined by IAS 29.

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 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.

ESTEFANIA CALVO IGLESIAS
 INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Turiso, 5, 1ª
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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 carry forwards 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 carry forwards, 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 2011, the following SANJOSE group companies filed consolidated tax returns with "Grupo Empresarial San José, 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.
- Tecnocontrol Instalaciones, S.L.U.
- Tecnocontrol Sistemas de Seguridad, S.A.U.
- Tecnocontrol Servicios, S.A.U.
- Basket King S.A.
- Arserex S.A.
- Comercial Udra S.A.
- Udramedios S.A.
- Cadena de Tiendas S.A.U.

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Turiso, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

- 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.
- Udramedios Editora de Galicia, S.L.
- San Jose Desarrollos Inmobiliarios, S.A.
- Udralar, S.L.U.
- Udramar Inmobiliaria, S.L.U.
- Udrasol Inmobiliaria, S.L.U.
- Udrasur Inmobiliaria, S.L.U.
- Copaga, S.L.U.
- Douro Atlantico, S.L.U.
- Poligeneraciones parc de L´Alba
- Tecnologías Renovables de Aragón, S.A.
- Technologies Renovables de Catalunya, S.A.
- Xornal Galinet, S.A.

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.

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafín Nieto, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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.

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 Plan), 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 2011 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 2011 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.

ESTEFANIA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Yubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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 (see Note 16).

4.20 Joint ventures

Grupo San José recognises its investments in Joint Ventures (JV) by including them proportionately in the consolidated balance sheet according to the groups temporal and measurement criteria as well as the elimination of profits or gains as a result of transactions between the Group and the JV.

Consolidated income statement also includes proportionately income and expenses resulting from the joint venture. Equally, consolidated statements of cash flows and statement of changes in equity include proportionately items arising from Joint ventures.

4.21 Transactions with associates

Grupo San José executes all transactions with associates at market price. Transfer prices do not imply significant risk; therefore, liabilities will not be derived.

4.22 Assets of natural environment

Assets of natural environment are those which are used for the Group's business activity and whose main goal is to minimise environmental impact and protection of the environment, as well as the reduction and elimination of future pollution.

The Groups' business activity, due to its nature, does not have a significant impact on the environment.

4.23 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.
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:

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafín Jubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986830498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

	Year 2011	Year 2010	Change
Net profit (loss) for the year attributable to the Parent (thousands of Euros)	(36,150)	(21,534)	(14,616)
Weighted average number of shares (shares)	65,026,083	65,026,083	-
Basic profit/(loss) per share (Euros/Share)	(0.55)	(0.33)	(0.22)

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 2011 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 2011 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 years 2011 and 2010 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
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, Chile and Brazil), Africa (Cape Verde), Asia (India) 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.

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Tubio, 5r. 1º
 36900 Marín (Monteviedra)
 calvo.estefania@gmail.com
 699920705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Segment expense is expense resulting from the segment's operating activities that are 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.

Year 2011

	Thousands of Euros					
	Construction	Real estate and urban development	Energy	Concessions and Services	Adjustments and other	Total
Revenue:						
Net revenue:						
External sales	594,432	58,836	10,689	68,671	19,604	752,232
Inter-segment sales	46,698	577	-	-	(47,275)	-
	641,130	59,413	10,689	68,671	(27,671)	752,232
<u>Profit/(loss):</u>						
Profit (Loss) from operations	29,704	(3,642)	1,102	10,015	(2,145)	35,034
EBITDA	50,625	19,896	2,552	10,735	412	84,220
Associates profit/(loss)	-	(1,180)	-	-	-	(1,180)
Financial income	11,562	821	13	1,701	(3,527)	10,570
Finance costs and similar	(14,480)	(72,281)	(1,059)	(7,527)	2,324	(93,023)
Profit/(Loss) before tax	26,786	(76,282)	57	3,968	(3,128)	(48,599)

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin D. Lugo, s, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Year 2010

	Thousands of Euros					
	Construction	Real estate and urban development	Energy	Concessions and Services	Adjustments and other	Total
Revenue:						
Net revenue:						
External sales	710,727	86,677	6,558	30,055	18,234	852,251
Inter-segment sales	14,957	580	-	-	(15,537)	-
	725,684	87,257	6,558	30,055	2,697	852,251
Profit/(loss):						
Profit (Loss) from operations	36,017	(13,093)	920	3,199	(2,309)	24,733
EBITDA	49,830	13,581	2,228	3,798	(1,328)	68,109
Associates profit/(loss)	(406)	2,955	-	-	-	2,549
Financial income	9,539	497	-	-	(3,107)	6,929
Finance costs and similar	(9,532)	(58,346)	(373)	22	638	(67,591)
Profit/(Loss) before tax	35,618	(67,987)	547	3,221	(4,776)	(33,378)

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

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		Concessions and Services		Adjustments and others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Other information:												
Additions to fixed assets:												
In Spain	33	27	2,603	3,261	902	2,014	10	35	-	1,120	4,185	6,457
Abroad	1,203	321	336	221	-	-	29	-	1,185	875	2,753	1,417
	1,236	348	2,939	3,482	902	2,014	39	35	1,185	1,995	6,938	7,874
Depreciation and amortisation charge	1,478	2,128	9,953	9,631	1,860	508	482	579	1,528	1,170	15,301	14,016
Balance sheet:												
Assets-												
Segment assets-												
In Spain	693,910	660,167	1,650,675	1,689,949	34,383	21,069	5,959	17,809	(104,614)	(26,590)	2,280,313	2,362,404
Abroad	164,024	169,472	293,566	289,397	-	-	103,093	-	56,084	49,400	616,767	508,269
	857,934	829,639	1,944,241	1,976,346	34,383	21,069	109,052	17,809	(48,530)	25,810	2,897,080	2,870,673
Liabilities-												
Segment reporting	624,423	611,340	1,885,608	1,860,659	20,995	16,803	129,236	14,634	(112,308)	(28,359)	2,547,954	2,474,223

There are no significant non-operating assets

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Tabin 5, 1º
 36900 Marín (Montevideo)
 calvo.estefania@gmail.com
 990320705 - 98890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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		Total Assets		Property, plant and equipment and investment property	
	2011	2010	2011	2010	2011	2010
In Spain	580,009	684,682	2,280,313	2,351,343	4,185	5,427
Portugal	72,924	106,420	252,255	259,537	164	141
Cape Verde	14,905	16,134	10,476	10,454	200	247
United States	55	57	9,131	5,605	-	-
Argentina	8,958	17,960	141,620	147,278	1,898	962
Uruguay	-	-	153	153	-	-
Peru	29,510	16,515	45,461	42,273	292	69
Panama	-	-	165	174	-	-
France	1,523	1,529	20,029	21,321	5	-
Germany	-	-	164	164	-	-
Brazil	-	-	10,214	9,910	-	-
India	2	-	127	-	18	-
Chile	43,985	8,612	126,881	22,461	175	-
Morocco	360	-	91	-	-	-
Other	1	342	-	-	1	-
TOTAL	752,232	852,251	2,897,080	2,870,673	6,938	6,846

At 31 December 2011, total assets and net revenue provided by companies of the Group located outside Spain amounted to EUR 172,223 thousand and EUR 616,767 thousand, respectively, of which a total of EUR 97,776 thousand and EUR 344,319 thousand are provided by companies of the Group with functional currency other than the Euro (see Note 2.3).

7. Property, plant and equipment

Changes in 2011 and 2010 in "Property, Plant and Equipment" in the consolidated balance sheet were as follows:

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/ Serafín Tubío, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 988328788 - 988690498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Year 2011

	Thousands of Euros				
	Land and Buildings	Technical facilities, plant and Machinery	Other property, plant and equipment	Property, plant and equipment in progress	TOTAL
Cost:					
Balances at 31 December 2010	70,075	12,294	42,078	-	124,447
Additions / disposals due to changes to the scope of consolidation	-	-	31	-	31
Additions	1,213	610	345	-	2,168
Disposals	(290)	(300)	(382)	-	(972)
Translation differences (net)	(625)	56	(13)	-	(582)
Transfers and others (Note 8)	(4,003)	683	(989)	-	(4,309)
Balances at 31 December 2011	66,370	13,343	41,070	-	120,783
Accumulated amortisation:					
Balances at 31 December 2010	(3,764)	(10,499)	(26,927)	-	(41,190)
Additions / disposals due to changes to the scope of consolidation	-	-	(7)	-	(7)
Provisions	(586)	(320)	(3,562)	-	(4,468)
Disposals	73	191	160	-	424
Translation differences (net)	-	(31)	9	-	(22)
Transfers and others (Note 8)	986	(720)	732	-	998
Balances at 31 December 2011	(3,291)	(11,379)	(29,595)	-	(44,265)
Impairment losses:					
Balances at 31 December 2010	(343)	-	-	-	(343)
Additions	(6)	-	-	-	(6)
Disposals	49	-	-	-	49
Balances at 31 December 2011	(300)	-	-	-	(300)
Total net property, plant and equipment	77,535	1,964	11,475	-	76,218

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Jubio, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320765 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Year 2010

	Thousands of Euros				
	Land and Buildings	Technical facilities, plant and Machinery	Other property, plant and equipment	Property, plant and equipment in progress	TOTAL
Cost:					
Balances at 01 January 2010	76,481	13,181	45,806	-	135,468
Additions / disposals due to changes to the scope of consolidation	(109)	(144)	474	-	221
Additions	1,159	397	539	-	2,095
Disposals	(908)	(476)	(5,794)	-	(7,178)
Translation differences (net)	426	131	86	-	643
Transfers and others (Note 8)	(6,973)	(795)	967	-	(6,802)
Balances at 31 December 2010	70,075	12,294	42,078	-	124,447
Accumulated amortisation:					
Balances at 01 January 2010	(6,574)	(8,743)	(30,437)	-	(45,754)
Additions / disposals due to changes to the scope of consolidation	78	69	(517)	-	(370)
Provisions	(356)	(445)	(3,393)	-	(4,194)
Disposals	141	578	5,116	-	5,835
Translation differences (net)	-	(67)	(56)	-	(123)
Transfers and others (Note 8)	2,947	(1,891)	2,360	-	3,416
Balances at 31 December 2010	(3,764)	(10,499)	(26,927)	-	(41,190)
Impairment losses:					
Balances at 01 January 2010	(776)	174	-	-	(602)
Transfers	174	(174)	-	-	-
Disposals	259	-	-	-	259
Balances at 31 December 2010	(343)	-	-	-	(343)
Total net property, plant and equipment	65,968	1,795	15,151	-	82,914

At 31 December 2011 and 2010, "Land and buildings" include EUR 49.8 and 48.7 million, respectively, corresponding to the plot of land property of Carlos Casado, S.A., of which EUR 36.4 million correspond, at 31 December 2011 and 2010, to the highest capital gain of this item when taken over by the Group in 2008. Land for agriculture and cattle industry purposes as well as for bio-fuel production located in Argentina, Uruguay and Paraguay. There is a put option over 100 thousand hectares in favour of Cresca, S.A., 50% participated by the Group, for 350 USD/Ha.

During year 2011, the Group devoted to leasing purposes assets property of the Group devoted until 31 December 2010 to administrative building purposes of the Group, recorded for a total value of EUR 4,350 thousand and EUR 970 thousand, respectively, under "Land and Buildings". At 31 December 2011, the Group records said assets as non-current assets under "Real Estate investments" in the consolidated balance sheet (see Note 8).

In year 2010, premises located in Porriño (Pontevedra) and office located in Valladolid, Malaga and Santiago de Compostela, for a total value and amortization cost amounting to EUR 7,099 thousand and EUR 1,365 thousand,

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafín Tubio, 5, 1º
 36900 Maliaño (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

respectively, were recorded under "Land and Buildings". This transfer is due to the leasing of this property. (See Note 8).

At 31 December 2011, investments in property, plant and equipment abroad, detailed according to involved company, are as follows:

	Thousands of Euros			
	2011.		2010.	
	Cost:	Ac. Amort.	Cost	Ac. Amort.
Udra Argentina, S.A.	173	(70)	184	(58)
Parquesoles Portugal SGPS, S.A.	23	(20)	29	(25)
Edificio Duque de Palmela, S.A.	-	-	3	(1)
Sanjose Desarrollos Inmobiliarios, S.A.	584	(60)	584	(55)
Argentimo, S.A.	158	(133)	155	(131)
Sucursal Constructora San José, S.A. Portugal,	2,071	(2,028)	2,061	(1,988)
Sucursal Constructora San José, S.A. Argentina	272	(270)	287	(285)
Ute Ruta-20	52	(52)	55	(53)
Ute San Juan	17	(17)	18	(18)
Constructora Udra Limitada	120	(112)	120	(110)
Constructora San José Cabo Verde, S.A.	861	(293)	774	(201)
Sociedad Concesionaria San José – Tecnocontrol, S.A.	39	(8)	34	(3)
Constructora Sanjose Chile Ltda.	88	(9)	-	-
San Jose India Infrastr. & Construction Private Limited	29	(4)	12	-
Constructora San José Argentina, S.A.	175	(171)	186	(172)
San José Perú, S.A.C.	1,000	(600)	922	(468)
Rexa Constructora, S.A.	492	(153)	324	(95)
Inmobiliaria 2010, S.A.	11	(11)	10	(10)
San Jose Constructiom Group, Inc	9	(7)	8	(6)
Grupo Carlos Casado	50,037	(193)	48,803	(50)
Tecnoartel, S.A.	3	(3)	3	(3)
Total	56,214	(4,214)	54,572	(3,732)

As stated on Note 16.1, at year-end 2011, the Group had many leasing operation in course. Breakdown at 31 December 2011 is as follows:

	Thousands of Euros
Term of contract (years)	9
Value in cash	5,696
Pending instalments (Note 16.1)	
Non-current	3,839
Current	1,002

Breakdown of this item for years 2011 and 2010 is as follows:

- Thermal Power Installation at Puerto Real Hospital. Leasing term commenced at 20 December 2005 for a period of 114 months. The nominal amount of the purchase option is EUR 65 thousand. The rent paid in 2011 amounted to EUR 781 thousand, which included a finance charge of EUR 72 thousand.
- Thermal Power Plant for Torrecárdenas Hospital The lease term commenced on 22 May 2008 for a period of 10 months. The nominal amount of the purchase option is EUR 33 thousand. The rent paid in 2011 amounted to EUR 394 thousand, which included a finance charge of EUR 132 thousand.

ESTEFANÍA CALVO IGLESIAS
 INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Lubio, 5, 1º
 38900 Marín (B. Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890499

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

- Two tower cranes for the urban development "Condominio Parques de la Huaca". The lease term commenced in June 2008 and ends in May 2014, with a total term of 5 years. The nominal amounts of purchase option amounts to 1 Euro. The rent paid in 2011 amounted to EUR 61 thousand, which included a finance charge of EUR 11 thousand.

At 31 December 2011, total items pending amortisation due to financial lease amounted to EUR 4,841 thousand (see Note 16).

At 31 December 2011 and 2010, the cost of the land upon which property for own use is located amounted to EUR 53.2 and EUR 54.6 million, respectively, including items provided by Carlos Casado.

At 31 December 2011 and 2010 there are specific property acting, with a carrying amount of approximately EUR 10,676 and EUR 13,369 thousand respectively, as collateral for part of the loan syndicated by the Group which amounted to EUR 34.9 and 35.9 million, respectively.

At 31 December 2011 and 2010, The Group's property for own use fair value amounted to EUR 25.2 and EUR 25.1 million, respectively, according to an independent expert's assessment (Savillis España, S.A.). At 31 December 2011, net cost recorded for property for own use amounts to EUR 10.6 million.

At 31 December 2011 and 2010, specific elements which were totally depreciated amounted to EUR 24.2 million and EUR 17.3 million, respectively.

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

8. Investment Property and Investment Property in Progress

8.1 Investment property

The balance of investment property arose mainly from the company of the Group "San José Desarrollos Inmobiliarios, S.A.", parent of the real estate division of the group (see Note 1). The detail of "Investment Property" and changes therein in 2011 and 2010 is as follows:

Year 2011

	Thousands of Euros			
	Cost	Depreciation	Impairment	Net (*)
Balances at 31 December 2010	652,290	(57,319)	(38,305)	556,666
Additions	3,871	(9,883)	(6,807)	(12,819)
Disposals	(179)	51	-	(128)
Translation differences	(672)	287	72	(313)
Transfers and others (Note 7)	4,309	(1,026)	96	3,379
Balances at 31 December 2011	659,619	(67,890)	(44,944)	546,785

(*) At 31 December 2011 and 2010, real estate investments under development amounted for a total cost of EUR 37,059 thousand and 37,057 thousand, respectively, with a total recorded impairment loss amounting to EUR 7,439 thousand and EUR 7,228 thousand at 31 December 2011 and 2010, respectively (see Note 8.2).

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Tubio, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986800488

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Year 2010

	Thousands of Euros			
	Cost	Depreciation	Impairment	Net (*)
Balances at 31 December 2009	621,026	(45,539)	(22,134)	553,353
Additions	2,671	(9,292)	(10,652)	(17,273)
Disposals	(92)	731	1,990	2,629
Translation differences	79	52	(59)	72
Transfers and others	28,606	(3,271)	(7,450)	17,885
Balances at 31 December 2010	652,290	(57,319)	(38,305)	556,666

The cost of the investment property at 31 December 2011 and 2010 includes approximately EUR 280.4 million and EUR 279 million, respectively, relating to the carrying amount of the land relating thereto.

Main additions, disposals and transfers

Year 2011

Additions carried out in year 2011 refer mainly to the preparation and implementation costs of premises at shopping centres, as well as improvement related incurred costs.

Main real estate investment subject to improvement Works are as follows: Shopping Centre Puerta de Europa in Algeciras, Hotel Posada del Patio in Malaga and Building located at Avda. Boavista in Oporto, amounting to a total investment of EUR 2,730 thousand in year 2011.

During year 2011, the Group acquired industrial premises located at Villaverde Alto (Madrid), with a total built surface amounting to 370 m². At year-end, said premises were under lease. Cost and amortisation amounted to EUR 465 thousand, not having record profit/ (loss) of any type.

During year 2011, the Group has devoted to leasing purposes, certain assets devoted until 31 December 2010 to administrative building purposes of the Group itself, recorded for a total cost and amortisation amounting to EUR 4,350 thousand and EUR 970 thousand, respectively, under "Land and Buildings". At 31 December 2011, the Group reclassifies said assets as "Real estate investments" (see Note 7).

Year 2010

Main additions incurred in year 2010 refer to the investment executed by the Group for the implementation of the premises located at the Shopping Centre Puerta de Europa in Algeciras for a total amount of EUR 1,196 thousand, as well as the investments executed at the Apolo Hotel and at the Administrative Buildings Neo-Fecsa and Blau Port (both in Barcelona) and at the Posada del Patio Hotel in Malaga (currently under a leasing regime), for EUR 598 thousand.

During 2010, costs incurred in the construction of the future Shopping Centre San Pablo Plaza (Seville) were reclassified as "Property development in progress". Said asset was recorded under "Inventories" in the attached consolidated balance sheet (see Note 12) with total cost and depreciation amounting to EUR 23,476 thousand and EUR 7,450 thousand, respectively.

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafín Aboio, 5, 1º
 36900 Mañón (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

In year 2010, certain industrial premises located in Porriño (Pontevedra), as well as several office buildings located in Calle Mariano de los Cobos (Valladolid), Avda.de Andalucía (Malaga) and Santiago de Compostela were reclassified as "Property Investments" for being devoted to leasing purposes and not for own use (see Note 7).

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 2011 and 2010, based on its principal use and on an approximate basis (excluding garage space), is as follows:

Lease purpose	2011		2010	
	Area for lease (m2)	Percentage	Area for lease (m2)	Percentage
Office	109,739	30%	101,685	28%
Hotels	48,163	13%	48,163	13%
Shopping Centres	160,307	44%	160,307	45%
Other	45,405	12%	48,095	14%
	363,614	100%	358,250	100%

Mortgaged investment property

At 31 December 2011 certain investment property with a carrying amount of approximately EUR 189,047 thousand had been mortgaged as security for mortgaged loans which amounted at year-end to EUR 95.802. In addition to this, certain investment property recorded for a total net cost amounting at 31 December 2011 to EUR 377,556 thousand act as security of the loan syndicated by the Group for EUR 442,463 thousand (see Note 16).

Investment property rental income and expenses

At 31 December 2011 and 2010, 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 2011 and 2010, the occupancy rate of the so-considered strategic buildings was approximately 95% with no significant changes during the year.

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 2011 and 2010 is as follows:

Term	Thousands of Euros	
	2011	2010
Up to a year	29,025	27,790
Between one and five years	55,864	64,333
Over five years	68,859	29,877
	153,748	122,000

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 2011 were used.

Total investment property rental income of the Group for year 2011 and 2010 amounts to EUR 29,150 thousand and 27,066 thousand, respectively.

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Tubío, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986697100

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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 is sufficient and enough.

8.2. Property developments in progress

At 31 December 2011 and 2010 the balance of "Property developments in progress" relates to the costs incurred in the acquisition of buildable plots and in the construction thereon of buildings for lease, being the detail as follows:

Project	Thousands of Euros	
	31/12/2011	31/12/2010
Apartment in Pozuelo de Alarcón (Madrid)	13,583	13,581
San Pablo Shopping Centre (Seville)	23,476	23,476
	37,059	37,057

At 31 December 2011 and 2010, the Group has recorded impairment for a total value of EUR 7,439 and 7,228 thousand, respectively.

At 31 December 2011 and 2010 there are specific properties in progress recorded for a total net cost amounting to EUR 29,619 thousand and 29,831 thousand, respectively, acting as collateral for part of the loan syndicated by the Group for EUR 35,458 thousand.

8.3. 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 2011 and 2010, the aforementioned studies were conducted mainly by Savills 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. 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 2011. Consequently, a net impairment loss of EUR 6,807 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 2011, 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 2011 and 2010, the fair value of the Company's inventories based on the aforementioned study amounted to EUR 607 million and EUR 633 million, respectively. At 31 December 2011 and 2010, EUR 34.7 million and EUR 34.5 million, respectively, corresponding to value of investment property of associates, being the carrying amount recorded in books under this item for a net cost of EUR 19.5 million.

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:

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Seref, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

	Thousands of Euros	
	31/12/2011	31/12/2010
Sanjose Tecnologías subgroup	-	738
Cartuja Inmobiliaria, S.A.U.	600	600
San José Perú, S.A.C.	1,601	1,601
Rexa Constructora, S.A.	252	252
Inmobiliaria 2010, S.A.	1,136	1,136
Constructora San José, S.A.	8,401	7,663
Subgroup San José Desarrollos Inmobiliarios	2,987	2,987
Other	488	488
Total gross	15,465	15,465
Total net	15,465	15,465

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.

In addition, as a result of the purchase of Parquesol Group and Carlos Casado in 2007 and 2008, respectively, the higher value paid in the takeover of these companies was 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:

	Thousands of Euros
Acquisition price	475,508
Underlying carrying amount	134,792
Net gains	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 arising from this purchase transaction is recorded in the Group's consolidated financial statements for EUR 672,171 thousand and 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:

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURAZO INGLÉS-ESPAÑOL
 C/ Serafín Tubio, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

	Thousands of Euros
Net asset revaluation	672,171
Recognitions at 31 December 2010	
-Greater cost to sell	(71,263)
-Depreciation	(5,555)
Impairment on inventories	(62,251)
	(139,069)
Recognition for the year 2011	
-Greater costs to sell	(2,270)
-Depreciation	(1,250)
Impairment on inventories	(12,740)
	(16,260)
Total carried forward at 31 December 2011	(155,329)
Net revaluation at 31 December 2011	516,842

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 2011 and 2010 and of the changes therein is as follows:

Year 2011

	Thousands of Euros
Cost:	
Balance at 31 December 2010	18,144
Additions / disposals due to changes to the scope of consolidation	3
Additions	899
Disposals	(58)
Translation differences	1
Transfers and others	(15)
Balance at 31 December 2011	18,974
Accumulated amortisation:	
Balance at 31 December 2010	(759)
Additions / disposals due to changes to the scope of consolidation	(1)
Provisions	(951)
Disposals	5
Transfers	1
Balance at 31 December 2011	(1,705)
Impairment losses:	
Balance at 31 December 2010	(371)
Provisions (Note 22.9)	(580)
Balance at 31 December 2011	(951)
Net intangible property	16,318

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafín Tejero, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Year 2010

	Thousands of Euros
Cost:	
Balance at 31 December 2009	19,021
Additions / disposals due to changes to the scope of consolidation	(2,649)
Additions	1,913
Disposals	(147)
Transfers and others (Note 8)	6
Balance at 31 December 2010	18,144
Accumulated amortisation:	
Balance at 31 December 2009	(2,579)
Additions / disposals due to changes to the scope of consolidation	2,287
Provisions	(530)
Disposals	68
Transfers	(5)
Balance at 31 December 2010	(759)
Impairment losses:	
Balance at 31 December 2009	-
Provisions (Note 22.9)	(371)
Balances at 31 December 2010	(371)
Net intangible property	17,014

Main additions under this item of the consolidated balance sheet for year 2011 arise from issuance rights for years 2010 and 2011 of the company "Poligeneración Parc de l'Alba ST-4, S.A." amounting to EUR 579 thousand and being recorded under "Received grants".

In year 2011, the Group has registered a total impairment amounting to EUR 580 thousand recorded under "Impairment and gains/(losses) on disposal of property" in the attached consolidated income statement for 2011 (see Note 22.9) referring to the adjustment of costs incurred into by the group regarding administrative concessions for a total amount of EUR 425 thousand. Further, in year 2011 a provision amounting to EUR 151 thousand was recorded for the impairment of issuance rights.

Main transactions occurred under this item in year 2010 were as follows:

- Change in the scope of consolidation due to the disinvestment in Promoción Cultural Galega 2007, S.L. which results in a net reduction of EUR 366 thousand (see Note 2).
- The Group has registered an impairment of a total of EUR 371 thousand recorded under "Impairment and gains on disposal of property" in administrative concessions (see Note 22.9).
- The execution and implementation of the polygeneration plant located in Cerdanyola del Vallés (Barcelona) was completed in year 2010 involving a EUR 2,080 thousand record for said intangible asset (see Note 2.6), which was subject to Project Finance funding terms and conditions (see Note 16.1).

At 31 December 2010, there are no intangible assets developed internally by the Group.

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafín Jubio, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

11. Investments accounted for using the equity method

The Group's most significant investments in associates at 31 December 2011 and 2010 were as follows:

	Thousands of Euros	
	31/12/2011	31/12/2010
Desarrollo Urbanístico Chamartín, S.A.	18,989	19,090
Panamerican Mall, S.A.	21,281	20,856
Pontegrán, S.L.	9,381	13,613
Antigua Rehabitalia, S.A.	-	-
Nuevo Parque de Bomberos Mallorca, S.A.	-	54
Corporación San Bernat, S.L. (Corsabe)	4,793	4,793
Pinar de Villanueva, S.L.	8,453	9,427
Other	154	374
Total net	63,051	68,207

Changes in 2011 and 2010 under this item in the consolidated balance sheet were as follows:

	Thousands of Euros	
	31/12/2011	31/12/2010
Opening balance	68,207	60,760
Profit/(loss) for the year	753	5,198
Change in the scope of consolidation (Note 2)	(54)	(2,656)
Capital payments payable	-	4,132
Paid-up dividends	(4,739)	(716)
Translation differences	(660)	(8)
Transfers	(153)	-
Other	(303)	1,497
Closing balance	63,051	68,207

At 31 December 2011 and 2010, "Long-term provisions", include the recognition of an additional impairment loss of EUR 16,076 thousand and EUR 14,143 thousand, respectively, for the Group company "Antigua Rehabitalia S.A." due to the decline in value of its assets, based on the appraisals of independent valuers (see Note 12), of which EUR 1,933 thousand and EUR 2,648 thousand are recorded under "Result of companies for using the equity method", included in the consolidated income statement, correspond to year 2011 and 2010, respectively (see Note 15).

Changes in the scope of consolidation regarding the investment in associates in year 2011 refer mainly to transactions occurred in year 2011 regarding the new firemen park in Majorca "Nuevo Parque de Bomberos Mallorca, S.A." (see Note 2.4).

Dividends received in year 2011 correspond to "San José Desarrollos Inmobiliarios, S.A." for its ownership in "Pontegrán, S.L."

Appendix II includes a list of the main ownership interests in associates, detailing name, country and participation percentage. In aggregate, said companies hold total assets at 31 December 2011 and 2010 amounting to EUR 346

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/ Serafin Tabo, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

million and EUR 420 million, respectively, and amounting net revenue to EUR 9 million and EUR 39 million in years 2011 and 2010.

12. Inventories

The breakdown of the balance of "Inventories" in the accompanying consolidated balance sheets at 31 December 2011 and 2010 is as follows:

	Thousands of Euros	
	31.12/2011	31.12/2010
Acquired real estate	18,055	14,017
Land and plots of land	894,481	900,111
Raw materials and other supplies	4,356	4,412
Developments under construction		
Long-cycle developments under construction	230,713	240,022
Short-cycle developments under construction	38,727	35,310
Completed construction work	153,792	157,874
Advance payments to suppliers	32,185	29,564
Impairment of inventories (Note 22.2 and 22.11)	(111,705)	(102,314)
	1,260,604	1,278,996

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 2011 and 2010 has risen to EUR 552 thousand and 2,630 thousand, respectively.

12.1 Acquired real estate

Main changes recorded in 2011 under "Purchased property" correspond to deed of assignment in payment as collection of default rate. Main acquired property is as follows:

- Housing units, garages and junk rooms at the Urban Development "Loma de Martín Miguel" in "Sanlúcar de Barrameda" (Cadiz), for a total amount of EUR 432 thousand,
- Housing units and car park spaces at the urban development in "Puertollano" (Ciudad Real), for a total amount of EUR 1,285 thousand.
- Car park spaces at the urban development Metro-Sol SPA in "Mairena de Aljarafe" (Seville), for a total amount of EUR 1,078 thousand.
- Housing units and car park spaces at "Apartahotel Doña Leonor" in Valladolid for a total amount of EUR 1,055 thousand.

Transfers recorded under this item were as follows:

- Transfer for EUR 100 thousand of "Acquired real estate" to "Materials under development, land" regarding a plot of land of 1,108 m² received as payment in year 2008 in "Puebla de Lillo" (Leon).

At 31 December 2011, included under this item and derived from previous years are

- Car park spaces, premises and housing units located in Legazpi, Madrid, and valued at EUR 2,143 thousand, acting as mortgage collateral for a mortgage loan pending EUR 1,199 thousand amortisation (see Note 16.2), as well as housing units in Torreblanca, (Seville), car park spaces in Coslada (Madrid) and car park spaces in Girona.
- In addition to this and though the associate "Douro Atlantico, S.A", the Group owns assets in Portugal, such as an urban development, a housing units and two junk rooms valued at EUR 1,215 thousand and housing units, car park spaces and junk rooms in Marina Village valued at EUR 5,788 thousand.

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafi/Tubio, 5, 1º
 36900 Merín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

12.2. Land and plots of land

This account balance corresponds to the acquisition price of several plots of land in their final phase or under urban management at 31 December 2011 basically for residential purposes (even though there are also institutional or industrial plots). The Group has planned to allocate them to direct sale or property development by Group companies.

At 31 December 2011, the Company owned inventories amounting to EUR 141,122 thousand, which had been used as collaterals for mortgage loans or developer loans granted by banks totalling EUR 80,083 thousand (see Note 16.2). In addition, several assets recorded under this item for a total net cost amounting to EUR 641,929 thousand act as collateral for part of the loan syndicated by the Group for EUR 649,757 thousand.

At 2011 and 2010 year-end the Group owned land with a total area of 2,826,805 m² and 2,908,019 m², respectively, of which 90.3% amounting to 1,590,977 m² and 1,676,190 m² are qualified as buildable land at 31 December 2011 and 2010, respectively. The detail, by location, of the Group's land is as follows:

	Total m ²	
	31/12/2011	31/12/2010
In Spain	1,242,413	1,257,786
United States	2,085	2,086
Portugal	99,543	99,543
Argentina	1,448,381	1,448,381
Peru	-	65,840
Brazil	34,383	34,383
Total	2,826,805	2,908,019

Main changes in the scope of consolidation in 2011 were as follows:

- The subsidiary "San Jose Desarrollos Inmobiliarios, S.A." has classified the plot of land RP-16 Jalón 38 as under development for a total net cost amounting to EUR 3,826 thousand. In addition to this, payment advances for the purchase of land valued at EUR 1,160 thousand have been recorded as higher value of Land and plots of land.
- "Almarjurbe, S.A." has classified the plot of land Miraflores in Lisbon (Portugal) as under development for a total value amounting to EUR 3,125 thousand.

At 31 December 2010, the Group acquired two plots of land located within the Plan PT-43.2 of the Urban General Plan of Granada for EUR 1,783 to offset customer debts.

During 2010, property development in progress has been reclassified as construction work slowed down.

12.3 Land purchase commitments

At 31 December 2011 and 2010, the Group had entered into various memorandums of understanding or agreements with purchase options for land totalling approximately EUR 56.8 million and EUR 75.6 million, respectively, of which the Group had paid EUR 23,099 thousand, amount recognised under "Advance payments to suppliers" in the accompanying consolidated balance sheet. Said land is as follows:

- Land located in Pozuelo de Alarcon, with a total surface amounting to 20,000 m². Compliance with said commitment depends upon certain urban challenges.
- Land located in Oeiras (Portugal), with a total surface amounting to 9,033 m². Compliance with said commitment depends upon certain urban challenges.
- Plot of land in Vitoria, sector 19, devoted to the construction of 80 social housing units. Final purchase price shall depend upon final purpose of the same.

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

In addition to this, at 31 December 2011, the Group had paid in advance EUR 7,564 thousand for the purchase of real estate assets, which are subject to legal procedures in order to recover payments in advance and claim damages.

Remaining recorded payments in advance at 31 December 2011 are related to real estate. Yet, they refer to payments in advance to supplier for the acquisition of raw materials and other supplies.

12.4 Developments under construction

The balance of this account at 31 December 2011 corresponds to costs incurred from the beginning in different property developments under construction at said date.

The main property developments included under this item are the following:

- Property development at the Old Tobacco Factory in La Coruña of Udralar, S.L.
- Property development in Plaza de Compostela in Vigo of Copaga, S.A. Property development will be delivered as of January 2012.
- Infrastructure development Porto Douro of Douro Atlántico Inmobiliaria, S.A.
- Property development Barama and Pueblo Serena (Malaga), Parque Libertades (Seville), La Joya 106, la Joya 107, Parquesur stage II and Paseo de Jalón stage II (Valladolid) of San José Desarrollos Inmobiliarios, S.A.
- Urban development "80 housing units in Arechavaleta-Gardelegui" started in year 2011 by the company "Erainkuntza Birgaikuntza Artapena, S.L.U.". Property is completely sold out.
- International Fair of the Pacific, Lima, Peru. Urban development "80 housing units Arechavaleta-Gardelegui" started in year 2008 by the subsidiary "San Jose Peru, S.A.C.." (company incorporated in Peru). Said urban development consists of a total surface of 102 thousand m² which shall house over 3,000 homes. In year 2011, 380 housing units have been completed and delivered for a total amount of EUR 15,744 thousand.

During year 2011, additions have been recognised for costs incurred by the company in the construction of different assets for subsequent sale. Main additions refer to the following developments: Residential Paseo de Jalón (Valladolid), Residential Jalón Futura (Valladolid), Parquesur Stage II (Valladolid) and Urban Development Plaza Compostela (Santiago de Compostela) for a total amount of EUR 8,725 thousand.

During year 2011, urban developments under construction valued at EUR 11,731 thousand have been completed and incurred total cost has been recorded as higher value of said completed developments. Main urban development finished in year 2011 is "Parquesur Stage II" (Valladolid).

Main transactions occurred under this item in year 2010 were as follows:

- Cost incurred in the construction of the future Shopping Centre San Pablo Plaza (Seville) was reclassified as "Property development in progress" (see Note 8). The cost and accumulated amortisation at the moment of its reclassification as "Investment Property" amounted to EUR 23,476 thousand and EUR 7,450 thousand, respectively.
- In 2010, the following urban developments were reclassified as "Finished Property Development": Estudios Marqués de Monteagudo (Madrid), Paseo de Jalón (Valladolid) and Parquesur Stage I (Valladolid) for EUR 28,842 thousand.

At 31 December 2011, several property developments in progress valued at EUR 147,982 thousand are mortgaged as collaterals for developer loans jointly amounting at said date to EUR 113,060 thousand. In addition to this, several assets under this item value at 31 December 2011 at EUR 13,179 thousand, are used as collateral of the syndicated credit of the group for EUR 17,003 thousand (see Note 16).

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Puero, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

12.5 Completed construction work

The main property developments included under this item refer to not sold items of the following property developments:

Madrid

- Urban Development Reserva de Guadarrama
- Parque Usera.
- Estudios Marqués de Monteagudo
- Urban Development El Pinar del Parque en Navalcarnero.

Malaga

- Urban Development Mirabella en Casares
- Urban Development Bábaco in Churriana

Valladolid

- Urban Development Jardines de Zorrilla.
- Urban Development Paseo de Jalón Stage I
- Urban Development La Joya 108
- Urban Development La Joya 109
- Urban Development Parquesur Stage I
- Urban Development Parquesur Stage II
- Urban Development Jardines de Jalón.
- Building Cuzco
- Building Corona
- Building Juan de Austria
- Building Alfonso X

Seville

- Alameña Residencial
- Avenida Libertad

Other provinces

- Building Viñadelmar in La Manga del Mar Menor in Murcia.
- Building Galeras (La Coruña)

Portugal

- Building Maia
- Building Casas Brancas

Recorded decreases in 2011 correspond to sale costs of handed over property and mainly refer to: Jardines de Zorrilla (Valladolid), Parquesur Stage I (Valladolid), Bábaco (Valladolid), Parque Jalón (Valladolid), Pinar del Parque en Navalcarnero (Madrid), Urban Development Galeras (La Coruña), "108 housing units in Boronbizcarra" and Parque de la Huaca (Lima, Peru), for a total amount of EUR 26,842 thousand.

At 31 December 2011, certain real estate assets are recorded under "Completed Construction Work" in the accompany consolidated balance sheet for a total net cost amounting to EUR 104,002 thousand, which act as mortgage hedge for banking borrowings amounting to EUR 74,354 thousand (see Note 16.2). In addition to this, at

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

2011 year-end, several property developments valued at EUR 7,171 thousand act as collateral for syndicated credit facilities of the Group amounting to EUR 4,933 thousand.

12.6 Commitments to sell property developments in progress and completed buildings

At 31 December 2011 and 2010, 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 46,648 thousand and EUR 49,165 thousand, for which the Group had received advances from the related customers totalling EUR 25,702 thousand and EUR 19,943 thousand, respectively (see Note 18.3).

12.7 Inventories subject to litigation

At 31 December 2011 and 2010, "Inventories" included EUR 19,437 thousand in relation to the cost of a buildable plot located in calle Jacinto Benavente, Marbella, Malaga. 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.

In addition to this, the Group has filed legal procedures for the execution of certain purchase agreement for which payments in advance had been executed (see Note 12.3)

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

Impairment on inventories

Based on cost and income estimates at 2011 year-end, the directors of the Company expect all the property developments completed or in progress at 31 December 2011 and the land and buildable plots (through property developments or the direct sale) to give rise to a profit.

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 2011, 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 property is obtained by discounting the cash flows calculated on the basis of projected expenses and income at the established rate by 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 in order to 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 2011 and 2010, the fair value of the Company's inventories based on the aforementioned study amounted to EUR 1,599 million and EUR 1,566 million, respectively. At 31 December 2011 and 2010, this item

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

includes EUR 126 million and EUR 151 million corresponding to the fair value of inventories of associates, being the recorded net cost of inventories of EUR 57 million. Attributed value is higher than accounting value.

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.

13. Financial Assets

13.1 Trade and other payables

"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 2011 and 2010 is as follows:

	Thousands of Euros	
	31/12/2011	31/12/2010
Progress billings receivable and trade receivables for sales	415,656	419,136
Amounts to be billed for work performed	62,927	90,454
Retentions	12,286	15,793
Trade receivables from real estate customers	7,809	9,363
Impairments (Note 22.10)	(43,910)	(28,316)
TOTAL	454,768	506,430
Advances (Note 18.3)	(83,374)	(70,691)
Total net accounts receivable	371,394	435,739

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 2011 and 2010 include EUR 55,115 thousand and EUR 48,899 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 2011 and 2010 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 16,454 thousand and EUR 9,124 thousand at 31 December 2011 and 2010, respectively. This amount is fully derived from investments from Constructora San José, S.A. in joint ventures (see Appendix III). These transactions bear interest at normal market rates. The Group companies continue to manage collection.

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.

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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 2011 and 2010 is as follows:

	Thousands of Euros	
	2011	2010
Public-sector customers	242,617	277,981
Private-sector customers	215,151	228,449
	457,768	506,430

A high percentage of trade receivables from customers of the Group refer to public-sector customers and, especially, to public entities dependent on the Central Government. Therefore, the Group considers small credit risk. Regarding public-sector customers, the Group has strengthened its credit risk policy which includes from contracting (valuation and rating of potential customers, payment requirements, etc.) till regular revision and analysis of the global position. From this analysis late payment and default rate provision is established.

The average collection period for trade receivables is approximately 198 and 192 days for years 2011 and 2010 and no significant changes have been experimented during the same. .

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).

Breakdown at 31 December 2011 and 2010 is as follows:

	Thousands of Euros	
	31/12/2011	31/12/2010
13.2 Cash and cash equivalents	37,192	62,362
Cash	246	308
Banks and credit entities	130,648	110,107
Total cash and cash equivalents	168,086	172,777

Out of the total balance of this item, EUR 40,646 thousand and EUR 30,443 thousand correspond to joint ventures (see Appendix III) for year 2011 and 2010, respectively.

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.

At 31 December 2011, amounts refer mainly to syndicated loans granted to the Group in 2011 (see Note 16.3) and with limited uses. It is important to highlight those referring to "Sociedad Concesionaria San José-Tecnocontrol, S.A.", "Inversiones Sanjose Chile Ltda." and "Sanjose Constructora Chile Ltda" for a total amount of EUR 73,577 thousand limited to technical purposes associated to the associated construction project.

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin, Lib. 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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 2011 were as follows

	Thousands of Euros				
	Investments available for sale	Loans to related companies	Other investments	Impairment	TOTAL
Balances at 31 December 2009	4,413	15,241	13,122	(468)	32,308
Provisions	1,210	214	10,503	(2,323)	9,604
Transfer to current account	-	-	(7,667)	2,288	(5,379)
Disposals or reductions	(210)	-	-	-	(210)
Balances at 31 December 2010	5,413	15,455	15,958	(503)	36,323
Provisions	976	276	38,955	(2,895)	37,312
Transfer to current account	153	-	482	(482)	153
Disposals or reductions	(7)	-	-	-	(7)
Balances at 31 December 2011	6,535	15,731	55,395	(3,880)	73,781

13.4.1 Investments available for sale

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 is as follows:

Company	Thousands of Euros	
	31/12/2011	31/12/2010
Bodegas Altanza, S.A.	1,226	1,226
Unirisco SCR, S.A.	469	469
Inmobiliaria 2000, S.A.	-	5
Filmanova	152	152
Editorial Ecoprensa, S.A.	4,371	3,395
Other	317	166
	6,535	5,413

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

This item mainly includes the receivables derived from the Concession Company of Chile for EUR 50,048 thousand, according to the financial assets model CNIF 12 (see Note 2.1) for being a concession regime in which the Group does not assume risk of any type.

ESTEFANÍA CALVO IGLESIAS
 INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin (Calle 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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 par value from 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.

This transaction was recorded at the Registrar of Companies of Pontevedra on 17 July 2009 (see Note 1).

At 20 July 2009, Parent Company shares can be listed on the Continuous Market, with a market value of EUR 12.86 per share.

At 31 December 2011 and 2010, share capital of the Parent was represented by 65,026,083 shares of EUR 0.03 par value each.

The closing and mean quote for the last quarter of 2011 and 2010 has been EUR 2.07 and 2.68 for year 2011 and EUR 5.19 and 5.31 for year 2010, respectively.

At 31 December 2011, shareholders with ownership interest of at least 10% of the Parent Company's share capital were: Mr. Jacinto Rey González, with direct and effective ownership interest of 24.95% and 48.32%, respectively, and Ms. Julia Avalos Perez, with direct and effective ownership interest of 12.63%.

14.2 Issuance rights

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.

In addition, and in compliance with the terms set in article 273.4 section forth of the 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

ESTEFANIA CALVO IGLESIAS
INTERPRETE JURADO INGLÉS-ESPAÑOL
C/Serafín, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

14.4 Restrictions on the distribution of dividends

There are no significant restrictions on the distribution of dividends, apart from those established for the Group's syndicated banking funding system (see Note 16).

14.5 Consolidated reserves

The detail of "Reserves" from the consolidated balance sheet at 31 December 2011 and 2010 is as follows:

	Thousands of Euros	
	31/12/2011	31/12/2010
Of the Parent	89,595	93,155
Consolidation reserves		
-From consolidated companies	135,349	159,084
-From companies considered equivalent	14,057	11,524
TOTAL	239,001	263,763

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:

Net profit (loss) for the year attributable to the Parent:

	Thousands of Euros			
	2011.		2010.	
	Reserves	Profit/(Loss)	Reserves	Profit/(Loss)
Grupo Empresarial San José, S.A.	126,428	521	120,281	8,501
SJB Müllroser	(2,831)	(922)	(2,722)	(110)
Construction subgroup	147,277	24,660	121,285	32,580
Trade subgroup	7,497	1,501	5,964	1,532
Udra Medios subgroup	(5,716)	(2,964)	(3,373)	(1,945)
San José Desarrollos Inmobiliarios subgroup	(86,702)	(57,740)	(18,837)	(58,389)
Urban Development subgroup	37,614	735	37,342	1,321
Sanjose Tecnologías subgroup	-	-	(8,891)	(6,728)
San José Concesiones y Servicios subgroup	718	78	(8)	(11)
San Jose Energia y Medio Ambiente subgroup	(1,132)	(763)	(312)	(431)
Cadena de Tiendas, S.A.U.	1,791	(76)	1,509	(403)
Gabinete de Selección de Personal, S.L.	-	-	1	-
	224,944	(34,970)	252,239	(24,083)

Net reserves and profit/(loss) 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:

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Turió, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 698320799 - 988690498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Company	Thousands of Euros			
	31.12/2011		31.12/2010	
	Reserves	Profit/(Loss)	Reserves	Profit/(Loss)
Desarrollo Urbanístico Chamartín, S.A.	(421)	(101)	(293)	(128)
Panamerican Mall, S.A.	580	1,084	-	-
Pontegrán, S.L.	20,533	746	15,382	5,151
Pinar de Villanueva, S.L.	-	(974)	-	-
Nuevo Parque de Bomberos Mallorca, S.A.	-	-	(415)	(68)
Antigua Rehabitalia, S.A.	(7,222)	(1,933)	(4,574)	(2,648)
Tecnoartel, S.A.	587	-	1,426	(338)
Other	-	(2)	(2)	580
	14,057	(1.180)	11,524	2,549

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 2011 and 2010, the Group did not hold any treasury shares.

In year 2011, no transactions with treasury shares took place. In 2010, the Group has purchased treasury shares for a total amount of EUR 115,431. These treasury shares have been used consideration in exchange of shares of its associate "San José Desarrollos Inmobiliarios, S.A." (see Note 2).

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/(Loss) associated minority
Construction subgroup	25,788	(286)
Subgroup San José Desarrollos Inmobiliarios	(1,681)	(843)
Trade subgroup	92	-
Udra Medios subgroup	(72)	(143)
San Jose Energía y Medio Ambiente subgroup	1,228	(3)
	25,355	(1.481)

Main changes in "Minority Interests" in 2011 and 2010 are summarised as follows:

ESTEFANIA CALVO IGLESIAS
 INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Tábica, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

	Thousands of Euros	
	2011	2010
Opening balance	28,856	33,271
Change in the scope of consolidation (Note 2.4)	(2,499)	(2,567)
Recognition for the year 2011	(1,481)	(2,048)
Translation differences	1	493
Other transactions	478	(293)
Closing balance	25,355	28,856

In year 2011, under "Other transactions" are recorded changes in the scope of consolidation of equity instruments of the group regarding minority interests for a total amount of EUR 480 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 2011 and 2010, the Group was achieving this parameter, as shown below:

	Thousands of Euros	
	31/12/2011	31/12/2010
Non-current bank borrowings (Note 16)	1,509,105	1,396,059
Current bank borrowings (Note 16)	374,705	377,801
Cash and cash equivalents (Note 13.2)	(168,086)	(172,777)
Total net	1,715,724	1,601,083
Net equity	520,609	542,723
Financial debt (percentage)	329%	295%

ESTEFANIA CAIVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/ Serafín Tabo, 5, 1º
 36900 Marín (Pontevedra)
 caivo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

15. Long-term Provisions

Changes in 2011 and 2010 in "Long-Term Provisions" in the consolidated balance sheet were as follows:

	Thousands of Euros
Balance at 31 December 2009	25,578
Provisions	5,133
Applications	(3,016)
Reversals	(995)
Adjustments and others	199
Balances at 31 December 2010	26,899
Provisions	4,789
Applications	(2,506)
Reversals	(485)
Change in the scope of consolidation	(3)
Adjustments and others	(1,518)
Balance at 31 December 2011	27,176

Under "Reclassifications and Others" for years 2011 and 2010, EUR 1,933 thousand and EUR 2,648 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 for years 2011 and 2010.

Also, at 31 December 2011, "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 directors of the Parent consider that the probability of an outcome of litigation and claims to occur are insignificant to justify the registration of additional provisions. The directors of the different companies within Grupo SANJOSE consider that present provisions are enough to deal with the current processes of litigation and claims or will not have a material effect on the consolidated financial statements.

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/ Serafin Puig, 5-1ª
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 800320708 - 888880488

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

16. Bank borrowings and debt instruments and other marketable securities

The breakdown of said items in the consolidated balance sheets is as follows:

Year 2011

	Thousands of Euros		
	Debts and accounts payable	Derivatives	Total
Non-current financial liabilities:			
Bank borrowings (Note 16.1)	1,494,116	-	1,494,116
Derivative financial instruments (Note 17)	-	27,816	27,816
Other financial liabilities	14,989	-	14,989
Total non-current liabilities	1,509,105	27,816	1,536,921
Non-current financial liabilities:			
Bank borrowings (Note 16.1)	369,389	-	369,389
Derivative financial instruments (Note 17)	-	7,192	7,192
Other financial liabilities	5,316	-	5,316
Total current liabilities	374,705	7,192	381,897

Year 2010

	Thousands of Euros		
	Debts and accounts payable	Derivatives	Total
Non-current financial liabilities:			
Bank borrowings (Note 16.1)	1,381,548	-	1,381,548
Derivative financial instruments (Note 17)	-	30,706	30,706
Other financial liabilities	14,511	-	14,511
Total non-current liabilities	1,396,059	30,706	1,426,765
Non-current financial liabilities:			
Bank borrowings (Note 16.1)	373,644	-	373,644
Derivative financial instruments (Note 17)	-	623	623
Other financial liabilities	4,157	-	4,157
Total current liabilities	377,801	623	378,424

"Other current financial liabilities" and "Other non-current financial liabilities" include mainly EUR 115 thousand and EUR 373 thousand, respectively, in relation to guarantee deposits received in relation with the property development business, and EUR 4,291 thousand relating to the non-current 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.

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Tello, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

16.1 Bank borrowings and other financial liabilities

The breakdown of said items in the consolidated balance sheets is as follows:

	Thousands of Euros	
	31/12/2011	31/12/2010
Non-current		
Finance leasing (Note 7)	3,839	4,854
Bank loans and credits	120,945	87,050
Syndicated credit facilities (Spain) (Note 16.3)	1,317,492	1,289,644
Syndicated credit facilities (Chile) (Note 16.3)	51,840	-
Total non-current	1,494,116	1,381,548
Current		
Finance leasing (Note 7)	1,002	999
Payables from discounted notes and bills	71,175	63,373
Bank loans and credits	28,516	24,618
Mortgage loans secured by inventories (Note 12 and 16.2)	268,696	284,654
Total current	369,389	373,644
TOTAL	1,863,505	1,755,192

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

"Bank loans and credit facilities" from non-current liabilities includes at 31 December 2011 the following:

- A balance for EUR 11,259 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 Policy Project (see Notes 10 and 2.6).
- A balance of EUR 22,574 thousand corresponding to long-term funding for Chilean subsidiaries. It includes two loans in Chilean pesos received by the associate "Inversiones San Jose Chile Ltda." valued at EUR 20,542 thousand. Said funding has been granted by the BICE Bank. Said loans are hedged by deposits held by the associate at said financial entity for a total amount of EUR 20,750 thousand (see Note 13.3).
- The remaining balance refers to mortgage loans over real estate investment of the companies of the Group (see Note 16.2).

"Bank loans and credit facilities" from current liabilities of the attached consolidated balance sheet includes EUR 8,096 thousand and 5,627 thousand, respectively, for financial expenses pending settlement at year-end close.

16.2 Mortgage loans

During 2009, the Group has renegotiated 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, amounting to EUR 95,802 thousand, that are secured by mortgages on certain properties owned by the Group recognised under "Investment Property" in the accompanying

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Dubio, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

consolidated balance sheet at 31 December 2011 for a total amount of approximately EUR 84,141 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 2011 ranged from 1.5% to 6.7%.

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 2011 is as follows:

	Thousands of Euros		
	Maturity		Total
	Short-term	Long-term	
Mortgage loans secured by real estate developments in progress:			
Of the Parent	-	-	-
Of Subsidiaries	3,431	109,629	113,060
Joint ventures	-	-	-
	3,431	109,629	113,060
Mortgage loans secured by investment property:			
Of the Parent	-	-	-
Of Subsidiaries	13,302	61,251	75,553
Joint ventures	-	-	-
	13,302	61,251	75,553
Mortgage loans secured by land and buildable plots (Note 12):			
Of the Parent	-	-	-
Of Subsidiaries	18,080	54,780	72,860
Joint ventures	4,707	2,516	7,223
	22,787	57,296	80,083
Total mortgage loans secured by inventories (Note 12)	39,520	229,176	268,696

These mortgage loans bear annual floating interest at a market rate, which in 2011 ranged from 1.4% to 4.7%.

ESTEFANÍA CALVO IGLESIAS
 INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Tubía, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 990320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

The outstanding principal of these loans at 31 December 2011 matures approximately as follows:

Thousands of Euros				
Year 2012.	Year 2013.	Year 2014.	Year 2015 and following	Total
39,520	34,003	43,906	151,266	268,696

16.3 Syndicated credit facilities

The SAN JOSE Group has concluded in year 2009 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 consideration 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 achievement 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 Jose Group companies, and mortgages on certain of the property assets.

In 2009-2013 the SAN JOS 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.

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Abo, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986690498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

The outstanding principal of these loans at 31 December 2011 matures approximately as follows:

Thousands of Euros				
Year 2012	Year 2013	Year 2014	Year 2015	Total
-	77,597	81,618	1,180,983	1,340,198

(*) Gross amounts including debt charges

At 10 February 2011, the group company "Concesionaria San José-Tecnocontrol S.A." entered into a syndicated credit funding agreement in Chilean pesos with a total of eight banking entities, acting "Banco Bilbao Vizcaya Argentaria, Chile" as leader arranger, for a total amount of EUR 170 million.

Object of said funding agreement is the execution under concession regime of a health care project in Chile "Programa de Concesiones en Infraestructura Hospitalaria, Hospital de Maipú, Hospital de la Florida", awarded to Grupo SANJOSE by the Ministry of Public Works of Chile. Loan shall be provided as works take place. At 31 December 2011, used amount reaches EUR 51,840 thousand. The group keeps EUR 47,497 thousand as bank deposit limited to technical advance of the project (see Note 13.3).

Syndicated loan amortisation shall be executed in eight annual payments due as of 30 June from 2014 to 2021. The outstanding principal of these loans at 31 December 2011 matures approximately as follows:

Thousands of Euros						
Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Remaining	Total
-	-	6,480	6,480	6,480	32,400	51,840

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 derivative cash flow fluctuations to be disbursed for payments tied to variable interest rates (Euribor) of Group financing.

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 underlying.

Interest rate derivatives contracted by the Group and effective at 31 December 2011 and 2010, together with their fair values at said date, are the following:

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Abarca, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986690498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Year 2011

Audit	Financial instruments	Maturity	Thousands of Euros				
			Nominal amount	Balances at 31/12/2011 (Note 16)	Outstanding Nominal amount 2012	Outstanding Nominal amount 2016	Outstanding Nominal amount 2021
Efficient hedges							
Sociedad Concesionaria San José – Tecnocontrol, S.A.	CCS-uf	30/06/2021	169,621	(5,940)	169,621	90,914	-
Basket King S.A.U.	CCS-gbp	15/03/2012	230	9	-	-	-
Basket King S.A.U.	CCS-gbp	16/04/2012	173	6	-	-	-
Basket King S.A.U.	CCS-usd	10/07/2012	1,080	38	-	-	-
Basket King S.A.U.	CCS-gbp	15/02/2012	117	2	-	-	-
Basket King S.A.U.	CCS-gbp	15/03/2012	117	2	-	-	-
Trendy King S.A.U.	CCS-gbp	15/02/2012	229	10	-	-	-
Arserex, S.A.U.	CCS-usd	10/05/2012	744	30	-	-	-
Arserex, S.A.U.	CCS-usd	10/05/2012	1,079	44	-	-	-
Arserex, S.A.U.	CCS-usd	10/08/2012	372	15	-	-	-
Arserex, S.A.U.	CCS-usd	15/09/2012	372	15	-	-	-
SJ D.Inmob., S.A.	Swap	24/09/2012	135,000	(3,624)	-	-	-
Pollgeneració Parc de l'Àlba, S.A.	Swap	15/12/2012	15,451	(1,973)	-	-	-
Sociedad Concesionaria San José – Tecnocontrol, S.A.	Swap	30/06/2021	163,470	(9,031)	163,470	107,712	-
-	-	-	488,055	(20,397)	333,091	198,626	
Non-efficient hedges							
Construc. San Jose, S.A.	-	03/01/2012	50,000	(306)	-	-	-
SJ D.Inmob., S.A.	-	12/02/2012	124,804	(711)	-	-	-
SJ D.Inmob., S.A.	-	12/02/2012	236,384	(2,539)	-	-	-
SJ D.Inmob., S.A.	-	31/10/2019	9,676	(596)	5,529	2,457	-
SJ D.Inmob., S.A.	Swap	31/07/2023	10,000	(980)	7,708	5,188	1,382
SJ D.Inmob., S.A.	Swap	31/12/2023	25,000	(2,623)	19,877	13,693	4,335
SJ D.Inmob., S.A.	Swap	02/01/2024	10,000	(1,179)	8,185	5,764	2,122
SJ D.Inmob., S.A.	Swap	04/10/2012	3,314	(6)	-	-	-
SJ D.Inmob., S.A.	Swap	09/10/2017	20,000	(880)	7,778	1,449	-
SJ D.Inmob., S.A.	Swap	19/01/2023	20,098	(1,646)	15,013	9,893	2,516
SJ D.Inmob., S.A.	Swap	29/03/2024	25,000	(2,968)	20,304	14,143	5,173
Green Inmuebles S.L	Swap	30/07/2012	2,836	(6)	-	-	-
-	-	-	537,112	(14,440)	84,394	52,587	15,528
TOTAL			1,025,167	(34,837)	417,485	251,213	15,528

ESTEFANIA CALVO IGLESIAS
 INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Tula, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Year 2010

Audit	Financial instruments	Maturity	Thousands of Euros					
			Nominal amount	Balances at 31/12/2010 (Note 16)	Outstanding Nominal amount 2011	Outstanding Nominal amount 2015	Outstanding Nominal amount 2020	
Efficient hedges								
SJ D.Inmob., S.A.	Swap	12/02/2012	124,804	(2,919)	76,139	-	-	-
SJ D.Inmob., S.A.	Swap	12/02/2012	236,384	(8,826)	205,349	-	-	-
SJ D.Inmob., S.A.	Swap	24/09/2012	135,000	(8,140)	135,000	-	-	-
Poligeneració Parc de l'Àlba, S.A.	Swap	15/12/2012	15,451	(1,594)	15,451	-	-	-
			511,639	(21,479)	431,939	-	-	-
Non-efficient hedges								
SJ D.Inmob., S.A.	Swap	03/01/2012	50,000	(1,860)	50,000	-	-	-
Tecnocontrol Serv.,S.A.	Swap	20/11/2011	5,904	(66)	-	-	-	-
SJ D.Inmob., S.A.	Swap	31/10/2019	9,676	(449)	6,909	4,047	-	-
SJ D.Inmob., S.A.	Swap	31/07/2023	10,000	(566)	8,817	6,501	-	3,001
SJ D.Inmob., S.A.	Swap	31/12/2023	25,000	(1,509)	22,595	16,916	-	8,319
SJ D.Inmob., S.A.	Swap	02/01/2024	10,000	(816)	9,250	6,719	-	3,294
SJ D.Inmob., S.A.	Swap	04/10/2012	3,314	(29)	674	-	-	-
SJ D.Inmob., S.A.	Swap	09/10/2017	20,000	(831)	10,586	4,607	-	-
SJ D.Inmob., S.A.	Swap	19/01/2023	20,098	(1,002)	17,342	11,234	-	4,086
SJ D.Inmob., S.A.	Swap	29/03/2024	25,000	(2,139)	23,085	15,726	-	7,090
Construct. San José Perú, S.A.C.	Swap	11/02/2011	25,000	(537)	-	-	-	-
Green Inmuebles S.L	Swap	30/07/2012	2,836	(26)	746	-	-	-
			206,828	(9,830)	150,004	65,750	-	25,790
TOTAL			718,467	(31,309)	581,943	65,750	-	25,790

At 31 December 2010, the Group has two short-term exchange rate hedge instruments used by "Basket King, S.L." and "San José Perú, S.A." for ensuring purchases executed in a currency other than the Euro (main USD) for a total value of EUR 121 thousand (positive) and EUR 20 thousand (negative) recorded under "Short-term investments" and "Short-Term borrowings" on the attached consolidated balance sheet, respectively.

Hedging relationships are highly effective both prospectively and retrospectively, accumulated as from the allocation date. 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. The Group has accumulated in Equity the change of fair value of said Derivative Financial Instruments. At 31 December 2011 and 2010, the change of fair value of Derivative Financial Instruments allocated as Hedge Elements for its effective portion accumulated in Equity amounts to EUR 17,366 thousand and EUR16,980 thousand, respectively.

In 2011 and 2010, EUR 12,104 thousand and EUR 17,070 thousand before tax have been recycled from Equity to Interests costs as financial liabilities' interests being hedged pursuant to allocated Hedging Relationships were registered.

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 2011, these derivatives register a negative fair value of EUR 29,068 thousand before tax.

Below is a breakdown of the sensitivity analysis (changes of fair value at 31 December 2011) of the fair value of the derivatives considered as accounting hedge in the case of changes to the Euro interest rate curve. The Group considers reasonable a change of interest rate of +/- 0,5%:

ESTEFANÍA CALVO IGLESIAS
 INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin/Tubo 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Sensitivity	Thousands of Euros 31/12/2011
+0,5% (rate curve increase)	4,601
-0,5% (rate curve decrease)	-4,768

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 prospectively 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 2011) of the fair value of the derivatives not considered as accounting hedge due to changes on the Euro interest rate curve: The Group considers reasonable a change of interest rate of +/- 0,5%:

Sensitivity	Thousands of Euros 31/12/2011
+0,5% (rate curve increase)	2,513
-0,5% (rate curve decrease)	-2,616

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 0.5% interest rate increase would cause a fluctuation of the finance cost by approximately EUR 8.5 million. As interest rate derivatives are contracted, said sensitivity would be partially reduced in a par value corresponding to EUR 1,025 million of this financial liability (said amount corresponds to the outstanding optional of derivatives outstanding at 31 December 2011).

Fair value of financial instruments

Fair value of financial instruments 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:

Fair value of financial assets and liabilities will be established as follows:

- 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.

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Abio, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

- 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).

The Group's derivative financial instruments at 31 December 2011 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.

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

Information on deferred payments to suppliers. Supplementary third provision. "Information duties" of Act 15/2010 on 5 July.

Regarding information required by the supplementary third provision of Act 15/2010 on 5 July, pending payment to suppliers implies a deferment of payment higher than legal payment maturity date. Finance costs arising from such deferment will be assumed by the Group as stated on the agreements reached with suppliers.

	Euros			
	2011.		2010.	
	Amount	%	Amount	%
Payments executed within maximum legal payment term	384,478	89%	384,822	78%
Remaining payments	49,384	11%	106,571	22%
Total payments to suppliers for the year	433,862	100%	491,393	100%
PMPE (days) (*)	130	-	144	-
Amount of deferred payment which exceeds maximum legal payment term.	40,091	9%	120,700	26%

(*) PMPE: average payment time which exceeds maximum legal payment term.

According to Act 15/2010 as of 5 July, amendment of Act 3/2004 Act as of 29 December, on default payment measures, maximum payment time in 2011 is 85 days in general and 120 days for public-sector customers.

Finance costs arising from such deferment will be assumed by the Group as stated on the agreements reached with suppliers.

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Taboada, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

18.2 Other current liabilities

Other current liabilities" includes mainly the accounts payable relating to joint ventures. It also includes the provisions totalling EUR 4,824 thousand and EUR 4,430 thousand, at 31 December 2011 and 2010 respectively, for remuneration payable.

18.3 Customer advances

This item relates fundamentally to the advances received from the buyers of the properties relating to the developments in progress or advances for the sale of real estate assets.

Real estate advances at 31 December 2011 and 2010 amount to EUR 25,702 thousand and EUR 19,943 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, at 31 December 2011 and 2010 this item also includes "Amounts Billed in Advance for Construction Work" totalling EUR 55,115 and thousands EUR 48,899 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.

Additionally, EUR 2,557 thousand are also recorded under this item as other advances, received by Group companies at 31 December 2011.

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.

ESTEFANIA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafín Turiso, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
699320785 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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 floors are for a substantial portion of the borrowings that may be affected by this risk (see Notes 16 and 17).

19.3 Foreign currency risk exposure

In 2011 the Group hedge relevant amount of exchange risks in order to hedge risks arising from the evolution of Chilean UF regarding Chilean Peso. Besides, foreign currency transactions are assessed in order to hedge a high percentage of the same.

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 company pursues the prudent management of the liquidity risk based on the maintenance of sufficient cash and marketable securities, availability of financing through 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's Financial Management 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.

	Thousands of Euros				
	Less than 1 month	1-3 months	3 months - 1 year	1-5 months	+5 months
Interest rate swap	-560	-4,063	-2,967	-14,498	-3,035

The Group's remaining financial liabilities maturities are listed in Note 16.

The main figures in the consolidated cash budget for 2012, based on the Group's recurring business are as follows:

	Thousands of Euros
Collections from customers of construction works	80,210
Changes in current assets from transactions	158,084
Changes in current liabilities from transactions	(110,144)
Total cash generated by ordinary transactions	128,150
Financial transactions	
(-) Payments due to investment	(145,418)
(+/-) Variation in borrowings	48,589
(+/-) Others	(54,668)
Cash generated by/ (used for) financial transactions	(151,497)
Total cash generated	(23,347)

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Rubio, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

From the review of the cash budget for 2012 and the sensitivity analyses performed by the Group at 2011 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. Taxation

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 income tax statements under the special taxation regime with number 002/06 (See Note 4.16).

At 30 June 2010, spin-off of the real estate branch of activity of Grupo Empresarial San José, S.A. and its transfer en bloc y universal succession to San José Desarrollos Inmobiliarios, S.A., who increases its share capital, was made public. "Grupo Empresarial San José S.A." continues to hold all human and material resources necessary for the provision of services integrating said branch of activity.

Branch of activity contribution has accounting retroactive effect as from 1 January 2010.

Spin-off of branch activity has been executed pursuant to the Structural Modifications Act 3/2009 and Chapter VIII of Title VII on the Special Regime of mergers, spin-off and exchange of shares established by the Legislative Royal Decree 4/2004 on 5 March approving the Consolidated Spanish Corporation Tax Law and was notified to the Tax Department on 2 November 2010.

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 2007 open for review.

In June 2011, tax inspection of tax group was notified to "Grupo Empresarial San José, S.A.", as Parent of the group, for years 2006- 2008, both included, on all applicable taxes. Inspection process applies, as well as to the Parent, to the following associates: "Constructora San José, S.A." and "San Jose Desarrollos Inmobiliarios, S.A." are currently in progress.

At 5 May 2011, satisfaction certificates for tax inspection process of "Parquesol Inmobiliaria y Proyectos, S.A.", "Parzara, S.A." and "Guadaimina, S.L." for years 2003 - 2005. Consequently, a net tax liability for EUR 4 thousand arose.

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 2011 and 2010 was determined as follows:

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/ Serafín Rubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
993320705 - 988690498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

	Thousands of Euros	
	2011	2010
Profit/(Loss) before tax	(48,599)	(33,378)
Increases at individual companies	1,818	
Decreases at individual companies	(9,511)	(2,232)
Elimination trade consolidation	(95)	(5,330)
Equity method	(1,180)	(4,432)
Offset of prior years' tax losses	-	(6)
Taxable profit	(57,567)	(45,378)
Less taxable profit of companies not resident in Spain	14,004	5,475
Tax loss of consolidated group resident in Spain	(43,563)	(50,853)
Gross tax payable (30%)	(13,069)	(15,110)
Plus – deductions	(100)	(563)
Accrued tax expense	(13,169)	(15,673)
Regulation of previous years	(1,568)	(564)
Non resident tax expense	3,769	6,441
Tax expense	(10,968)	(9,796)

20.3 Tax loss carry forwards

Although at 2011 year-end some of the consolidated companies had declared tax losses amounting to approximately EUR 294,453 thousand, the accompanying consolidated balance sheet at 31 December 2011 only includes a tax asset of EUR 20,753 thousand in this connection.

The detail of the tax loss carry forwards of the consolidated companies at 31 December 2011 is as follows:

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafín Pardo, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 880320708 - 886890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Audit	Year incurred	Thousands of Euros	Last year for offset
		Tax losses	
Grupo Empresarial San José, S.A.	From 1997 to 1999	31	From 2011 to 2014
	2000	3	2015
	2001	0.6	2016
	2002	391	2017
	2003	67	2018
	2004	920	2019
	2005	554	2020
	2006	596	2021
	2007	6,773	2022
	2008	71,078	2023
	2009	53,831	2024
	2010	37,528	2025
	2011	50,569	2026
Total consolidated tax group		222,342	
Spanish companies not included in the consolidated tax group	From 1997 to 1999	65	From 2011 to 2014
	2000	61	2015
	2001	85	2016
	2002	258	2017
	2003	169	2018
	2004	217	2019
	2005	267	2020
	2006	1,094	2021
	2007	2,061	2,022
	2008	13,154	2,023
	2009	8,354	2024
	2010	4,570	2025
	2011	2,789	2026
Total Spanish companies not included in consolidated tax groups		33,144	
Foreign companies	From 1997 to 1999	1,019	-
	2000	423	-
	2002	757	-
	2003	3,268	
	2004	3,085	
	2005	3,042	
	2006	1,819	
	2007	6,932	
	2008	7,454	
	2009	4,191	
	2010	1,689	
	2011	5,288	
TOTAL companies not resident in Spain		38,967	
TOTAL		294,453	

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. Tax loss carry forwards of companies for offset when becoming an integral part of the group, may be forwarded for the parent with the limit of the individual company. 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 2011 and 2010 arose as a result of the following:

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/ Serapio Tubío, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 990320768 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

	Thousands of Euros	
	31/12/2011	31/12/2010
Elimination of intra-Group profits on consolidation in relation to sale of buildable plots	-	14,117
Financial Instruments	3,971	7,402
Backlog charge	19,305	11,840
Other items	5,720	1,110
Tax credit carry forwards	6,421	4,221
Tax assessments Parquesol 2002	3,423	3,465
Tax loss carry forwards (Note 20.3)	54,874	33,063
	93,714	75,218

The balance of "Deferred tax assets" at 31 December 2011 includes mainly 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. Elimination of backlog provisions.
3. According to the recognition related to hedge financial instruments.

The deferred tax liabilities recognised in the accompanying consolidated balance sheet at 31 December 2011 and 2010 arose as a result of the following:

	Thousands of Euros	
	31/12/2011	31/12/2010
Revaluation of assets from merger	58,069	55,736
Deferral for reinvestment of extraordinary gains	2,125	2,270
Backlog provisions	4,844	2,608
Deferred profit	5,328	3,323
Other consolidation adjustments	1,616	2,098
	71,982	66,035

The balance of "Deferred tax liabilities" at 31 December 2011 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.

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/ Serafin Taboada, 5, 1º
 36900 Maki (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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 1,522 thousand as an increase in the income tax asset accrued in 2011, as follows:

Item	Year incurred	Thousands of Euros
Earned by the consolidated tax group Grupo Empresarial San Jose S.A.		
Double taxation tax credit	2011	1,440
Tax credit for training activities	2011	0.4
Tax credit for donations	2011	82
		1,522

At 31 December 2011 the tax credit carry forwards earned in previous years were as follows

Earned by the consolidated tax group Grupo Empresarial San Jose S.A.	Year incurred	Thousands of Euros
Double taxation tax credit	2010	329
Tax credit for donations	2010	45
Tax credit for training activities	2010	0.3
Tax credit for R&D	2010	368
Double taxation tax credit	2009	676
Tax credit for donations	2009	41
Tax credit for training activities	2009	1
Deferral for reinvestment of extraordinary gains	2008	103
Double taxation tax credit	2008	2,494
Tax credit for R&D	2008	329
Tax credit for donations	2008	193
Tax credit for training activities	2008	4
Tax credit for fairs	2008	27
Tax credit for training activities	2007	0.2
Double taxation tax credit	2007	4
Tax credit for fairs	2007	12
Tax credit for reinvestment	2005	271
Total		4,898

The tax credit carry forwards in 2011 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, 2008, 2009 and 2010 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 2011 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. The detail of the tax adjustments due to differences between recognised accounting impairment and tax impairment is registered at the notes of the corresponding companies; deferred tax at 31 December 2011 amounts to EUR 5,229 thousand.

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

20.6 Tax receivables and payables

The detail of the Group's tax receivables and payables at 31 December 2011 is as follows:

	Thousands of Euros			
	31/12/2011		31/12/2010	
	Current	Non-current	Current	Non-current
Tax assets:				
Deferred tax assets	2,118	93,714	2,999	75,218
Tax receivables				
VAT receivables	12,889	-	19,717	-
Sundry receivables	1,414	-	5,670	-
	14,303	-	25,387	-
Total tax assets	16,421	93,714	28,386	75,218
Tax liabilities:				
Deferred tax liabilities	1,862	71,982	3,433	66,035
Tax payables				
Tax payable as a result of tax assessments	4,235	-	1,991	-
VAT payables	34,587	-	38,979	-
Personal income tax payable	2,103	-	2,288	-
Sundry payables	648	-	4,426	-
Social Security tax payables	1,916	-	2,404	-
	43,489	-	50,088	-
Total tax liabilities	45,351	71,982	53,521	66,035

20.7 Restructuring transactions

Segregation of the real estate branch of activity

Pursuant to article of the Income Tax Law, information on the segregation of the real estate branch of activity of Grupo Empresarial Sanjose S.A. in favour of San Jose Desarrollos Inmobiliarios S.A. is provided in the notes to the financial statements for year 2010 of the involved companies, for having qualified for taxation under the tax neutrality regime provided for the Consolidated Spanish Corporation Tax Law.

Property has been transferred at the accounting valued recorded at eh balance sheet of Grupo Empresarial San Jose S.A Segregation was notified to the Tax Department on 2 November 2010.

21. Guarantee commitments to third parties

At 31 December 2011 and 2010, the Group had received from banks and insurance companies guarantees provided to third parties amounting to EUR 353 million and EUR 369 million (mainly project and definite tender and performance bonds to public and private bodies). EUR 2.7 million and EUR 3.7 million of which correspond to the parent company and the rest to the subsidiaries at 31 December 2011 and 2010, respectively.

In addition, some associates have guarantee commitments to third parties, related to the corresponding business for EUR 9,516 thousand, 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

ESTEFANIA CALVO IGLESIAS
 INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Turro, 5, 1º
 36900 Mado (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

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 2011 and 2010 is as follows (in thousands of Euros):

	Thousands of Euros	
	2011	2010
Construction		
Civil works	142,640	117,23
-Residential	89,506	110,723
-Non residential	371,539	423,354
-Industrial	37,445	59,413
	641,130	710,727
Real estate	59,413	86,677
Concessions and Services	68,671	30,055
Energy	10,689	6,558
Other	(27,671)	18,234
Total revenue	752,232	852,251

Of the construction revenues total amount, 64.6% refer to the sales produced in the public sector.

In year 2011, EUR 141 million of the more than EUR 752 million of net revenue 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 2011 and 2010 amounted to EUR 2,022 and EUR 1,928 million, breakdown is as follows:

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafín Arbo, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

	Thousands of Euros	
	2011	2010
Construction		
Civil works	316.7	249.9
-Non residential	115.7	132.9
-Non residential	427.0	621.9
Industrial	26.8	20.0
Subtotal construction	886.2	1,024.7
Concessions and Services	384.1	410.8
Energy	752.1	493.0
Total Portfolio	2,022.4	1,928.5
<u>Details by type of customer:</u>		
-Public	82.8%	80.2%
-Private	17.2%	19.8%
<u>Details by geographical market:</u>		
-Domestic	59.4%	59.2%
-International	40.6%	40.8%

(*) It does not include portfolio resulting from wind farm tenders called out by the Xunta de Galicia resolved as 26 December 2008 for the awarding of 142 MW.

22.2 Procurements and other external expenses

The breakdown of "Procurements" in the consolidated income statements for 2011 and 2010 is as follows:

	Thousands of Euros	
	2011	2010
Purchase of raw materials and other supplies	158,340	152,298
Impairment changes on inventories	8,903	10,363
Purchase volume - rebates	(109)	(51)
Works performed by other companies	295,259	367,248
Total procurement	462,393	529,858

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

ESTEFANÍA CAIVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Núñez, 5 - 1º
 36900 Masín (Pontevedra)
 caivo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

The breakdown of "Procurements" in the consolidated income statements for 2011 and 2010 is as follows:

	Thousands of Euros	
	2011	2010
R&D expenses	272	20
Utilities	7,548	8,056
Repair and maintenance services	4,606	5,972
Transport and freight costs	1,287	1,959
Insurance premiums and banking services	5,812	7,268
Services from independent professionals	24,102	21,135
Leases	16,618	17,540
Advertising and publicity	2,302	2,936
Other services	18,567	26,904
Taxes	12,409	14,643
Other operating expenses	4,469	16,530
Total	97,992	122,963

22.3 Staff costs

The detail of "Staff Costs" is as follows:

	Thousands of Euros	
	2011	2010
Wages and salaries	87,056	96,979
Termination benefits	3,331	3,368
Employer social security costs	19,923	19,976
Other social costs	1,923	6,232
Total	112,233	126,555

The average workforce by professional categories is as follows:

Category	2011		2010	
	Men	Women	Men	Women
University graduates	294	142	337	161
University three-year degree graduates	347	107	388	136
Clerical staff	109	128	120	141
Officers and technical personnel	1,755	94	1,878	103
	2,505	471	2,723	541

The average workforce at 31 December 2011 amounted to 2,879, of which 2,456 were men and 423 women.

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Fuja, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

22.4 Compensations in kind

At 31 December 2011 there were no significant compensations in kind.

22.5 Share-based payment

There are no share-based payment systems.

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 Leases

At 31 December 2011, the Group had acquired future lease payment obligations under finance leases entered into amounting to EUR 4,841 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 Finance income

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

	Thousands of Euros	
	2011	2010
Interests on receivables	10,013	6,893
Income from equity investments	557	35
Other finance income	-	1
	10,570	6,929

"Interests on receivables" from 2011 and 2010 includes approximately EUR 2.2 million and EUR 3.2 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 Expense

The detail is as follows:

	Thousands of Euros	
	2011	2010
Interests on payables	57,261	25,400
Other finance expense	16,675	35,418
Changes in fair value	10,351	3,402
	84,287	64,220

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/ Serafín Tubo, 5 - 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986690498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

"Other finance expense" for years 2011 and 2010 includes EUR 6,107 thousand and EUR 6,883 thousand, respectively, corresponding to the costs from the previous syndicated financing as well as EUR 10,567 thousand and EUR 28,535 thousand for years 2011 and 2010 corresponding to the settlement of hedge instruments.

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

The detail is as follows:

	Thousands of Euros	
	2011	2010
Gains/Losses on write-offs of fixed assets (Note 7)	(135)	508
Impairment of property, plant and equipment (Note 10)	(580)	(371)
Impairment of investment property (Note 8)	(6,807)	(8,662)
Other	42	53
	(7,480)	(8,472)

22.10 Changes in operating provisions and allowances

Changes in 2011 and 2010 in operating provisions in the consolidated balance sheet were as follows:

Year 2011

	Thousands of Euros		
	Operating insolvencies (Note 13)	Profit (Loss) from operations	Total
Balance at 31 December 2010	28,316	23,604	51,920
Provisions	17,460	2,181	19,641
Applications	(3,837)	(2,501)	(6,338)
Reversals	(1,683)	(2,063)	(3,746)
Change in the scope of consolidation (Note 2)	3,654	(868)	2,786
Balances at 31 December 2011	43,910	20,353	64,263

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Tuero, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986690498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Year 2010

	Thousands of Euros		
	Operating insolvencies (Note 13)	Profit (Loss) from operations	Total
Balances at 31 December 2009	23,873	25,390	49,263
Provisions	14,785	3,106	17,891
Applications	(271)	(1,368)	(1,639)
Reversals	(10,088)	(3,514)	(13,602)
Change in the scope of consolidation (Note 2)	17	(10)	7
Balances at 31 December 2010	28,316	23,604	51,920

Current provisions classified under "Short-term provisions" include estimated amounts to face possible business contingencies. During 2011 and 2010, EUR 120 thousand and EUR 3,617 thousand, linked to provisions for conclusion of property developments, was reversed as they no longer apply

22.11 Change in inventories of finished goods and work

Breakdown of "Changes in inventories" is as follows:

	Thousands of Euros	
	31/12/2011	31/12/2010
Change in inventories for recorded expenses/sales	(17,050)	(29,422)
Change in inventories for impairment	(641)	(296)
In-house work on assets	7,703	712
TOTAL	(9,988)	(29,006)

22.12 Audit fees

In 2011 and 2010, audit fees for auditing services regarding consolidated financial statements provided to the Group by Deloitte, S.L., and associates of Deloitte, as well as auditing services regarding individual financial statements of subsidiaries and associates are as follows (in thousands of Euros):

Year 2011

Item	Thousands of Euros	
	Auditing services provided by main audit	Auditing services provided by other audit companies
Auditing services	394	22
Other auditing services	74	-
Total Audit Services and similar	468	22
Tax and fiscal advice services	-	-
Other services	79	-
TOTAL	79	22

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Taboia, 5, 1º
 36900 Mahón (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Year 2010

Item	Thousands of Euros	
	Auditing services provided by main audit	Auditing services provided by other audit companies
Auditing services	404	20
Other auditing services	75	-
Total Audit Services and similar	479	20
Tax and fiscal advice services	42	-
Other services	19	-
TOTAL	540	20

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 of Euros	
	Euros	
	2011	2010
Assets:		
Antigua Rehabitalia, S.A. (Note 13.4.2)	15,731	15,455
Others	630	473
Liabilities:		
Pontegrán, S.A.	10,982	15,555
Others	-	446
Transactions:		
Revenue:	185	-
Expenses	204	166

24. Remuneration

24.1 Remuneration of Directors

The detail of the remuneration of all kinds earned in 2011 and 2010 by the directors of Grupo Empresarial San José, S.A. and of the Group company, jointly controlled entity or associated obliged to pay such remuneration are as follows:

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/ Seram/10 Bto, 5, 1º
 36900 Machi (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Type of Directors	Thousands of Euros	
	2011	2010
Executives	2,600	2,526
Independent members	195	96
Other members	84	36
Total	2,879	2,658

The amount for 2011 also includes Directors' remunerations for the furtherance of their duties as Senior Management for EUR 2,500 thousand, not having suffered changes regarding year 2010.

At 31 December 2011 and 2010, 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 Articles 229 to 231 of the Spanish Companies Law in order to reinforce the transparency of corporations, next a list of companies with the same, similar or supplementary business activities of Grupo Empresarial San Jose, S. A. And Subsidiaries with Parent's Directors (according to article 231 of the Spanish Companies Law), and functions:

ESTEFANIA CALVO IGLESIAS
 INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Telleo, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 890320705 - 986890488

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Director	Associate	Activity	Position or function	Ownership %
Mr. Jacinto Rey González	Desarrollo Urbanístico Chamartín, S.A.	Real estate	Director	-
Mr. Jacinto Rey González	Desarrollos Urbanísticos Udra S.A.U	Real estate	Sole Director	-
Mr. Jacinto Rey González	Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U.	Real estate	Sole Director	-
Mr. Jacinto Rey González	Inmobiliaria Europea de Desarrollos Urbanísticos, S.A.U.	Real estate	Sole Director	-
Mr. Jacinto Rey González	Udra Limitada	Construction	-	20%
Mr. Jacinto Rey González	Udra Argentina, S.A.	Real estate	Chairman	10%
Mr. Jacinto Rey González	Carlos Casado, S.A.	Construction	Chairman	-
Mr. Jacinto Rey González	Udra México S.A. de C.V.	Construction	Sole Director	-
Mr. Jacinto Rey González	Udra Valor S.A.	Shareholding	Sole Director	-
Mr. Jacinto Rey González	Pinos Altos XR, S.L.	Subscription and acquisition of shares	Sole Director	-
Mr. Jacinto Rey González	San José Perú, S.A.C.	Construction	-	12%
Mr. Jacinto Rey González	Constructora San José Argentina, S.A.	Construction	Chairman	3.594%
Mr. Jacinto Rey González	Pinos Altos XR, S.L.	Shareholding	Sole Director	55%
Mr. Jacinto Rey González	San José Perú, S.A.C.	Construction	Chairman	0.000003%
Mr. Jacinto Rey González	Rexa Constructora, S.A.	Constructora	Chairman	-
Mr. Jacinto Rey González	San Jose India Infrastructure & Construction Private Limited	Constructora	Chairman	-
Mr. Jacinto Rey González	Inmobiliaria 2010, S.A.	Real estate	Chairman	-
Mr. Jacinto Rey González	Constructora San José, S.A.	Constructora	Sole Director	-
Mr. Jacinto Rey González	Cimsa Argentina, S.A.	Constructora	Chairman	-
Mr. Jacinto Rey González	Inmobiliaria Sudamericana de Desarrollos Urbanísticos S.A.	Real estate	Chairman	-
Mr. Jacinto Rey González	Centro Comercial Panamericano, S.A.	Real estate	Chairman	-
Mr. Jacinto Rey Laredo	Constructora San José, S.A.	Construction	Chairman	-
Mr. Jacinto Rey Laredo	Constructora San José Cabo Verde, S.A.	Construction	Director	-
Mr. Jacinto Rey Laredo	San Jose Construction Group INC	Constructora	Chairman	-
Mr. Jacinto Rey Laredo	San José Perú, S.A.C.	Construction	Sole Director	-
Mr. Jacinto Rey Laredo	SJ Bau GMBH	Constructora	Sole Director	-
Mr. Jacinto Rey Laredo	SJB Mulroser GMBH	Construction	Joint Director	-

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADA INGLÉS-ESPAÑOL
 C/Serfite 703, 5, 1º
 38900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 986320705 - 986880488

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Mr. Jacinto Rey Laredo	Udra Limitada	Construction	Sole Director	-
Mr. Jacinto Rey Laredo	Pinos Altos XR, S.L.	Shareholding	-	20%
Mr. Jacinto Rey Laredo	Udra Valor S.A.	Shareholding	-	4.64%
Mr. Santiago Martínez Carballal	Comercial Udra, S.A.U.	Trade	Director	-
Mr. Santiago Martínez Carballal	Constructora San José, S.A.	Construction	Director	-
Mr. Santiago Martínez Carballal	San José Energía y Medio Ambiente, S.A.U.	Facilities	Director	-
Mr. Santiago Martínez Carballal	San José Desarrollos Inmobiliarios S.A.	Real estate	Director	-
Mr. Santiago Martínez Carballal	Cadena de Tiendas, S.A.U.	Furnishing of Stores, premises and offices.	Sole Director	-
Ms. Altina de Fátima Sebastián González	Tecnoartel, S.A.	-	-	100 Shares
Mr. Francisco Hernanz Manzano	CCM Corporación, S.A.	Business Management services	Joint Director	-
Mr. Francisco Hernanz Manzano	El Reino de D. Quijote, S.A.	Real estate	Director	-
Mr. Francisco Hernanz Manzano	Lico Inmuebles, S.A.	Real estate	Director	-
Mr. Francisco Hernanz Manzano	Tecnoartel, S.A.	Real estate	Director	-

According to Article 229 of the Spanish Companies Law there is no conflict of interest.

Detail of investments in companies engaging in a similar activity.

For the purposes of this section, 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 electro medical 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.

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 Grupo Empresarial San José, S.A as defined above.

The information relating to the Group companies, jointly controlled entities and associates of the SANJOSE 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), is summarised in 2011 and 2010 as follows:

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Abalo, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Number of people	Thousands of Euros
Year 2011	
14 Executives	1,760
Year 2010	
14 Executives	1,913

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 2011 year-end up until the reporting date when these consolidated financial statements were prepared, no significant events had taken place.

Appendix I

Consolidated subsidiaries:

Audit	Company Company	Address	Activity	% of voting rights controlled by Parent companies			Thousands of Euros
				Direct	Indirect	Other	Cost of shares
1681 West Avenue, LLC	Not audited	Delaware (USA)	Real estate development	-	100	-	5,225
Alexin XXI, S.L.U.	Not audited	Bilbao (Vizcaya)	Real estate development	-	100	-	3
Sanjose Desarrollos Inmobiliarios, S.A.	Not audited	Valladolid	Real estate development	-	100	-	2,612
Argentimo, S.A.	Pontegrán, S.L.	Buenos Aires (Argentina)	Real estate development	-	100	-	20,932
Arserex, S.A.U.	Pontegrán, S.L.	Madrid	Commercialisation and distribution of sportswear in Spain	-	100	-	2,844
-Asesoramiento y Gestión Integral de Edificios, S.A.U. (AGEINSA).	Not audited	Barcelona	Without activity	-	100	-	74
-Azac, S.A.U.	Not audited	Barcelona	Without activity	-	100	-	13,339
-Trendy King S.A.U.	Not audited	Madrid	Commercialisation and distribution of sportswear in Spain	-	100	-	977
Burgo Fundiarios, S.A.	Deloitte Portugal	Lisbon (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.	Auren	Buenos Aires (Argentina)	Real estate development	-	50.4	49.6	25,393
Cartuja Inmobiliaria, S.A.U.	Pontegrán,	Seville	Construction	-	100	-	3,884
Centro Comercial Panamericano, S.A.	Deloitte	Buenos Aires	Real estate development	-	100	-	10,202

ESTEFANIA CAIVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin (ubis, 5, 1º
 36900 Marín (Pontevedra)
 caivo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

	Argentina	(Argentina)					
CIMSA Argentina, S.A.	Deloitte Argentina	San Luis (Argentina)	Civil works	-	94	6	(764)
Comercial Udra, S.A.U.	Ponteagrán,	Pontevedra	Trade	100	-	-	1,748
Constructora Panameña de Aeropuertos, S.A.	Bustamante y Bustamante	Ciudad de Panama (Panama)	Construction	-	94.8	5.2	121
Constructora San José Argentina, S.A.	Deloitte Argentina	Buenos Aires (Argentina)	Construction	-	100	-	8,141
Constructora San José Argentina, S.A.	Not audited	Salvador de Bahía (Brazil)	Construction and Real estate	-	100	-	245
Constructora San José Cabo Verde, S.A.	Not audited	Cape Verde	Construction	-	100	-	453
Constructora San José, S.A.	Ponteagrán,	Pontevedra	Construction	99.79	-	0.21	92,510
Constructora Udra Limitada	Ponteagrán, S.L.	Lisbon (Portugal)	Complete construction, preservation and repair.	7	52.59	40.41	245
Copaga, S.L.U.	Not audited	Vigo (Pontevedra)	Real estate	-	100	-	2,755
Desarrollos Urbanísticos Udra S.A.U	Not audited	Pontevedra	Real estate development	100	-	-	20,200
Desarrollos Inmobiliarios Makalu	Not audited	-	Real estate development	-	50	-	4,623
Ponteagrán, S.L.	Not audited	Valladolid	Property Commercial Managemet	-	75	25	271
Douro Atlantico Sociedade Imobiliaria, S.A.	Ponteagrán, S.L.	Lisbon (Portugal)	Real estate	-	100	-	16,619
- Douro Atlantico, S.L.U.	Ponteagrán,	Pontevedra	Real estate	-	100	-	3,579
Edificio Avenida da Liberdade.	Deloitte Portugal	Lisbon (Portugal)	Rental services	-	100	-	815
Edificio Duque de Palmela, S.A.	Deloitte Portugal	Lisbon (Portugal)	Rental services	-	100	-	3,750
Edificio Duque de Palmela, S.A.	Deloitte Portugal	Lisbon (Portugal)	Rental services	-	100	-	1,520
- Enerxías Renovables de Galicia, S.A.	Not audited	Pontevedra	Production and commercialisation of electricity through renewable energy.	-	100	-	563
Eraikuntza, Birgaikuntza Artapena, S.L.U.	Ponteagrán,	Vitoria Gasteiz	Construction	-	100	-	435

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Zubo, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Audit	Company	Address	Activity	% of voting rights controlled by Parent companies			Cost of shares
				Direct	Indirect	Other	Thousands of Euros
Eskonel	Not audited	Uruguay	Energy	-	99.99	-	181
Rexa Constructora, S.A.	Deloitte Perú.	Lima (Peru)	Construction	-	75	25	348
Inmobiliaria 2010, S.A.	Deloitte Perú.	Lima (Peru)	Construction and development	-	75	25	1,294
Basket King, S.A.U.	Not audited	Madrid	Commercialisation, manufacturing, distribution, exportation and importation of clothing.	-	100	-	60
Gestión de servicios de la Salud S.L.	Not audited	-	Hospital Services	-	60	-	90
Green Inmuebles S.L.	Pontegrán, S.L.	Valladolid	Rental services	-	75	25	6,560
Green Cines, S.L.	Not audited	Valladolid	Operation of theatre screens	-	75	25	604
Hood Sports, S.A.U.	Not audited	Madrid	Manufacturing, storage and distribution of manufactured goods	-	100	-	60
-Hotel Rey Pelayo, S.L.	Not audited	Gijón (Asturias)	Rental services	-	100	-	7,508
Iniciativas Galebal, S.L.	Not audited	Palma de Mallorca	Real estate development	-	56	44	3
Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U.	Not audited	Pontevedra	Real estate development	-	100	-	60
Inmobiliaria Europea de Desarrollos Urbanísticos, S.A.U.	Not audited	Pontevedra	Real estate development	-	100	-	9,184
Inmobiliaria Sudamericana de Desarrollos Urbanísticos S.A.	Pontegrán, S.L.	Buenos Aires (Argentina)	Real estate development	-	100	-	680
Inmoprado Laguna, S.L.	Not audited	Valladolid	Real estate development	-	100	-	4,950
-Inversiones Patrimonias Guadaiza, S.L.U.	Not audited	Pontevedra	Real estate development	-	100	-	8,905
-Lardea, S.L.	Not audited	Madrid	Real estate development	-	100	-	26,328
Basket King, S.A.U.	Not audited	Madrid	Manufacturing, storage and distribution of manufactured goods	-	100	-	60
Poligeneració Parc de l'Álba, S.A.	Not audited	Barcelona	Construction, start-up and maintenance of facilities.	-	65	-	39
-Parquesol Construcciones, Obras y Mantenimientos, S.L.	Not audited	Valladolid	Without activity	-	97	3	96
Parquesoles Portugal SGPS, S.A.	Deloitte Portugal	Lisbon (Portugal)	Holding company	-	100	-	7,550
Parquesoles Inmobiliaria y Proyectos, S.A.	Deloitte Portugal	Lisbon (Portugal)	Real estate development	-	100	-	3,345
-Poligeneraciones parc de L'Alba	Pontegrán, S.L.	Barcelona	Construction, start-up and maintenance of polygeneration energy systems.	-	76	14	3,644
Pontus Euxinus Tehnologii Renovabile, S.R.L.	Not audited	Bucharest (Romania)	Production and commercialisation of electricity through renewable energy.	-	75	-	8
-Xornal de Galicia, S.A.U.	Not audited	Galicia	Press media	-	92.73	7.27	5,653
-Xornal Galinet, S.A.	Not audited	La Coruña	Press media	100	-	-	1,100
Basket King, S.A.U.	Not audited	Pontevedra	Commercialisation, manufacturing, distribution, exportation and importation of clothing.	-	100	-	1
San José Perú, S.A.C.	Wisbert & Partner	Berlin (Germany)	Construction	-	84	16	435

ESTEFANIA CALVO IGLESIAS
INTERPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Jubio, s. 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
890320705 - 988890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Audit	Company	Address	Activity	% of voting rights controlled by Parent companies			Cost of shares Thousands of Euros
				Direct	Indirect	Other	
-San José Concesiones y Sevicios, S.A.U.	Not audited	Pontevedra	Sanitary and social services	100	-	-	2,446
San Jose Construction Group	Not audited	Washington (USA)	Construction	-	76.5	-	17,509
-San Jose Desarrollos Inmobiliarios, S.A.	Pontegrán,	Pontevedra	Real estate development	98.69	-	-	123,675
San José Perú, S.A.C.	Not audited	Le Hailan (France)	Holding company	-	100	-	982
Sanjose Maroc, S.A.R.L.A.U.	-	Casablanca (Morocco)	Construction	-	100	-	1
San José Perú, S.A.C.	Pontegrán,	Lima (Peru)	Construction	-	100	-	9,075
San Jose India Infrastructure & Construction Private Limited	Not audited	New Delhi India	Development and operation of infrastructure	-	99.99	-	726
San José Real Estate Development, LLC	Not audited	Delaware (USA)	Real estate development	-	100	-	5,207
San José Uruguay, S.A.	Not audited	Colonia Sacramento (Uruguay)	Industry and Trade	-	100	-	10
San Pablo Plaza, S.L.U.	Not audited	Seville	Real estate development	-	100	-	9,124
SCPI Parquesol Rue de la Bienfaisance	Not audited	Paris (France)	Rental services	-	100	-	3,967
Sefri Ingenieros Maroc, S.A.R.L.	Not audited	Morocco	Engineering and facilities	-	75	25	258
Sociedad Concesionaria San José - Tecnocontrol, S.A.	Not audited	Santiago de Chile (Chile)	Concessions of Infrastructure	100	-	-	15,947
Inversiones Sanjosé Chile Limitada	Not audited	Santiago de Chile (Chile)	Property investment	70	-	-	22
Inversiones San Jose Andina Ltda.	Deloitte Chile	Santiago de Chile (Chile)	Property investment	-	100	-	14,969
San Jose Constructora Chile Ltda.	Deloitte Chile	Santiago de Chile (Chile)	Construction	-	100	-	20
SJB Mullroser GMBH	Wisbert & Partner	Berlin (Germany)	Construction	100	-	-	730
-Sofia Hoteles, S.L.U.	Not audited	Valladolid	Management of hotel facilities "Tryp Sofia" i Valladolid	-	100	-	19,130
Sanjose Desarrollos Inmobiliarios, S.A.	Not audited	Seville	Real estate development	-	55	45	6
-Tecnologías Renovables de Aragón, S.A.	Not audited	Zaragoza	Production and commercialisation of electricity through renewable energy.	-	100	-	61
-Tecnologies Renovables de Catalunya, S.A.	Not audited	Barcelona	Production and commercialisation of electricity through renewable energy.	-	100	-	61
Tecnoartel Argentina, S.A.	Deloitte Argentina	Buenos Aires (Argentina)	Maintenance and facilities	-	100	-	23,364
-Tecnoccontrol Instalaciones, S.L.U.	Not audited	Tres Cantos (Madrid)	Public Telephone Networks maintenance and collection	-	100	-	3
-Tecnoccontrol Servicios, S.A.U.	Pontegrán, S.L.	Tres Cantos (Madrid)	Maintenance services	-	100	-	1,668
-Tecnoccontrol Sistemas de Seguridad, S.A.U.	Not audited	Tres Cantos (Madrid)	Maintenance of safety services	-	100	-	120
Top Brands, S.A.	Not audited	Argentina	Trade	-	65	-	195
-Trendy King S.A.U.	Not audited	Madrid	Commercialisation and distribution of sportswear in Spain	-	100	-	1,515
Udra Argentina, S.A.	Deloitte Argentina	Buenos Aires (Argentina)	Real estate	-	90	10	2,265
Udra Medios, S.A.U.	Not audited	Pontevedra	Publishing, making, re-making and advertising of books, newspapers, magazines and any sound and image media.	100	-	-	1,500
-Udramedios Editora de Galicia, S.L.	Not audited	Galicia	Press media	-	-	-	4
Udra México S.A. de C.V.	Not audited	Mexico	Constructora	-	99.99	-	3,688
-Udralar, S.L.U.	Not audited	Tres Cantos (Madrid)	Real estate	-	100	-	3
-Udramar Inmobiliaria, S.L.U.	Not audited	Tres Cantos (Madrid)	Real estate	-	100	-	3
-Udrasol Inmobiliaria, S.L.U.	Not audited	Tres Cantos (Madrid)	Real estate	-	100	-	3
-Udrasol Inmobiliaria, S.L.U.	Not audited	Tres Cantos (Madrid)	Real estate	-	100	-	3
Zivar, Invetimentos Inobiliarios, S.A.	Not audited	Portugal	Real estate	-	52.5	-	2,597
San José Energia y Medio Ambiente, S.A.U.	Not audited		Energy production.	99.99	0.01	-	4,039
-Urbeinasa, S.A.U.	Not audited	Valladolid	Without activity	-	100	-	329

ESTEFANIA CALVO IGLESIAS
 INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Turiso, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 991329709 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Appendix II

Associates accounted for using the equity method

Audit	Audit company	Address	Activity	% of voting rights controlled by Parent companies			Thousands of Euros
				Direct	Indirect	Other	Cost of shares
Pontegrán, S.L.	Pontegrán, S.L.	Madrid	Real estate development	-	45	55	11,509
Corporación San Bernat SCR,SA	Audihispana	Barcelona	Shareholding	-	28	-	4,205
Antigua Rehabitalia, S.A.	Pontegrán, S.L.	Madrid	Real estate development	-	40	60	300
Desarrollo Urbanístico Chamartín, S.A.	Pontegrán, S.L.	Madrid	Real estate development	-	27.5	72.5	20,247
Tecnoartel, S.A.	-	Buenos Aires (Argentina)	Real estate development	-	100	-	-
Panamerican Mall, S.A.	KPMG	Buenos Aires (Argentina)	Real estate development	-	20	80	17,914
Pontegrán, S.L.	-	Valladolid	Without activity	-	67	33	42
Pinar de Villanueva, S.L.	-	Valladolid	Running of small farms and buildings, urbanisation and real estate developments	-	50	50	9,427
Villa del Prado Patrimonio, S.L.	-	Valladolid	Without activity	-	50	50	27
Villa del Prado Gestión, S.L.	-	Valladolid	Without activity	-	50	50	3

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafín Luño, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986690498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Appendix III

1. Consolidated Joint ventures:

Audit	Registered office	Activity	Effective ownership of Of the Parent	Thousands of Euros
				Cost of shares
Desarrollos Inmobiliarios Makalu, S.L. (1)	Madrid	Real estate development	50.00	4,623
Sanjose Desarrollos Inmobiliarios, S.A.	Seville	Real estate development	50.00	5,601
				10,224

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

2. Joint ventures:

Joint ventures	Participation %	Thousands of Euros Certificates Issued/Income (100% JV)	Status
Year 18	25%		In progress
Torrelaguna	50%		In progress
Puente Genil	100%		Pending settlement
Hospital of Jaen	50%	12,285	In progress
Ring road of Vigo	50%	14	In progress
Daimiel	100%		Pending settlement
Hosp Almansa	70%	72	In progress
Headquarters of the Regional Government of Malaga	50%	0	In progress
Toledo	100%		Pending settlement
Cañada Ancha	100%		In progress
Almanjayar	75%	74	In progress
Plaza El Arbol	20%		Pending settlement
Variante Iscar	100%		Pending settlement
A.I. La Coruña	100%		In progress
Chiclana	100%		In progress
Toledo	100%		In progress
San Lucar	100%		In progress
Rivas Oeste	100%		In progress
Airport of Menorca	50%	17	In progress
Can zariquey	100%	1	In progress
Public building "espejo de la participacion"	100%	268	In progress
Prado Museum	50%		In progress
Ciudad de Panama (Panama)	50%		In progress
Children's house	80%		In progress
Jabalón (Manserja)	40%		In progress

ESTEFANÍA CALVO IGLESIAS
 INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Tubio, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Extension of Avenida Alvaro Domecq	100%		In progress
New metro Station Pinar Del Rey	100%		In progress
Becerril	100%		Pending settlement
Avenida De Europa Jerez	100%		In progress
La Granja-Jerez	100%		In progress
C.P Lj Eliana	70%		In progress
Swimming pool Parla	60%		In progress
Ac-301 Padron	100%		In progress
Housing units Alcosa	80%	0	In progress
Building Ciudad Cultura	50%		In progress
Metro Boadilla	30%		In progress
New Sports centre Ciudad Deportiva De Umbrete in Seville	100%	329	In progress
Ccb Mallorca	55%		In progress
Alcorcon	100%	102	In progress
Jarosa El Escorial	100%		Pending settlement
El Puerto	100%	127	In progress
Highway A-50 Salamanca	100%		In progress
Hospital Asturias	43%		In progress
M-40 Pau Las Tablas	50%		In progress
Puerto De La Atunara	80%		Pending settlement
Depuradora Cutar	20%		In progress
O/Ceip Beethoven	20%		Pending settlement
O/ Urbaniz. Barrio San Isidro	100%		In progress
O/ Parque Lineal Rivas	75%		In progress
Escola Bressol	20%		In progress
Csj-El Ejidillo (Fondo Operativo)	60%	14,402	In progress
Highway Encinas Reales Cordoba	70%	18	In progress
Stadium Montcada	20%		Pending settlement
Educational Centre Ceip San Jordi	20%		In progress
Embalse Contreras	50%	511	In progress
Station Ave Zaragoza	55%		In progress
Educational Centre Ceip San Jose Calasanz - Bigastro	60%		In progress
Camara De Comercio	60%		In progress
Health Care centre Lucero in Madrid	70%		In progress
Reforma Bjologicas-Uv	60%		In progress
Industrial engineering	50%	37	In progress
Hospital De Guadix	50%		In progress
Ocaña	70%	54	In progress
Shopping area Airpot of Menorca	50%	40	In progress
School Alameda De Osuna	65%		In progress
Highway Verín-Frontera Portuguesa	50%	18	In progress
Irrigation network Canal Del Páramo Bajo	50%		In progress
Valdebebas Lote 6	50%	32	In progress
Paso Inferior Ifema	50%		In progress
Anillo Norte Estacion Delicias	63%		In progress
Hospital De Guadix	45%		In progress
Ronda Suroeste Toledo	50%	2,255	In progress
Arroyo De La Vega Ampliacion Edar	50%		In progress

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Proyecto Y Obras De La Edar Aranjuez Norte	50%		In progress
El Tejar	70%		In progress
Csj-Obremo	67%		In progress
Nuevo Parque de Bomberos Mallorca, S.A.	51%		In progress
University School of Teachers	80%		In progress
Mieres	60%	2	In progress
Ensanche Barajas	50%		In progress
Vall Nuria	20%		In progress
Vilanova	20%		In progress
Etsi Universidad Valencia	80%	7,612	In progress
Hotel Colon Sevilla	70%	9	In progress
San Jose El Ejidillo E	60%	75	In progress
San Jose El Ejidillo E	60%	109	In progress
Nave Ind.Vicalvaro	60%		In progress
Hospital Gandia	70%	41	In progress
Fase Ii H.Juan Canalejo La Coruña	50%	2	In progress
Palacio Justicia Paterna	60%	8,716	In progress
Jardineria Ifema	60%	278	In progress
Parque Fuensanta	60%		In progress
Zonas Verdes Ferrol	60%	1,088	In progress
Ajardinamiento Y Mejora Elup De Calles Juan Vera	60%		In progress
Vpo La Torre Valencia	50%		Pending settlement
Castell De Castells	70%		In progress
Csj-Guamar Malaga	70%	2,412	In progress
Rehabilitacion Poboado Mineiro Fontao	80%	961	In progress
Casco Historico Cartagena	60%		In progress
San Jose El Ejidillo E	70%		In progress
Depuradora Cutar	20%		In progress
Hosp.Verge Cinta	20%		In progress
Drinkiable water treatment system Villanubla	20%		In progress
Vall Nuria	20%		In progress
Vilanova	20%		In progress
Football pitch Ciudad Jardin (Malaga)	75%		In progress
Airport lighting system	20%		In progress
Santa Maria De La Isla	20%		In progress
New drainage network Teruel	20%		In progress
Drinkiable water treatment system Villanubla	20%		In progress
Coveta Fuma	20%		In progress
Captacion Bombeo Cubillo De Butron	20%		In progress
Supply network Fuensaldaña	20%		In progress
Legionelosis protection	20%		In progress
Almuradiel	20%		In progress
Drainage system in Kareaga Goikoa	20%		In progress
Rain drainage water Ronda Parque	20%		In progress
Ciudad De La Luz - Alicante	20%		In progress
Ciudad De La Luz - Alicante	20%		In progress
Lagunilla En curso s	70%		In progress
Tecno-Cimsa Alumbrado Camino Carmen	20%		In progress

ESTEFANÍA CALVO IGLESIAS
 INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Rubio, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890468

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Construccion De Un Centro Ludico-Acuatico En Montecerrao	50%		In progress
Arcade Pontecaldelas Cimsa	50%		In progress
Son Tous - Tecnocontrol Cimsa	20%		In progress
Facultad De Ciencias (Puerto Real)	50%	4,224	Settled
Radiotherapy H.Virgen Del Rocio	50%	784	In progress
Multi-purpose building Telde	60%		In progress
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%	14	In progress
Tercia Baena	20%		Pending deregistration
Barrio Bajo	80%	0	In progress
Tarongers	80%		Pending settlement
Cimsa-Ploder "Velilla"	50%		In progress
Hospital Cruz Roja	20%		Pending settlement
Cejoysa	60%		In progress
Pasarela Puente de los Franceses	50%	595	In progress
Viviendas Dehesa Vieja	50%	0	In progress
Paseo Marítimo Algeciras	70%	724	In progress
Clinic IMQ Bilbao	40%	33,963	In progress
El Ejidillo Plaza Castilla	60%	129	In progress
Miamán Ponte Ambia	70%	16,817	In progress
Ejidillo Las Rozas	60%	77	In progress
Extension work terminal building airport of Vigo	50%	13,174	In progress
Ejidillo Valladolid	60%	1,475	In progress
Edificio Aeronautic Suppliers Village	80%		In progress
Kultur Etxea Hondarribia	20%	3,613	In progress
Guardería Pabellón Deportivo	75%	1,528	In progress
Hospital Albacete	38%	198	In progress
Earthworks Ikea	55%	2,388	In progress
Etap Monforte de Lemos	50%	212	In progress
Villanueva de la Cañada, Madrid	50%	889	In progress
Electrical power station AE Santiago	60%	12,738	In progress
Desaldora el Mojón	25%	-115	In progress
Cerdañola Vallés	95%	149	In progress
Cabildo Insular	50%	259	In progress
Inhuca	35%	5,995	In progress
Earthworks Ikea	55%	383	In progress
Iberdrola Corporate Tower	30%	4,055	In progress
Edificio Binter canarias	45%	2,152	In progress
200 housing units	50%	3,010	In progress
Variante pajares - lote sur	60%	14,994	In progress
Consultorio cruz roja bilbao	25%	668	In progress
Hospital Cruz Roja	80%	-	Pending settlement
Barañáin	50%	-	Pending settlement
Casa de la Cultura de Hondarribia	80%	2,234	In progress

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafin Turp, 5. 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 990320708 - 988690498

Translation into English of consolidated financial statements for the year ended 31 December 2011 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Clinic IMQ Bilbao	60%	28,998	In progress
Consultorio cruz roja bilbao	75%	668	In progress
Estación autobuses Vitoria	60%	-	In progress
Estero	25%		Deregistration
Baeza	55%		Pending deregistration
Tercia Baena	80%		Pending deregistration
Casa De Niños Quijoma	20%		Pending deregistration
Seville	20%		Pending deregistration
Redes Tic	20%		Pending deregistration
Hospital Valle Del Guadiato	60%		In progress
Casco Historico Cartagena	20%		In progress
Hospital Valle De Los Pedroches	60%		In progress
Hospital De Guadix	50%		Pending deregistration
Restoration theatre San Fernando	80%		In progress
Restoration Poboado Mineiro Fontao	20%	961	In progress
Facultad De Ciencias (Puerto Real)	50%	4,224	In progress
Edificio Aeronautic Suppliers Village	80%	3,875	In progress
200 housing units Amate	50%	3,001	In progress
Recycling plant Colmenar	50%	-	In progress
Football pitch la Vinyassa	52%	-	In progress
University of Alicante	80%	-	In progress
Clima Terminal Sud	50%	1,749	In progress
Redes telefonía y datos, Ministerio del Interior	80%	-	In progress
Operation and maintenance of safety systems of Barajas Airport	50%	-	In progress

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/ Serafin Tello, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

Grupo Empresarial San José, S.A. and subsidiaries

Average exchange rate for 2011

1. Business performance and situation of the Group

1.1 Market performance

The macroeconomic environment in which Spain has moved in the year 2011 has continued presenting the serious difficulties which had already revealed in previous exercises. Far from to note the existence of a much-needed improvement in our economy, the problems of other years have followed showing persistent way, even with a worsening of some of the major variables in the second half of the year, which puts us before a possible new recession in 2012.

GDP closed 2011 with an increase of + 0.7% over the previous year (INE), although it must be taken into account that the quarter of the last two periods of the year, was zero in Q3, and negative in a - 0.3% in the 4T11 (INE). The CPI has been slowing its growth throughout the year, closing the year at + 2.4% (INE). Again, as it was already the case in the previous financial year, our economy faces this situation, moreover, with a high rate of unemployment dramatically (22.9 per cent of the active population, according to the EPA) that generates greater tensions public accounts and doubts about the future behaviour of economic agents. This situation influences negatively with special intensity in the two main areas of activity of the Group: construction and real estate.

On the other hand, the situation in international financial markets has been of great uncertainty and profound imbalances. The year 2011 has been characterized by the existence of many moments in which tensions to put the sovereign debt of various countries (including Spain) have been frequent, forcing international support measures, changes of Government in different Nations and frequent punishment by the best-known agencies of "rating" to various public debt emissions. Not been few cases in which it has been speculated with possible defaults in some countries of the EU.

Everything joined, at end of year, confirmation by the new Government, out of the general election of November, a deficit of public accounts of all administrations higher than expected according to previous official forecasts, which has led the implementation of an emergency plan that combines a reduction of public spending with a significant increase in direct tax taxation applicable already from the beginning of 2012. Together with these measures have been launched reforms of the labour and financial markets found at different times to date with regard to the parliamentary procedure.

All of the above puts Spain at the end of 2011 in a point of stoppage of national economic activity, with a level of unemployment that impairs our economy hard, and the inevitable need to undertake reforms of draught to start a path of improvement. All this in an international situation of instability in financial markets.

Grupo SANJOSE has been especially affected by the complex economic environment in which the Spanish market (which is still the main scope of the company), has moved where the virulence of the crisis manifests itself with greater intensity in the sectors of construction and real estate. The maximization of profitability and geographic diversification of business are measures addressed to minimize the impact suffered in Spain.

1.2 Evolution of the construction sector in year 2011

Construction activity remains to be the main business division of the Group, both in revenue (85% net turnover at 2011 year-end and EUR 640.9 million) and EBITDA, amounting to EUR 53.9 million.

Far from improving the trend of previous years, bidding in Spain by all government fell by -47.5% over the previous year (report prepared by SEOPAN to December). This sharp contraction of the award of public works, joins the virtual paralysis of the housing market and credit constraints, which do not favour the establishment of private initiatives.

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Tullio, 5 - 1º
36900 Marín (Monteviedra)
calvo.estefania@gmail.com
690320705 - 986890498

Two are the main measures developed by the Group:

- a) On the one hand, geographical diversification. Consequently, the Group has increased its participation in international tenders, being awarded significant projects such as the Jaipur ring road (India), or starting and strengthening projects such as the hospitals under concession regime in Chile, two leisure centres in Cape Verde and an urban development in Peru, among others.
- b) On the other hand, Grupo SANJOSE focuses on controlling profitability and efficiency of executed projects what has led to an improvement of the EBITDA ratio in +1.5pp reaching 8.4%.

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 2006 onwards.

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 year-end totalled just over EUR 350 million

Profit/(loss): Net revenue amounted to EUR 752 million, a decrease of -11.4%. 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. The good performance of profit margins should be noted, highlighting 11.2% positive EBITDA margin, slightly above the 8.0% recorded in the previous year.

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 (sale and leasing), concessions (maintenance and services under concession regime, such as the hospitals in Chile) and energy.

Regarding geographical distribution of the Group, together with Spain (main business market), main international markets in year 2011 were Portugal, Chile, India, Cape Verde, Argentina and Peru, among other. Tender purposes of the group have extended to other countries, where interesting business opportunities have been studied.

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.

ESTEFANIA CALVO IGLESIAS
INTÉRPRETE JURADA INGLÉS-ESPAÑOL
C/Serafin Tubo, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
890320705 - 886690498

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 year 2012

Construction: to maintain the process of geographical diversification at national and international level and continuing seeking cost structure efficiency. 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.

In this regard, the construction division maintains a backlog still to be executed of EUR 886 million, consisting mainly of non-residential building construction and civil engineering projects, 48% and 36%, respectively. 64% of this total figure refers to public-sector customers.

Real estate: Grupo SANJOSE focuses on efficient equity management, increasing occupation rates and improving the use of existing resources. Sales of concluding property developments shall be executed in a difficult market, as well as the successful delivery scheme of Parques de La Huaca.

Energy: high level of international and national tender. Optimisation of resources and consolidation of activities started in year 2011.

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.

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.

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Tubo, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
890320709 - 986890498

2. Events occurred after balance sheet date

Since 2011 year-end up until the date when these consolidated financial statements were prepared, no significant events have taken place.

3. Future outlook

Year 2011 has been characterised by severe macroeconomic difficulties in major markets, where the Grupo SANJOSE operates, which have been expressed with particular strength in the construction and real estate sectors by resulting in a reduced volume of business managed by the company .

The adjustment measures of government deficit and the recent reforms of labour and financial markets should help the growth of our economy, but it is likely that said effects shall not be reflected immediately, at least, not in the first half of 2012. As noted by many analysts, first half of year 2012 will be similar to 2011, allowing a possible slight improvement in the second half of the year provided measures taken by national and international governments and relevant agencies to achieve such desired effect and financial markets somewhat relax international tension accumulated in recent years.

Consolidation of different associates in all sectors of activity, the high level of tenders cut off and current portfolio indicates that turnover values for year 2012 shall remain similar to those of 2011.

4. Research and development:

Grupo SANJOSE aware of the importance of research and development and innovation actives for business competitiveness and success of the Group, has developed several projects in year 2011 which shall allows the provision of innovative solutions for customers' requirements.

In order to facilitate the detection of opportunities, generating innovative ideas and the development of R&D activities, a R&D Management System following the guidelines set out in the standard UNE 166002 and having obtained the AENOR recognition through certification in the following companies has been implemented:

Company	Type of Certificate	Certificate #
Constructora San José, S.A.	R+D expenses	IDI-0056/2010
San José Energía y Medio Ambiente, S.A.U.	R+D expenses	IDI-0055/2010

R&D activity currently focuses on enhancing the generation of ideas and the development of projects in the technology areas of interest for the group, highlighting technology applicable to building and civil works, renewable energy and energy efficiency, new materials and construction processes, development of tools for the improvement in the provision of maintenance and services.

5. Treasury shares transactions:

Grupo SANJOSE did not have treasury shares in 2011 and 2010.

ESTEFANÍA CALVO IGLESIAS
INTERPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Turiso, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
699329795 - 986890498

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.

ESTEFANIA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafin Tubio, 5, 1º
38900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890488

Appendix I to the Directors' Report
ANNUAL CORPORATE GOVERNANCE REPORT

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafín Rubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

PARTICULARS OF ISSUER

END OF FISCAL YEAR: 31/12/2011

C.I.F.: A-36046993

Company name: GRUPO EMPRESARIAL SAN JOSE, S.A.

ESTEFANIA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Sebastián Tubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

MODEL OF ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED 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.

A – OWNERSHIP STRUCTURE

A.1 Complete the following table on the Company's capital:

Date of last change	Capital (€)	Number of shares	Number of voting rights
27/06/2008	1,950,782.49	65,026,083	65,026,083

State whether there are multiple classes of shares with different related rights:

NO

A.2 List the direct and indirect owners of significant holdings in the Company at year-end, excluding Directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Ms JULIA AVALOS PÉREZ	8,210,673	0	12.627
Ms MARIA JOSÉ SÁNCHEZ ÁVALOS	0	3,816,530	5.869
CAJA DE AHORROS DE ASTURIAS	0	3,605,830	5.545

--	--	--	--

Name of indirect shareholder	Trough: Name of shareholder	Number of direct voting rights	% of total voting rights
Ms MARIA JOSÉ SÁNCHEZ ÁVALOS	VALJOYVAL HOLDING ESPAÑA, S.L.	3,816,530	5.869
BANCO CAJA CASTILLA-LA MANCHA	BANCO CAJA CASTILLA-LA MANCHA	2,678,930	4.120

Indicate the most significant movements in the shareholder structure during the year:

A.3 Complete the following tables on the members of the Company's Board of Directors who own Company shares:

Name of Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Mr. JACINTO REY GONZALEZ	16,224,994	15,176,795	48.291
Mr. JACINTO REY LAREDO	213,140	0	0.328
Mr. MIGUEL ZORITA LEES	30,205	0	0.046
Mr. RAMON BARRAL ANDRADE	347,200	0	0.534
Mr. ROBERTO ALVAREZ ALVAREZ	13,000	0	0.020
Mr. SANTIAGO MARTINEZ CARBALLAL	119,160	0	0.183

Name of indirect shareholder	Trough: Name of shareholder	Number of direct voting rights	% of total voting rights
MR JACINTO REY GONZÁLEZ	PINOS ALTOS XR, S.L.	11,279,513	17.346
MR JACINTO REY GONZÁLEZ	PINOS ALTOS INVERSIONES, S.L.U.	3,614,088	5.558
MR JACINTO REY GONZÁLEZ	UDRA VALOR, S.A.	283,194	0.436

% total of voting rights in possession of the Board of Directors	49.402
------------------------------------------------------------------	--------

Complete the following tables on the members of the Company's Board of Directors who hold Company share options:

A.4 Give details of any relationships of a family, commercial, contractual or corporate nature existing between the owners of significant holdings, insofar as they are known to the Company, unless they have scant relevance or arise from the ordinary course of business:

Type of relationship :

Familiar

Brief description:

First degree relative with Maria José Sánchez Ávalos (mother and daughter)

Name of related parties
Ms JULIA AVALOS PÉREZ

Type of relationship :

Familiar

Brief description:

First degree relative with Julia Avalos (daughter and mother)

Name of related parties
Ms MARIA JOSÉ SÁNCHEZ ÁVALOS

A.5 Give details of any relationships of a commercial, contractual or corporate nature existing between the owners of significant holdings and the Company, unless they have scant relevance or arise from the ordinary course of business:

A.6: Indicate whether any side agreements affecting the Company have been disclosed to the Company as provided in Article 112 of the Securities Market Law. If so, provide a brief description and list the shareholders bound by the agreement:

NO

Indicate whether there are any concerted actions. If applicable, provide a brief description of the same:

ESTEFANIA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafín Padro, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
6390320708 - 986890498

NO

In the event of having recorded a breach of agreement or concerted actions during the year, please provide details:

Not applicable

A.7 Indicate whether there is any individual or legal entity that exercises or may exercise control over the Company, in accordance with Article 4 of the Securities Market Law:

YES

Name
Mr. JACINTO REY GONZÁLEZ

Comments
48.291 % share capital

A.8 Complete the following tables on the Company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	% total share capital
0	0	0.000

(*) Through:

Total	0
-------	---

Give details of any significant variations during the year, in accordance with Royal Decree 1362/2007:

--	--

Gains / (Losses) from treasury shares sold during the period (€)	0
------------------------------------------------------------------	---

A.9 State the conditions and term of the current authority conferred by the Shareholders' Meeting on the Board of Directors for acquisitions or transfers of treasury stock:

Shareholders at the 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, as appropriate, any statutory or bylaw restrictions on the exercise of voting rights, and any statutory restrictions on the acquisition or transfer of holdings in the capital:

NO

Maximum percentage of voting rights that can be exercised by a shareholder due to legal restriction	0
-----------------------------------------------------------------------------------------------------	---

State whether there are statutory restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights that can be exercised by a shareholder due restriction in the bylaws	0
----------------------------------------------------------------------------------------------------------	---

--	--

Indicate whether there are statutory restrictions on the acquisition or transfer of holdings in the capital:

NO

A.11 Indicate whether the Shareholders' Meeting has resolved to adopt countermeasures in the event of a tender offer pursuant to the provisions of Law 6/2007.

NO

If so, explain the measures approved and the circumstances in which the restrictions would be ineffective.

B - MANAGEMENT STRUCTURE OF THE COMPANY

B.1 Board of Directors

B.1.1 Give details of the maximum and minimum number of Directors provided for in the Corporate Bylaws:

Maximum number of Directors	15
Minimum number of Directors	5

B.1.2 Complete the following table indicating the particulars of the Board members:

Name of Director	Representative	Position on the board	Date of first appointment	Date of last appointment	Appointment procedure
Mr JACINTO REY GONZÁLEZ	-	CHAIRMAN CEO	18/08/1987	30/06/2009	Shareholders' meeting
Mr JACINTO REY LAREDO	-	DEPUTY-CHAIRMAN	30/10/2006	30/06/2009	Shareholders' meeting

Name of Director	Representative	Position on the board	Date of first appointment	Date of last appointment	Appointment procedure
MR MIGUEL ZORITA LEES	-	CEO	27/06/2008	30/06/2009	COOPTACIÓN
MR ALFONSO PAZ ANDRADE RODRIGUEZ	-	MEMBER	27/06/2011	27/06/2011	Shareholders' meeting
Ms ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	-	MEMBER	27/06/2008	30/06/2009	Shareholders' meeting
MR FRANCIS LEPOUTRE	-	MEMBER	27/06/2008	30/06/2009	Shareholders' meeting
MR FRANCISCO HERNANZ MANZANO	-	MEMBER	27/06/2008	30/06/2009	Shareholders' meeting
MR JOSE MANUEL OTERO NOVAS	-	MEMBER	27/06/2011	27/06/2011	Shareholders' meeting
MR JUAN EMILIO IRANZO MARTÍN	-	MEMBER	11/11/2010	11/11/2010	COOPTACIÓN
MR RAMÓN BARRAL ANDRADE	-	MEMBER	30/06/2009	30/06/2009	Shareholders' meeting
MR ROBERTO ÁLVAREZ ÁLVAREZ	-	MEMBER	27/06/2008	30/06/2009	Shareholders' meeting
MR SANTIAGO MARTÍNEZ CARBALLAL	-	MEMBER	30/06/2009	30/06/2009	Shareholders' meeting

Total number of Directors	12
---------------------------	----

Indicate any Board members who vacated their office during the year:

B.1.3 Complete the following tables on the Board members and their status:

EXECUTIVE DIRECTORS

Name of Director	Nominated by	Position in Company organisation chart
MR JACINTO REY GONZÁLEZ	APPOINTMENTS AND COMPENSATION COMMITTEE	CHAIRMAN AND CEO
MR JACINTO REY LAREDO	APPOINTMENTS AND COMPENSATION COMMITTEE	DEPUTY-CHAIRMAN
MR MIGUEL ZORITA LEES	APPOINTMENTS AND COMPENSATION COMMITTEE	CEO
MR SANTIAGO MARTÍNEZ CARBALLAL	APPOINTMENTS AND COMPENSATION COMMITTEE	DIRECTOR-GENERAL OF FINANCE

Total number of Executive Directors	4
% Total of Board	33.333

EXTERNAL NOMINEE DIRECTORS

Name of Director	Nominated by	Name of significant shareholder represented or that nominated the Director
MR JACINTO REY GONZÁLEZ	APPOINTMENTS AND COMPENSATION COMMITTEE	JACINTO REY GONZÁLEZ
MR JACINTO REY LAREDO	APPOINTMENTS AND COMPENSATION COMMITTEE	JACINTO REY GONZÁLEZ

Total number of Nominee	2
% Total of Board	16.667

EXTERNAL INDEPENDENT DIRECTORS

Name of Director
MR ALFONSO PAZ-ANDRADE RODRIGUEZ
Profile
LAWYER

Nombre o denominación del Member
MR JUAN EMILIO IRANZO MARTÍN
Profile
ECONOMIST

Nombre o denominación del Member
MR RAMÓN BARRAL ANDRADE
Profile
ECONOMIST

Nombre o denominación del Member
MR ROBERTO ÁLVAREZ ÁLVAREZ
Profile
ECONOMIST

Total number of Independent Directors	4
% Total of Board	33.333

OTHER EXTERNAL DIRECTORS

Name of Director	Nominated by
MS ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	APPOINTMENTS AND COMPENSATION COMMITTEE
MR FRANCIS LEPOUTRE	APPOINTMENTS AND COMPENSATION COMMITTEE
MR FRANCISCO HERNANZ	APPOINTMENTS AND COMPENSATION COMMITTEE
MR JOSE MANUEL OTERO NOVAS	APPOINTMENTS AND COMPENSATION COMMITTEE

Total number of External Directors	4
% Total of Board	33.333

Give details of the reasons why they cannot be considered Nominee or Independent Directors and their relationships, either with the Company or its executives, or with Company shareholders.

Name of Director

MR FRANCIS LEPOUTRE

Company, executive or shareholder with which the relationship is held

MR -

Reasons

He has been a representative of Grupo Empresarial San José, S.A, Member Dominical de Parquesol Inmobiliaria y Proyectos, S.A

Name of Director

MR FRANCISCO HERNANZ MANZANO

Company, executive or shareholder with which the relationship is held

BANCO CAJA CASTILLA-LA MANCHA

Reasons

He has linked to the above mentioned entity, which hold an important ownership interest in the company.

Name of Director

MR JOSE MANUEL OTERO NOVAS

Company, executive or shareholder with which the relationship is held

MR -

Reasons

He has hold a long-term relationship with the Group. He has been appointed Non Director Secretary of Grupo Empresarial San José, S.A. and Constructora San José, S.A. Currently he has been appointed Non Director Secretary of Sanjose Energía y Medio Ambiente, S.A.U. and Enerxías Renovables de Galicia, S.A

Name of Director

MS ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ

Company, executive or shareholder with which the relationship is held

CONSTRUCTORA SAN JOSE, S.A.

Reasons

He has been a representative of Constructora San José, S.A, Member Dominical de Parquesol Inmobiliaria y Proyectos, S.A.

Indicate any variations in the status of each director that may have occurred during the year:

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%.

Indicate whether any formal requests for presence on the Board have not been honored from shareholders whose shareholdings are greater than or equal to those of others upon whose request Nominee Directors have been appointed. Explain, where applicable, why the requests have not been honored.

NO

B.1.5 State whether any Director has resigned his position before the end of his term of office, whether that Director explained his reasons to the Board and, if so, in what way, and, where he did so in writing to the entire Board, explain at least the reasons given by that Director:

NO

B.1.6 Indicate what powers, if any, have been delegated to the Managing Director(s):

Name of Director

MR JACINTO REY GONZÁLEZ

Brief description

ALL OF THE POWERS FALLING TO THE BOARD OF DIRECTORS, EXCEPT THOSE THAT CANNOT BE DELEGATED IN ACCORDANCE WITH THE LAW

Name of Director

MR MIGUEL ZORITA LEES

Brief description

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, which members of the Board hold office as Directors or executives at other companies forming part of the listed Company's Group:

Name of Director	Name of Group Entity	Position
MR JACINTO REY GONZÁLEZ	CARLOS CASADO. S.A.	MEMBER
MR JACINTO REY GONZÁLEZ	CENTRO COMERCIAL PANAMERICANO.S.A	CHAIRMAN
MR JACINTO REY GONZÁLEZ	CIMSA ARGENTINA	CHAIRMAN
MR JACINTO REY GONZÁLEZ	CONSTRUCTORA SAN JOSÉ ARGENTINA. S.A	CHAIRMAN
MR JACINTO REY GONZÁLEZ	DESARROLLOS URBANÍSTICOS UDRA. S.A.U.	SOLE DIRECTOR
MR JACINTO REY GONZÁLEZ	INMOBILIARIA 2010. S.A	CHAIRMAN
MR JACINTO REY GONZÁLEZ	INMOBILIARIA AMERICANA DE DESARROLLOS URBANÍSTICOS. S.A.U.	SOLE DIRECTOR
MR JACINTO REY GONZÁLEZ	INMOBILIARIA EUROPEA DE DESARROLLOS URBANÍSTICOS. S.A.U.	SOLE DIRECTOR
MR JACINTO REY GONZÁLEZ	INMOBILIARIA SUDAMERICANA DE DESARROLLOS URBANÍSTICOS. S.A	CHAIRMAN
MR JACINTO REY GONZÁLEZ	REXA CONSTRUCTORA. S.A	CHAIRMAN

Name of Director	Name of Group Entity	Position
MR JACINTO REY GONZÁLEZ	SAN JOSE INDIA INFRASTRUCTURE & CONSTRUCTION PRIVATE LIMITED	CHAIRMAN
MR JACINTO REY GONZÁLEZ	SAN JOSE PERU SAC	CHAIRMAN
MR JACINTO REY GONZÁLEZ	SAN JOSÉ CONCESIONES Y SERVICIOS. S.A.U.	SOLE DIRECTOR
MR JACINTO REY GONZÁLEZ	UDRA ARGENTINA	CHAIRMAN
MR JACINTO REY GONZÁLEZ	UDRA MEXICO. S.A. DE CV	SOLE DIRECTOR
MR JACINTO REY LAREDO	CONSTRUCTORA SAN JOSE CABO VERDE. S.A.	MEMBER
MR JACINTO REY LAREDO	CONSTRUCTORA SAN JOSE. S.A.	CHAIRMAN AND CEO
MR JACINTO REY LAREDO	CONSTRUCTORA UDRA LTDA.	SOLE DIRECTOR
MR JACINTO REY LAREDO	SAN JOSE BAU GMBH	MEMBER
MR JACINTO REY LAREDO	SAN JOSE CONSTRUCTION GROUP INC	CHAIRMAN
MR JACINTO REY LAREDO	SAN JOSE FRANCE. S.A.	SOLE DIRECTOR
MR JACINTO REY LAREDO	SJB MULLROSER BAUGESELLSCHAFT MBH	SOLE DIRECTOR
MR JACINTO REY LAREDO	UDRA LIMITADA	SOLE DIRECTOR
MR SANTIAGO MARTÍNEZ CARBALLAL	CADENA DE TIENDAS. S.A.U.	SOLE DIRECTOR
MR SANTIAGO MARTÍNEZ CARBALLAL	COMERCIAL UDRA. S.A.U.	MEMBER
MR SANTIAGO MARTÍNEZ CARBALLAL	CONSTRUCTORA SAN JOSE. S.A.	MEMBER
MR SANTIAGO MARTÍNEZ CARBALLAL	SAN JOSE DESARROLLOS INMOBILIARIOS. S.A.	MEMBER
MR SANTIAGO MARTÍNEZ CARBALLAL	SANJOSE ENERGÍA Y MEDIO AMBIENTE. S.A.	MEMBER

B.1.8 Give details, as appropriate, of any Company Directors who are members of the boards of directors of other entities outside the Group that are listed on official securities markets in Spain, as disclosed to the Company:

ESTEFANÍA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafín Rubio, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320705 - 986890498

B.1.9 Indicate and explain, as appropriate, whether the Company has established rules on the number of Committees of which its Directors may be members:

NO

B.1.10 Regarding Recommendation 8 of the Unified Code, state the general policies and strategies of the Company reserved for approval to the plenary session of the Board:

Investment and financing policy	YES
Definition of the structure of the corporate group	YES
Corporate governance policy	YES
Corporate social responsibility policy	YES
The strategic or business plan, as well as annual management objectives and budget.	YES
Policy regarding compensation and performance evaluation of senior executives	YES
Risk control and management policy, as well as periodic monitoring of internal reporting and control systems	YES
Dividend and treasury stock policy and, in particular, their limits	YES

B.1.11 Complete the following tables on the aggregate compensation of Directors during the year:

a) At the Company to which this report relates:

Compensation item	Thousands of Euros
Fixed compensation	1,375
Variable compensation	1,125
Attendance fees	122
Bylaw-stipulated fees	110
Stock options and/or other financial instruments	0

ESTEFANIA CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Serafín Tebio, 5, 1º
 36900 Marín (Pontevedra)
 caivo.estefania@gmail.com
 690320705 - 966890498

Compensation item	Thousands of Euros
Other	0

Total	2,732
-------	-------

Other Benefits	Thousands of Euros
Advances	0
Loans granted	0
Pension funds and plans: contributions	0
Pension funds and plans: agreed obligations	0
Life insurance premiums	0
Guarantees provided by the Company for Directors	0

b) Due to membership of the Company's Directors of other boards of directors and/or senior management of Group companies:

Compensation item	Thousands of Euros
Fixed compensation	0
Variable compensation	0
Attendance fees	147
Bylaw-stipulated fees	0
Stock options and/or other financial instruments	0
Other	0

Total	147
-------	-----

Other Benefits	Thousands of Euros
Advances	0
Loans granted	0

Other Benefits	Thousands of Euros
Pension funds and plans: contributions	0
Pension funds and plans: agreed obligations	0
Life insurance premiums	0
Guarantees provided by the Company for Directors	0

c) Total compensation by type of Director:

Type of Director	By Company	By Group
Executive Directors	2,580	0
External Nominee	0	0
External Independent	68	0
Other External	84	147
Total	2,732	147

d) With respect to income attributed to the parent company:

Total Directors' compensation (thousands of Euros)	2,734
Total Directors' compensation / Income allocated to parent company (as a %)	7.9

B.1.12 Identify the members of senior management who are not, in turn, Executive Directors, and indicate the total compensation paid to them during the year:

Name of Director	Position
MS CRISTINA GONZÁLEZ LÓPEZ	TAX DIRECTOR
MR JAVIER ALONSO LÓPEZ	CEO SANJOSE DESARROLLOS INMOBILIARIOS,S.A
MR IGNACIO ALONSO LOPEZ	DIRECTOR-GENERAL COMERCIAL UDRA

ESTEFANI CALVO IGLESIAS
 INTÉRPRETE JURADO INGLÉS-ESPAÑOL
 C/Seppim Tubio, 5, 1º
 36900 Marín (Pontevedra)
 calvo.estefania@gmail.com
 690320706 - 986660498

Name of Director	Position
MR VALERIANO GARCÍA GARCÍA	CEO CONSTRUCTORA SAN JOSÉ
MR JOSÉ MARÍA REBOLLO OLLETA	DIRECTOR GENERAL EDIFICACIÓN CONSTRUCTORA SAN JOSE
MR DAVID RODRIGUEZ BARCALA	CHAIRMAN SANJOSE DESARROLLOS INMOBILIARIOS, S.A.
MR FRANCISCO FERNÁNDEZ FERNÁNDEZ	DIRECTOR RELATED COMPANIES
MR ANTONIO MOURE FIGUEIRAS	LEGAL DIRECTOR GENERAL
MR JUAN ARESES VIDAL	DIRECTOR GENERAL CIVIL WORKS AND PROCUREMENT SAN JOSE
MS ESTELA AMADOR BARCIELA	DIRECTORA GENERAL OF HRRR RR.HH., CALIDAD, MA Y COMUNICACIÓN
MR GUILLERMO BRIONES GODINO	CHAIRMAN SANJOSE ENERGÍA Y MEDIO AMBIENTE,S.A.
MR JEAN CLAUDE CURELL COSTANZO	DIRECTOR INTERNACIONAL INDIA
MS LOURDES FREIRÍA BARREIRO	DIRECTORA GENERAL DE SEGUROS Y RIESGOS
MR PEDRO ALLER ROMÁN	DIRECTOR INTERNACIONAL ÁFRICA

Total senior management compensation (thousands of Euros)	1,760
-----------------------------------------------------------	-------

B.1.13 Identify, in aggregate terms, whether there are any safeguard or golden parachute clauses for members of senior management, including the Executive Directors of the Company or of its Group, in the event of dismissal or changes in control. Indicate whether these contracts have to be disclosed to and/or approved by the bodies of the Company or of its Group

Number of beneficiaries	0
-------------------------	---

	Board of Directors	Shareholders' Meeting

Body authorizing the clauses	NO	NO
------------------------------	----	----

Is the Shareholders' Meeting informed of the clauses?	NO
-------------------------------------------------------	----

B.1.14 Indicate the process for establishing the compensation of the members of the Board and the relevant Bylaw provisions.

Process for establishing the compensation of Board members and Bylaw clauses
<p>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.</p> <p>Article 25 – Compensation of Board of Directors ' Members</p> <ol style="list-style-type: none"> 1. Members of the board of Directors will receive remuneration, determined by the General Meeting according to the established remuneration levels and consisted of: (I) a fixed remuneration; and (II) attendance fees. 2.The Annual General Meeting will establish annual remuneration for Directors. The Board will establish the individual Remuneration levels for the various Directors. 3.Remuneration for the one of several Directors may consist of delivery of shares or share options established by the company by prior approval at the Shareholders General Meeting. 4.Independently from the previous: variable remuneration (according to business goals and personal performance); compensations; social benefits,; insurance; and accrued remuneration. 5. In any event, Board Member remuneration will always fall within the limits established by legislation in force at any given moment.

Indicate whether approval of the following decisions is reserved to the plenary session of the Board.

At the proposal of the Company's Chief Executive, the appointment and removal of senior executives and their indemnification clauses.	YES
Directors' compensation and, in the case of Executive Directors, the additional consideration for their executive functions and other contractual conditions that must be observed.	YES

B.1.15 Indicate whether the Board of Directors approves a detailed compensation policy and specify the matters addressed by it:

YES

The amount of the fixed compensation items, broken down, where necessary, into attendance fees for Board and Board Committee meetings, and an estimate of the fixed annual compensation to which they give rise.	YES
Variable compensation items.	YES
The principal characteristics of corporate welfare systems, with an estimate of their amount or equivalent annual cost.	NO
Conditions to be respected in the contracts of those individuals exercising senior management functions as Executive Directors	NO

B.1.16 Indicate whether the Board submits a report on the Directors' compensation policy to the advisory vote of the Shareholders' Meeting, as a separate item on the agenda. As appropriate, explain the aspects of the report on the compensation policy approved by the Board for future years, the most significant changes in that policy by comparison with the policy applied during the year, and an overall summary of how the compensation policy was applied during the year. Describe the role of the Compensation Committee and, where external advisers have been used, identify the external consultants engaged:

YES

Matters addressed by the compensation policy report
<p>The basic objectives pursued by the regime and the policy of remuneration of Members of San Jose Business Group, Inc., are:</p> <p>(i) Ensure that the remuneration for their structure and total amount, be competitive with comparable entities nationwide.</p> <p>(ii) encourage the creation of shareholder value on a sustained basis over time.</p> <p>The compensation is for the Members for the performance of his activity as Members is structured within the statutory framework and in accordance with the criteria and concepts of a fixed remuneration and attendance fees, subject to the ceiling for this effect determined by the General Meeting of Shareholders, in accordance with the provisions of Article 25 of the Bylaws.</p>

Role of the Corporate Responsibility and Governance Committee
<p>The Council must annually approve a proposal from the Nomination, Remuneration and Corporate Governance, a report on the remuneration policy of the Members of the Company, which has to present the criteria and rationale for determining the remuneration scheme of Members for the year.</p> <p>To determine the amount to be paid to the Members, the Board seeks at all times, that the Member's remuneration is commensurate with that paid in the market at companies of similar size and activity, being also subject to periodic review by the Nominating, Compensation and Corporate Governance in order to propose to the Board of Directors, if any, the adoption of agreements deemed appropriate in relation to this matter.</p>

Was external advice sought?	
-----------------------------	--

Identity of external consultants

B.1.17 Indicate, as appropriate, which members of the Board are, in turn, members of the boards of directors, executives or employees of companies that own significant holdings in the listed Company and/or in entities of its Group:

Name of Director	Name of significant shareholder	Position
MR JACINTO REY GONZÁLEZ	PINOS ALTOS XR, S.L.	SOLE DIRECTOR
MR JACINTO REY LAREDO	PINOS ALTOS XR, S.L.	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 entities in its Group:

Name of related Director
 MR JACINTO REY LAREDO
 Name of related significant shareholder
 MR JACINTO REY GONZÁLEZ
 Description of relationship
 First degree relationship (father and son)


B.1.18 Indicate whether there have been any amendments to the Board Regulations during the year:

YES

Description of amendments
Regulatory amendments established by the laws Capital Companies, Structural Modifications of Societies of Sustainable Economy capital and have determined the appropriateness of the adaptation of different instruments on corporate governance of the Company. Thus, the Board of Directors at its meeting on May 12, 2011 began the process of reform of the Bylaws, the Regulations of the Board of shareholders and of the Council Regulation, amendments to the Annual General Meeting and Extraordinary Shareholders approved the June 27, 2011 and were recorded properly in the commercial register and notified to the CNMVLas

B.1.19 Indicate the procedures for the appointment, reappointment, 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.


 ESTEFANÍA ALVA IGLESIAS
 INTERPRETE JURADO
 C/...
 690320700 - 600090498

B.1.20 Indicate the cases in which 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 Explain whether the function of Company Chief Executive falls to the Chairman of the Board. As appropriate, indicate what measures have been taken to limit the risks of power being concentrated in the hands of one person:

YES

Measures to limit risks
There is a CEO and an Executive Committee formed by four members.

Indicate and, as appropriate, explain whether rules have been established allowing Independent Directors to request the call of Board meetings or the inclusion of new items on the agenda in order to coordinate and give voice to the concerns of External Directors and to lead the evaluation by the Board of Directors

NO

B.1.22 Are qualified majorities, other than the statutory majorities, required for any type of decision?

NO

Indicate how resolutions are adopted on the Board of Directors and specify, at least, the minimum attendance quorum and the type of majority for adopting resolutions :

Description of resolution:

Adoption of resolutions regarding issues included within the agenda.

Quorum	%
Half plus one of the Directors present in person or by proxy	51.00

Type of majority	%

Absolute unless other qualified majority contemplated in the applicable legislation or by-laws.	51.00
-------------------------------------------------------------------------------------------------	-------

B.1.23 Explain whether there are any specific requirements, apart from those relating to the Directors, to be appointed CHAIRMAN:

NO

B.1.24 Indicate whether the Chairman has a casting vote:

YES

Matters on which there is a casting vote
In the event of a tied vote, the Chairman will have the casting vote.

B.1.25 Indicate whether the Bylaws or the Board Regulations impose any limit on the age of Directors :

NO

Age limit for Chaiman	Age limit for CEO	Age limit for Director
0	0	0

B.1.26 Indicate whether the Bylaws or Board Regulations establish any limit on the term of office of Independent Directors:

NO

Maximum number of years in office	0
-----------------------------------	---

B.1.27 Where female Directors are few or non-existent, explain the reasons why and the initiatives adopted to correct the situation.

Explanation of reasons and initiatives
There is one Female Director.

In particular, indicate whether the Appointments and Compensation Committee has established procedures so that selection processes do not suffer from implicit bias preventing the selection of female Directors and consciously seek candidates that meet the required profile

YES

Identify the main procedures
The Appointment and Compensation Committee, after the appropriate analysis and discussions in connection with the Human Resources Department, has deemed not necessary to establish any procedures so that selection procedures may not be affected by implicit biases that may hinder the selection of female directors and avoid negative discrimination.

B.1.28 Indicate whether there are any formal procedures for granting proxies to vote at Board meetings. If so, give brief details.

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. Also indicate, as appropriate, how often the Board met without the Chairman's attendance:

Number of Board meetings	5
Number of Board meetings not attended by the Chairman	0

Indicate how many meetings of the various Board Committees were held during the year:

Number of Executive or Delegated Committee meetings	3
Number of Audit Committee meetings	6
Number of Appointments and Compensation Committee meetings	2
Number of Appointments Committee meetings	0
Number of Compensation Committee meetings	0

B.1.30 Indicate how many Board meetings held during the year were not attended by all members. Proxies granted with no specific instructions will be treated as absences:

Number of Director absences during the year	2

Absences as a percentage of total number of votes during the year	0
-------------------------------------------------------------------	---

B.1.31 Indicate whether the individual and consolidated financial statements submitted for approval by the Board are certified beforehand:

NO

Indicate, as appropriate, the person(s) who certified the Company's individual and consolidated financial statements for their preparation by the Board:

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 Shareholders' Meeting with a qualified auditors' report.

There are no specific mechanisms.

B.1.33 Is the Board Secretary a Director?

NO

B.1.34 Explain the procedures for appointment and removal of the Board Secretary, indicating whether his/her appointment and removal were reported to the Appointments Committee and approved by the plenary session of the Board.

Procedure for appointment and removal
The Appointments Committee makes a proposal and approval should be provided by all Board members in the case of appointments and removals

Does the Appointments Committee report on the appointment?	YES
Does the Appointments Committee report on removal?	YES
Does the plenary session of the Board approve the appointment?	YES
Does the plenary session of the Board approve the removal?	YES

Is the Board Secretary specifically tasked with monitoring good governance recommendations?

YES

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 Indicate whether the Company changed external auditors in the year. If so, identify the new and outgoing auditors:

NO

Outgoing auditor	New auditor

If there were any disagreements with the outgoing auditor, explain the substance thereof:

NO

B.1.37 Indicate whether the audit firm performs any 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 they represent of the fees billed to the Company and/or its Group:

YES

	Company	Group	Total
Fees for non-audit work (thousands of Euros)	70.390	5.100	26.330
Fees for non-audit work / Total fees billed by audit firm (as a %)			

B.1.38 Indicate whether the audit report on the financial statements for the preceding year contains any reservations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the substance and scope of such reservations or qualifications.

NO

B.1.39 Indicate the number of consecutive years the current audit firm has audited the financial statements of the Company and/or its Group. Indicate the number of years the current audit firm has audited the Company's financial statements as a percentage of the total number of years during which the Company's financial statements have been audited:

	Company	Group
Number of consecutive years	17	17

	Company	Group
Number of years audited by current audit firm/ Number of years the company has been audited (as a %)	100.0	100.0

B.1.40 Indicate any holdings, as disclosed to the Company, owned by the members of the Company's Board of Directors in the capital of entities engaging in business of a kind identical, similar or Complementary to the business constituting the corporate purpose of the Company or of its Group. Also indicate the offices they hold or the functions they perform at these companies:

Name of Director	Name of company in which shares are held	% ownership	Position or function
MR JACINTO REY GONZÁLEZ	UDRA VALOR, S.A.	0,000	SOLE DIRECTOR
MR JACINTO REY GONZÁLEZ	PINOS ALTOS XR, S.L.	55,000	SOLE DIRECTOR
MR JACINTO REY GONZÁLEZ	PINOS ALTOS PATRIMONIO, S.L.U	100,000	SOLE DIRECTOR
MR JACINTO REY GONZÁLEZ	PINOS ALTOS INVERSIONES, S.L.U.	0,000	SOLE DIRECTOR
MR JACINTO REY LAREDO	PINOS ALTOS XR, S.L.	22,500	NONE
MS ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	FERROVIAL	0,000	NONE

Name of Director	Name of company in which shares are held	% ownership	Position or function
MR FRANCISCO HERNANZ MANZANO	EL REINO DE MR QUIJOTE, S.A.	0.000	MEMBER
MR FRANCISCO HERNANZ MANZANO	LICO INMUEBLES, S.A.	0.000	MEMBER
MR FRANCISCO HERNANZ MANZANO	CAJA CASTILLA LA MANCHA CORPORACIÓN, S.A	0.000	JOINT DIRECTOR

B.1.41 Indicate whether there is a procedure to allow Directors to seek external professional advice? If so, give details:

YES

Details of the procedure
<p>Article 27 of the Board Regulations External advisory services.</p> <p>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.</p> <p>Such aid shall necessarily respond to specific problems of certain relevance and complexity in the furtherance of their duties.</p>

B.1.42 Indicate whether there is a procedure to ensure that Directors have the necessary information in order to prepare for meetings of the management bodies sufficiently in advance. If so, give details:

YES

Details of the procedure
<p>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</p>

B.1.43 Indicate whether the Company has established rules requiring Directors to report on and, as the case may be, resign in cases that could harm the credit and reputation of the Company. If so, give details:

YES

Details of rules
<p>ART.25 OF THE BOARD OF DIRECTORS' REGULATION APPLICABLE</p>

B.1.44 Indicate whether any member of the Board of Directors has informed the Company that he has been indicted or that a decision has been rendered to bring him to trial for any of the crimes stated in Article 213 of the Corporate Enterprises Law:

NO

Indicate whether the Board of Directors has reviewed the case. If yes, give a reasoned explanation of the decision adopted as to whether or not it is appropriate for the Director to remain in office.

NO

Decision adopted	Reasoned explanation

B.2 Committees of the Board of Directors

B.2.1 List all of the Committees of the Board of Directors and their members:

EXECUTIVE OR DELEGATED COMMITTEE

Name	Position	Type
MR JACINTO REY GONZÁLEZ	CHAIRMAN	NOMINEE
MS ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	MEMBER	EXTERNAL
MR JACINTO REY LAREDO	MEMBER	NOMINEE
MR MIGUEL ZORITA LEES	MEMBER	EXTERNAL

AUDIT COMMITTEE

Name	Position	Type
MR RAMÓN BARRAL ANDRADE	CHAIRMAN	INDEPENDENT
MS ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	MEMBER	EXTERNAL
MR JUAN EMILIO IRANZO MARTÍN	MEMBER	INDEPENDENT

APPOINTMENTS AND COMPENSATION COMMITTEE

Nombre	Position	Tipologia
MR RAMÓN BARRAL ANDRADE	CHAIRMAN	INDEPENDENT
MR FRANCIS LEPOUTRE	MEMBER	EXTERNAL
MR FRANCISCO HERNANZ	MEMBER	EXTERNAL

B.2.2 State whether the Audit Committee performs the following functions.

Supervises the preparation and integrity of the financial information relating to the Company and, as the case may be, the Group, reviewing compliance with legal provisions, the appropriate definition of the consolidated group, and the correct application of accounting principles.	YES
Reviews internal control and risk management systems on a regular basis, so that the main risks are adequately identified, managed and disclosed.	
Ensures the independence and efficacy of the internal audit function; proposes the selection, appointment, reappointment and removal of the head of the internal audit service; proposes the budget for this service; receives regular reports on its activities; and verifies that senior management is acting on the conclusions and recommendations.	YES YES
Establishes and supervises a mechanism to enable staff to report, on a confidential and, if appropriate, anonymous basis, any potentially significant irregularities, particularly financial or accounting irregularities, they may detect at the Company.	YES
Makes recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of its engagement.	
Receives regular information from the external auditor on the progress and findings of the audit plan, and verifies that senior management is acting on its recommendations.	
Ensures the independence of the external auditor.	
In the case of groups, the group auditor should be encouraged to take responsibility for auditing all the companies in the Group.	

B.2.3 Describe the rules of organization and functioning, and the responsibilities attributed to each of the Board Committees.

Name of the Committee

APPOINTMENTS AND COMPENSATION COMMITTEE

Brief description

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

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.

Name of the Committee

EXECUTIVE OR DELEGATED COMMITTEE

Brief description

The Executive Committee has been delegated all faculties and powers with the exception of those deemed to be undelegable by law.

Name of the Committee

AUDIT COMMITTEE

Brief description

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.

INTERPRETE JURADO INGLÉS-ESPAÑOL
 C/Señal Tubio, 5, 1º
 36900 M.ª (Pontevedra)
 caivo.estefania@gmail.com
 690320705 - 986890498

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.

B.2.4 Indicate the advisory and consultative powers and any delegated powers held by each of the Committees:

Name of the Committee
APPOINTMENTS AND COMPENSATION COMMITTEE
Brief description
ADVICE, ANALYSIS AND APPOINTMENT FUNCTIONS

Name of the Committee
EXECUTIVE OR DELEGATED COMMITTEE
Brief description
ALL DELEGABLE FACULTIES AND POWERS OF THE BOARD

Name of the Committee
AUDIT COMMITTEE
Brief description
ADVICE, ANALYSIS AND APPOINTMENT FUNCTIONS

B.2.5 Indicate, as appropriate, whether there are any regulations for the Board Committees, where they can be consulted, 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.

Name of the Committee
APPOINTMENTS AND COMPENSATION COMMITTEE
Brief description
The Board Committee Regulations are included in the Board Regulations and may be obtained from the Company's website.

Name of the Committee
EXECUTIVE OR DELEGATED COMMITTEE
Brief description
The Board Committee Regulations are included in the Board Regulations and may be obtained from the Company's website.

Name of the Committee

AUDIT COMMITTEE

Brief description

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

C – RELATED-PARTY TRANSACTIONS

C.1 State whether the plenary session of the Board has reserved approval, subject to a favorable report by the Audit Committee or any other Committee to which that function has been delegated, of any transactions performed by the Company with Directors, significant shareholders or shareholders represented on the Board, or persons related to them:

YES

C.2 Give details of material transactions entailing a transfer of funds or obligations between the Company or entities of its Group and the significant shareholders of the Company:

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:

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 do not fall within the course of the Company's business, as regards their subject matter or terms and conditions:

Name of the Group Company

ANTIGUA REHABILITIA, S.A.

Amount (Thousands of Euros)

15731

Brief description of the transaction

PARTICIPATING LOAN

Name of the Group Company

PONTEGRAN, S.L.

Amount (Thousands of Euros)

10982

Brief description of the transaction

LOAN

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURÍDICO INGLÉS-ESPAÑOL
C/Serafín Tabo, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
890320705 • 986890498

C.5 Indicate whether any members of the Board of Directors were subject to any conflict of interest during the year, as provided for in Article 229 of the Corporate Enterprises Law.

NO

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 on this issue

C.7 Is more than one Group company listed in Spain?

NO

List the subsidiaries listed in Spain:

D – RISK CONTROL SYSTEMS

D.1 General description of the risk policy of the Company and/or its Group, giving details 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 derivative 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 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 part 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 Indicate whether any of the various kinds of risk (operating, technological, financial, legal, reputational, tax, etc.) to which the Company and/or its Group are exposed arose during the year,

NO

If yes, describe the underlying circumstances and whether the established control systems functioned.

D.3 Indicate whether any Committee or other governing body is responsible for establishing and supervising those control mechanisms.

NO

If yes, give details of their functions.

D.4 Identification and description of the procedures for compliance with the various regulations affecting the Company and/or its Group.

N/A

E – SHAREHOLDERS' MEETING

E.1 Indicate and, as appropriate, give details of any differences between the minimum quorum requirements provided for in the Corporate Enterprises Law (LSC) and the quorum required for the Shareholders' Meeting.

NO

	Percentage quorum other than as provided in Art. 193 LSC for general matters	Percentage quorum other than as provided in Art. 194 LSC for general matters
Quorum required on first call	0	0
Quorum required on second call	0	0

E.2 Indicate and, as appropriate, give details of any differences between the regime provided for in the Corporate Enterprises Law (LSC) and the regime for adopting corporate resolutions.

NO

Describe how it differs from the regime provided for in the LSC.

E.3 List any shareholder rights in connection with Shareholders' Meetings that differ from those established in the Corporate Enterprises Law (LSC)..

THERE AREN'T ANY

E.4 Indicate, as appropriate, the measures adopted to encourage participation by shareholders at Shareholders' Meetings.

Legal notifications were made.
 All documentation shall be made available to shareholders or sent to them free-of-charge upon request.
 The shareholders' office shall respond to all questions raised.
 All documents are made public on the Company's website.
 Explanations are provided at the Shareholders' General Meeting by the Chairman and members of the Table.
 Responses are provided for information requests. .

E.5 Indicate whether the Chairman of the Board of Directors chairs Shareholders' Meetings. Give details, as appropriate, of what measures are adopted to ensure the independence and sound functioning of the Shareholders' Meeting:

YES

Details of measures
The Secretary is the Secretary of the Board of Directors. The involvement of a Public Notary is normally requested. The floor is open for requests and to state positions.

E.6 Indicate, as appropriate, any amendments made to the Shareholders' Meeting Regulations during the year.

Regulatory amendments established by the laws Capital Companies, Structural Modifications of Societies of Sustainable Economy capital and have determined the appropriateness of the adaptation of different instruments on corporate governance of the Company. Thus, the Board of Directors at its meeting on May 12, 2011 began the process of reform of the Bylaws, the Regulations of the Board of shareholders and of the Council Regulation, amendments to the Annual General Meeting and Extraordinary Shareholders approved the June 27, 2011 and were recorded properly in the commercial register and notified to the CNMV.

E.7 Indicate the data on attendance at the Shareholders' Meetings held in the year to which this Report refers:

Attendance data					
Date of Shareholders Meeting	% Attendance in person	% Attendance by proxy	% Remote voting		Total
			Electronic voting	Other	
27/06/2011	63.860	1.640	0.000	0.000	65.500

E.8 Briefly indicate the resolutions adopted at the Shareholders' Meetings held in the year to which this Report refers and the percentage of votes with which each resolution was adopted.

Approval of Individual Financial Statements and Management Report and Consolidated Financial statements and Management Report of the Group for the fiscal year ended on 31 December 2010 and application of results. Approval of corporate management. Review and approval of the Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Income Statement, Statement of Changes in Equity Consolidated Cash Flow Statement and Notes to the Consolidated Effective Consolidated) Consolidated Group and Consolidated Management Report, for the year ended to December 31, 2010.

Cease, reelection, appointment and ratification, as appropriate, Administrators. Reappointment of Auditors both the Company and the Consolidated Group.

Amendment of sections 1, 15, 16, 23, 26 and 38 of the Articles of Association to Companies Act Capital on applicable law, notice of meeting, venue of the Board, attendance by proxy, system of co-option of Members and constitution of the Council. And the reform of Articles 6, 9, 10 and 13 of the Rules of the Board of shareholders in the same sense to the amendment of the Articles of Association and approval of a revised text of both documents incorporate the approved amendments.

Knowledge and, where appropriate, adoption of the Report on remuneration policy of the Board

Delegation to the Board the power and faculty to issue bonds or debentures, redeemable and convertible or not, simple or warrant, or any other security or instrument that recognizes or creates a debt, simple or warrant, for a maximum amount, to be achieved one or more times, four hundred million (EUR 400,000,000.00) and, in turn, for the issuance of notes, with the maximum at all times, regardless of the previous two hundred million (Euros200. 000,000.00), in all cases of delegation, with the broadest powers to establish the conditions, terms and conditions for the issue or issues and to adopt resolutions that they deem appropriate complementary in stock including listing of securities issued in markets-organized, tax, or any other information relevant to the main agreements.

Details of these agreements are contained in the Company's website.

E.9 Indicate whether there is any restriction in the Bylaws regarding the minimum number of shares necessary to attend the Shareholders' Meeting.

YES

Number of shares necessary to attend the Shareholders' Meeting	100

E.10 Indicate and provide support for the policies followed by the Company with respect to proxy voting at Shareholders' 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 whether or not to participate in the Company's decisions:

NO

E.12 Indicate the URL and means of accessing corporate governance content on the 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.

F – DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree to which the Company complies with the recommendations of the Unified Good Governance Code. In the event of noncompliance with any of the recommendations, explain the recommendations, rules, practices or criteria used by the Company. It is worth noting that the level of compliance with the corporate governance recommendations remains the same as that detailed in the 2010 Annual Corporate Governance Report.

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 restrictions that hinder the taking of control at the Company by means of the acquisition of its shares on the market.

See sections: A.9, B.1.22, B.1.23 y E.1, E.2

Complies

2. When a parent company and a subsidiary are listed, the two should provide detailed disclosure on:

- a) Their respective areas of activity and any business dealings between them, as well as between the listed subsidiary and other Group companies.
- b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 y C.7

Not Applicable

3. Even when not expressly required under corporate/commercial law, any decisions involving a structural change should be submitted to the Shareholders' Meeting for approval or ratification. In particular:

- a) The conversion of listed companies into holding companies by way of "subsidiarization", or the transfer to dependent entities of core activities previously pursued by the original company, even where 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 the effect of which is equivalent to the company's liquidation.

Complies

4. Detailed proposals of the resolutions to be adopted at the Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the call notice.

Complies

5. Separate votes should be taken at the Shareholders' Meeting on substantially independent items, so that shareholders can express their preferences in each case. This rule will apply in particular to:

- a) The appointment or ratification of Directors, with separate voting on each;
- b) Amendments to the Corporate Bylaws, with votes taken on all articles or groups of articles that are substantially independent.

See section: E.8

Complies partially

Appointments of Members are voted separately and individually. Amendments to by-laws are voted jointly, since changes respond to legal requirements and not to content purposes.

6. Companies should allow split votes, so that financial intermediaries acting as nominees on behalf of different clients can issue their votes according to their client's instructions.

See section: E.4

Complies

7. The Board should perform its duties with unity of purpose and independent judgment, treat all shareholders equally and be guided by the interests of the Company, understood to be maximizing the economic value of the Company on a sustained basis.

The Board also should ensure that the Company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and agreements in good faith; respects the customs and good practices of the industries and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Complies

8. The core mission of the Board should be to approve the Company's strategy and authorize the organizational resources to implement it, and ensure that management meets the objectives set while pursuing the Company's interests and corporate purpose. As such, the plenary session of the Board should reserve the right to approve:

- a) The general policies and strategies of the Company, in particular:
 - i) The strategic or business plan, as well as annual management objectives and budgets.
 - ii) The investment and financing policy.
 - iii) Definition of the structure of the corporate group.
 - iv) The corporate governance policy
 - v) The corporate social responsibility policy.
 - vi) The policy regarding compensation and evaluation of senior executives.
 - vii) The risk control and management policy, as well as periodic monitoring of internal reporting and control systems.
 - viii) The dividend and treasury stock policies and, in particular, their limits.

See sections: B.1.10, B.1.13, B.1.14 y D.3

b) The following decisions:

- i) On the proposal of the Company's Chief Executive, the appointment and removal of senior executives, and their indemnification clauses.

See section: B.1.14

ii) Directors' compensation and, in the case of Executive Directors, the additional consideration for their executive functions and other contractual conditions that must be observed.

See section: B.1.14

iii) The financial information that the Company must periodically disclose as a listed company.

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the Shareholders' Meeting.

v) The creation or acquisition of shares in special-purpose vehicles or entities resident in countries or territories that are considered tax havens, and any other transactions or operations of an analogous nature whose complexity could impair the transparency of the Group.

c) Transactions the Company enters into with Directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions").

However, Board authorization will 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 are made at prices or rates generally set by the person supplying the goods or services in question;
3. Their amount is no more than 1% of the company's annual revenues.

It is recommended that related-party transactions should only be approved on the basis of a favorable report from the Audit Committee or any other Committee to which this function has been entrusted, and that any Directors involved should not exercise or delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

Ideally the powers attributed to the Board in this section should be deemed to be non-delegable with the exception of those mentioned in letters b) and c), which may be delegated to the Delegated Committee for reasons of urgency and later ratified by the plenary session of the Board.

See sections: C.1 y C.6

Complies

9. To operate effectively and encourage participation, the Board of Directors should ideally comprise no less than five and no more than fifteen members.

See section: B.1.1

Complies

10. External Directors, both Nominee and Independent, should occupy an ample majority of Board positions, while the number of Executive Directors should be the minimum necessary, bearing in mind the complexity of the corporate group and the percentage holdings of Executive Directors.

See sections: A.2, A.3, B.1.3 y B.1.14

Complies Parcialmente

Total number of Nominee and Independent Members amounts to 6, the half of the Board. However, Executive Members are only 2

11. If any External Director cannot be deemed a Nominee or Independent Director, the Company should disclose this circumstance and the links that person maintains with the Company or its executives, or with its shareholders.

See section: B.1.3

Complies

ESTEFANIA CALVO ROSA, I.D.
INTÉRPRETE JUR. CO. INGLÉS-ESPAÑOL
C/Serafin (Torre 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 966890498

12. Among External Directors, the ratio of Nominee Directors to independent Directors should reflect the proportion between the capital represented on the Board by Nominee Directors and the remainder of the Company's capital.

This proportionality rule may be relaxed so that the weighting of Nominee Directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no shareholdings are legally deemed significant shareholdings, but there are shareholders whose shareholdings have a high absolute value.
2. In companies with numerous shareholders represented on the Board but not otherwise related.

See sections: B.1.3, A.2 y A.3

Complies

13. The number of Independent Directors should represent at least one-third of all Directors.

See section: B.1.3

Complies

14. The category of each Director should be explained by the Board to the Shareholders' Meeting which is to make or ratify his/her appointment and should subsequently be confirmed or reviewed annually in the Annual Corporate Governance Report, after verification by the Appointments Committee. The report should also disclose the reasons for the appointment of Nominee Directors proposed by shareholders with shareholdings of less than 5% of capital, and explain why formal requests for presence on the Board have not been honored from shareholders whose holdings are greater than or equal to those of others upon whose request Nominee Directors have been appointed.

See sections: B.1.3 y B.1.4

Complies

15. When female Directors are few or nonexistent, the Board should state the reasons why and the initiatives adopted to correct the situation; in particular, with respect to vacancies, the Appointments Committee should take steps to ensure that:

- a) Selection processes do not suffer from implicit bias preventing the selection of female Directors;
- b) The Company makes a conscious effort to include women with the target profile among the candidates for Board positions..

See sections: B.1.2, B.1.27 y B.2.3

Complies

16. The Chairman, as the person responsible for the sound functioning of the Board, should ensure that Directors are supplied with sufficient information in advance of Board meetings, and prompt debate and encourage the active involvement of all members, safeguarding their rights to freely express and adopt positions; and organize and coordinate regular evaluations of the Board and, where appropriate, the Company's Chief Executive, along with the Chairmen of the relevant Committees.

See section: B.1.42

Complies

17. Where the Board Chairman is also the Company's Chief Executive, an Independent Director should be empowered to request the call of Board meetings or the inclusion of new items on the agenda in order to coordinate and give voice to the concerns of External Directors and to lead the Board's evaluation of the Chairman.

See section: B.1.21

Complies Parcialmente

The Board of Director's Regulation allows three members whoever to decide call and agenda of the Board.

18. The Board Secretary should take special care to ensure that the Board's actions:

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those approved by regulatory agencies;
- b) Comply with the Corporate Bylaws, the Shareholders' Meeting Regulations, the Board Regulations and other regulations at the Company;
- c) Are informed by the 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/her appointment and removal should be proposed by the Appointments Committee and approved by the plenary session of the Board and the relevant appointment and removal procedures should be stipulated in the Board Regulations.

See section: B.1.34

Complies

19. The Board should meet as often as needed to effectively perform its functions, in accordance with the schedule of dates and matters established at the beginning of the year, and each Director may propose other items not initially included on the agenda.

See section: B.1.29

Complies

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.

See sections: B.1.28 y B.1.30

Complies

21. When Directors or the Secretary express concerns about any 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

Complies

22. The plenary session of the Board should evaluate the following each year:

- a) The quality and efficiency of the functioning of the Board;
- b) Based on the report submitted by the Appointments Committee, the performance of their functions by the Board Chairman and the Company's Chief Executive;
- c) The performance of its Committees on the basis of the reports furnished by them.

See section: B.1.19

Complies

23. All Directors should be able to exercise their rights to receive any additional information they require on matters falling within the Board's jurisdiction. Unless otherwise indicated in the Corporate Bylaws or Board Regulations, such requests should be addressed to the Board Chairman or Board Secretary.

See section: B.1.42

Complies

24. All Directors should be entitled to call on the Company for the advice and guidance they need to perform their functions. The Company should provide suitable channels for the exercise of this right, which may include external advice in special circumstances at the Company's expense.

See section: B.1.41

Complies

25. Companies should organize induction programs for new Directors as a swift means of sufficiently familiarizing them with the workings of the Company and its corporate governance rules. Directors should also be offered refresher programs when circumstances so advise.

Explain

Members have not required advice services other than those provided by the company and set out by the Board off the Shareholders' Meeting.

26. Companies should require their Directors to devote sufficient time and effort to perform their functions effectively, and, as such:

- a) Directors should inform the Appointments Committee of any other professional obligations, in case they might affect the level of dedication required;
- b) Companies should establish rules about the number of directorships their Board members can hold

See sections: B.1.8, B.1.9 y B.1.17

Explain

La sociedad exige a los Members la dedicación suficiente con carácter previo a su nombramiento y en el desempeño del mismo. No hay otros mecanismos que la vinculación de la retribución a la asistencia efectiva a las sesiones del Consejo y de las Comisiones y a la dedicación en el desempeño, como criterio para la distribución por el Consejo de la asignación global establecida por la Junta de Accionistas.

27. The proposal for the appointment or reappointment of Directors submitted by the Board to the Shareholders' Meeting, as well as provisional appointments by way of co-optation, 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.

See section: B.1.2

Complies

28. Companies should post the following Director particulars on their websites, and keep them permanently updated:

- a) Professional profile and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the Director's category; in the case of Nominee Directors, stating the shareholder they represent or have links with.

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURÍDICO INGLÉS-ESPAÑOL
C/Serafín Rubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Complies

29. Independent Directors should not remain in office for a continuous period of more than 12 years.

See section: B.1.2

Explain

There is no rule on this issue neither director in this situation.

30. Nominee Directors should resign when the shareholder they represent fully disposes of their shareholding. The corresponding number of Nominee Directors should also resign if the shareholder they represent reduces its shareholding to such an extent that the number of its Nominee Directors must also be reduced.

See sections: A.2, A.3 y B.1.2

Complies

31. The Board of Directors should not propose the removal of any Independent Director prior to completion of the term of office specified in the Corporate Bylaws for which the Director was appointed, except when the Board finds that there is just cause after a report from the Appointments Committee. In particular, just cause will be deemed to exist when a Director is in breach of the duties inherent in his/her position or is subject to any of the circumstances described in section III.5 (Definitions) of this Code.

The removal of Independent Directors may also be proposed when a tender offer, merger or similar corporate transaction produces changes in the capital structure of the Company, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 y B.1.26

Complies

32. Companies should establish rules obliging Directors to inform the Board of any circumstances that might harm the organization's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the Board of any criminal proceedings in which they appear as an accused party, and of subsequent progress in the case.

Where a Director is indicted or a decision is rendered to bring him to trial for any of the crimes referred to in Article 124 of the Corporations Law, the Board should review the matter as soon as possible and, in light of the specific circumstances, decide whether or not it is appropriate for the Director to remain in office.

The Board should give a reasoned account of the matter in the Annual Corporate Governance Report.

See sections: B.1.43 y B.1.44

Complies

33. All Directors should express clear opposition when they feel a proposal submitted for the Board's approval could be contrary to the corporate interest. In particular, Independent and other Directors unaffected by the potential conflict of interest should challenge any decision that could harm the interests of shareholders not represented on the Board.

When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, he/she must draw the pertinent conclusions. Directors resigning for such causes should explain their reasons in the letter referred to in the next Recommendation.

This Recommendation should also apply to the Secretary of the Board; Director or otherwise.

Complies

34. Directors who give up their positions before their term of office expires, through resignation or otherwise, should explain their reasons in a letter to be sent to all members of the Board. Regardless of whether such resignation is disclosed as a material event, the reasons for same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

Not Applicable

35. The Company's compensation policy, as approved by its Board of Directors, should specify at least the following items:

- a) The amount of the fixed components, itemized where necessary, of Board and Board Committee attendance fees, with an estimate of the fixed annual payment they give rise to;
- b) Variable components, in particular:
 - i) The types of Director to which they apply, with an explanation of the relative weighting of variable to fixed compensation items;
 - ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related compensation;
 - iii) The main parameters and grounds for any system of annual bonuses or other, non-cash benefits; and
 - iv) An estimate of the absolute amount of the variable compensation arising from the proposed compensation plan, depending on the degree of compliance with the assumptions or objectives taken as a reference.
- c) The principal characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.
- d) Conditions that must be respected in the contracts of Executive Directors exercising senior management functions. Among them:
 - i) Term;
 - ii) Notice periods; and
 - iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relationship between the Company and the Executive Director.

See section: B.1.15

Complies

36. Compensation in the form of the delivery of shares in the Company or other companies in the Group, share options or other share value-based instruments, payments linked to the Company's performance or pension plans should be confined to Executive Directors.

The delivery of shares is excluded from this limitation when Directors are required to retain them until they vacate office.

See sections: A.3 y B.1.3

Explain

No items have been considered in this sense.

37. External Directors' compensation should sufficiently compensate them for the dedication, abilities and responsibilities that the position entails, but should not be so high as to compromise their independence.

Complies

38. In the case of compensation linked to Company earnings, any qualifications stated in the external auditor's report that reduce those earnings should be taken into account.

Complies

39. In the case of variable compensation, compensation 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 of the industry in which the Company operates, or other similar circumstances.

Complies

40. The Board should submit a report on the Directors' compensation policy to the advisory vote of the Shareholders' Meeting, as a separate item on the agenda. This report can be supplied to shareholders separately or in the manner each Company sees fit.

The report will focus on the compensation policy approved by the Board 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 focus on the most significant changes in compensation policy compared with the previous year to which the Shareholders' Meeting refers. It also will include a global summary of how the policy was applied over the previous year.

The role of the Compensation Committee in designing the policy should be reported by the Board, along with the identity of any external advisers engaged.

See section: B.1.16

Complies

41. The notes to the financial statements should list individual Directors' compensation in the year, including:

a) A breakdown of the compensation of each Director, to include where appropriate:

- i) Attendance fees and other fixed Director payments;
- ii) Additional compensation for acting as Chairman or a member of any Board Committee;
- iii) Any payments made under profit-sharing or bonus plans, and the reason for their award;
- iv) Contributions made 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 plans;
- v) Any severance packages agreed or paid;

- vi) Any compensation they receive as Directors of other companies in the Group;
 - vii) The compensation Executive Directors receive in respect of their senior management positions;
 - viii) Any compensation item other than those listed above, regardless of its nature and provenance within the Group, especially when it may be considered a related-party transaction or when its omission would detract from a true and fair view of the total compensation received by the Director.
- b) An individual breakdown of deliveries to Directors of shares, share options or other share value-based instruments, itemized by:
- i) Number of shares or options awarded in the year, and the terms set for their exercise;
 - 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 end of the year, specifying their price, date and other exercise conditions;
 - iv) Any change in the year in the terms of exercise of previously awarded options.
- c) Information on the relationship in the past year between the compensation obtained by Executive Directors and the Company's earnings, or other measures of the Company's performance.

Complies

42. When the Company has a Delegated or Executive Committee (hereinafter, the Delegated 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 of the Delegated Committee.

See sections: B.2.1 y B.2.6

Complies

43. The Board should be kept fully informed of the business transacted and decisions made by the Delegated Committee. To this end, all Board members should receive a copy of the Delegated Committee Minutes.

Complies

44. In addition to the Audit Committee required pursuant to the Securities Market Law, the Board of Directors should form a Committee, or two separate Committees, for Appointments and Compensation.

The rules governing the composition and functioning of the Audit Committee and the Appointments and Compensation Committee(s) should be set forth in the Board Regulations, and include the following:

- a) The Board of Directors should appoint the members of such Committees based on the knowledge, aptitudes and experience of its Directors and the tasks of each Committee; discuss their proposals and reports; and the Committees must report to the Board, at its first plenary session following each Committee meeting, on their activities and answer for their work;
- b) These Committees should be comprised exclusively of External Directors and have a minimum of three members. The above is without prejudice to the attendance at meetings of Executive Directors or senior executives, at the express invitation of Committee members.
- c) Committees should be chaired by Independent Directors.
- d) They may engage external advisors, when they feel this is necessary for the performance of their functions.
- e) Minutes should be drawn up of the proceedings and a copy sent to all Board members.

See sections: B.2.1 y B.2.3

Complies

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 to the Compliance Committee or Corporate Governance Committee, where they exist separately

Complies

46. All members of the Audit Committee, particularly its Chairman, should be appointed on the basis of their knowledge and expertise in accounting, auditing and risk management matters.

Complies

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the sound functioning of internal reporting and control systems.

Complies

48. The head of the internal audit function should present an annual work program 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

49. The risk control and management policy should specify at least:

- a) The various types of risk (operating, technological, financial, legal, reputational, etc.) the Company is exposed to, including contingent liabilities and other off-balance-sheet risks among the financial or economic risks;
- b) The determination of the risk level the Company deems to be acceptable;
- c) The measures in place to mitigate the impact of the identified risks, 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.

See sections: D

Complies

50. The Audit Committee's role should be:

1. As regards internal control and reporting systems:

- a) To supervise the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, reviewing compliance with legal provisions, the appropriate definition of the consolidated group, and correct application of accounting principles;
- b) To regularly review internal control and risk management systems, so that the principal risks are adequately identified, managed and disclosed.
- c) To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit function; propose the department's budget; receive regular information on its activities; and verify that senior management acts on the conclusions and recommendations of its reports.
- d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, any potentially significant irregularities, in particular financial or accounting irregularities, they detect at the Company.

2. As regards the external auditor:

- a) To make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of its engagement;
- b) To receive regular information from the external auditor on the audit plan and the results of its implementation, and check that senior management is acting on its recommendations;
- c) To ensure the independence of the external auditor, to which end:
 - i) The Company should disclose any change of auditor to the CNMV as a material event, accompanied by a statement of any disagreements 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 concentration of the auditor's business and, in general, other requirements designed to safeguard the independence of the auditor;
 - iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.
- d) In the case of groups, the group auditor should be encouraged to take responsibility for auditing all the companies in the Group.

See sections: B.1.35, B.2.2, B.2.3 y D.3

Complies

51. The Audit Committee should be empowered to meet with any Company employee or executive, even ordering their appearance without the presence of any other executive.

Complies

52. The Audit Committee should report to the Board, prior to the adoption by the Board of the corresponding decisions, on the matters indicated in Recommendation 8:

- a) The financial information that the Company must periodically disclose as a listed company. The Committee should ensure that interim statements are prepared using 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 countries or territories that are considered tax havens, and any other transactions or operations of an analogous nature whose complexity could impair the transparency of the Group.
- c) Related-party transactions, except where the prior reporting function has been entrusted to some other supervision and control committee.

See sections: B.2.2 y B.2.3

Complies

53. The Board of Directors should seek to present the financial statements to the Shareholders' Meeting without reservations or qualifications in the audit report. In the exceptional event that any 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.

See section: B.1.38

Complies

54. The majority of Appointment Committee members (or Appointment and Compensation Committee members, as the case may be) should be Independent Directors.

See section: B.2.1

Explain

Se compone de dos Members externos y uno independiente

55. The Appointments Committee should have the following functions in addition to those stated in earlier Recommendations:

- a) To evaluate the balance of skills, knowledge and experience on 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) To examine or organize, in appropriate form, the process for succession of the Chairman and Chief Executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner.
- c) To report on the appointment and removal of senior executives proposed by the Chief Executive to the Board;
- d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Complies

56. The Appointments Committee should consult with the Company's Chairman and Chief Executive, especially on matters relating to Executive Directors.

Any Board member may request that the Appointments Committee take into consideration, if it deems them suitable, potential candidates for any vacant directorships.

Complies

57. The Compensation Committee should have the following functions in addition to those stated in earlier Recommendations:

- a) To make proposals to the Board of Directors regarding:
 - i) The compensation policy for Directors and senior executives;
 - ii) The individual compensation and other contractual conditions of Executive Directors.
 - iii) The standard conditions for senior executive contracts.
- b) To ensure compliance with the compensation policy set by the Company.

See sections: B.1.14 y B.2.3

Complies

58. The Compensation Committee should consult with the Chairman and Chief Executive, especially on matters relating to Executive Directors and senior executives.

Complies

G – OTHER INFORMATION OF INTEREST

If there is deemed to be any material aspect or principle relating to the corporate governance practices followed by the Company that has not been addressed in this report, please give details.

Detailed and confidential assessment of Board Members has been carried out on their functions and performance.

Note down that data include within sections A.3 and A.7 regarding direct and indirect ownership of Mr. Jacinto Rey González is different from that published in the CNMV. Data is consistent with real share ownership interests upon execution of the Udra Valor Plan in compliance with information submitted to the CNMV after events taking place on 19 January 2010 and 18 February 2011.

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 Spanish legislation on corporate governance, and if so, include any information that it is required to furnish, where such information differs from that required in this Report.

Binding definition of Independent Director:

State whether any of the Independent Directors has or has had any relationship with the Company, its significant shareholders or its executives that, had it been sufficiently significant or important, would have resulted in the impossibility of treating the Director as an Independent Director under the definition set forth in section 5 of the Unified Good Governance Code:

NO

Date and signature:

This Annual Corporate Governance Report was approved by the Company's Board of Directors at the meeting held on

28/02/2012

Indicate whether there are any Directors who voted against or abstained from voting to approve this Report.

NO

ANNEX 2:

ADDITIONAL INFORMATION FOR ARTICLE 61 BIS
OF SECURITIES MARKET LAW

Pursuant to article 116 b of the Securities Exchange Act, the Board of Directors of Grupo Empresarial SANJOSE must provide the Annual Shareholders' Meeting with a report on the following information:

a) Information about securities that are not traded on an official market in the EU, stating, whenever appropriate, the different classes of shares and the rights and obligations pertaining to each class of shares and the percentage of the capital it represents, as well as the percentage of capital represented by the company's treasury stock and any major changes therein.

Pursuant to article 5 of Bylaws, share capital amounts to one million nine hundred fifty thousand seven hundred eighty-two Euros and forty-nine cents (€ 1,950,782.49) Euros, represented by sixty-five million twenty-six thousand and eighty-three (65,026,083) shares, three Euro cents (0.03 €) par value each, numbered consecutively from one (1) to sixty-five million twenty-six thousand and eighty-three (65026083), both inclusive, of the same class and series, fully subscribed and paid.

b) Any restriction on the transferability of securities and any restriction on voting rights.

Pursuant to Article 7 of the Bylaws, there are restrictions to transferability of shares representing the share capital.

According to article 161, individual shareholders with at least one hundred shares (100), or those which may have grouped with other shareholders in the same situation to reach the minimum required, can attend and vote at a General Meeting.

c) Information about the rules applying to the altering of the Corporate Bylaws.

Regarding the amendment of bylaws there is no procedure in addition to those which are set forth in Royal Decree 1/2010 of 2 July on the revised text of the Companies Act of Capital and Law 3/2009 of 3 April on structural modifications of commercial companies.

d) Information about the major agreements entered into by the Company that come into force, are changed or terminate in the event that the control of the Company changes as a result of a tender offer, and its effects, except when disclosing them would seriously damage the company's interests. This exception shall not apply when the company is legally required to disclose this information to the public.

The Company has not entered into any agreements.

e) Information about agreements between the company and its managers, executives or employees which provide for indemnification in the event of their resignation or unjustified dismissal or in the event that the employment relationship ends as a result of a tender offer.

There are safeguard or golden parachute clauses in favor of the Executive Director to cover dismissal or changes in control.

f) Description of the major features of the internal control and risk management systems in connection with the process of financial reporting.

The Spanish regulatory framework on internal control systems, where voluntary recommendations coexists with binding obligations of the Unified Code of Corporate Governance, requires audit committees to be aware of financial reporting process and internal control systems.

Law 12/2010 of 30 June modifies, among others, Law 19/1988 of 12 July, on Auditing Services, and Law 24/1988 of 28 July, the stock market, and incorporates Spanish law, through the modification of the eighteenth additional provision of the Securities Market Act, new competences of audit committees of listed companies. These powers include monitoring the effectiveness of internal control systems and risk management process and presentation of financial information.

Section 4, points 2 and 3 of the eighteenth additional provision of the Securities Market Act, in respect to the minimum competencies of audit committees, reads as follows:

"2. To supervise the effectiveness of internal control of the company, internal audit, if applicable, and risk management systems and to discuss with the auditors or audit firms significant weaknesses of the system of internal control identified on the development of the audit. "

"3. To Supervise the preparation and presentation of regulated financial information"

Additionally, Law 2/2011, of March 4, of Sustainable Economy, we introduce a new article 61.bis of Law 24/1988 of 28 July, on the Securities Market, which amends the minimum content of the Report annual Corporate Governance Report (IAGC), previously regulated by Article 116 of the Securities Market Law. In particular the duty for inclusion in the IAGC of a description of the main characteristics of internal control and risk management in relation to the process of regulated financial reporting. The content and final structure of the IAGC is determined by the Ministry of Finance or, express authorization, by the National Committee on the Securities Market

1. THE ENTITY'S CONTROL ENVIRONMENT

1.1. Bodies and/or functions responsible for: (i) the existence and upkeep of an adequate, effective ICFR; (ii) its implementation and (iii) its supervision.

The Internal Control System on Financial Information (SCIIF) of the Group is based upon the on the principles and good practices of the reports published by the Committee of Sponsoring Organizations of the Tread way Commission (COSO) that sets out the main guidelines for the implementation, management and control of a system of internal control and corporate risk management.

The Board of Directors formally assumes the ultimate responsibility for the existence and correct application of Internal Control Systems on Financial Information. The role of the Group's Board of Directors is to pass on the control and risk management policy and the periodic monitoring of internal information control systems. Said function has been transferred to the Audit Committee, who should be informed of controls implemented by the Financial Department. For controls which may be considered appropriate, especially those made directly by the Finance Department and with a high element of subjectivity, the Board of Directors will require the implementation of appropriate control procedures.

The design, implementation and operation of ICFR is the responsibility of the General Directorate of Administration and Finance Group, as set forth the San Jose Group Oversight Policy of SCIIF.

Internal Audit Management of Grupo SANJOSE shall be responsible for the monitoring and control of said functions, as well as any other functions entrusted by the Board of Directors.

1.2. Departments and/or mechanisms in charge of: (i) designing and reviewing the organizational structure; (ii) clearly defining the lines of responsibility and authority, with a suitable distribution of tasks and duties and (iii) that there are sufficient procedures for it to be properly disclosed throughout the company, in particular, in connection with the financial reporting process.

The Board of Directors through the CEO, regarding departments involved in the elaboration of financial information. Is responsible for the design and revision of the organisational structure.

The Chief Executive Officer through the Human Resources Management is responsible for defining the lines of responsibility and authority, with an appropriate distribution of tasks and functions.

The Group has a section on the Intranet which publishes the organizational structure, The functions of the mainly responsible for the area. Access to these files is restricted based on the type of user you refer

Code of Conduct:

Grupo SANJOSE has a Code of Conduct that is in the process of approval by the Board of Directors.

The main values in the Code of Conduct refer to:

- Maintaining an unimpeachable standard of integrity in their behaviour and relationships, both outside as inside the organization.
- Optimization of resources which is responsible to provide maximum competitiveness to SANJOSE Group.
- Objectivity, transparency and non discrimination in administrative management and elaboration of financial information to ensure its reliability.

- Enforcement of policies and internal rules and legislation. Obligation of rejection and reporting of any mal practice.

- Treatment of confidential information which comes to light in the process of developing administrative and financial information.

Reporting channel:

The Group possesses the necessary tools to allow any type of incident report in this respect, safeguarding confidentiality, irregular behaviour of a financial nature accounting or any other, and any eventual breach of the Code of Conduct.

Training programmes:

Personnel of Grupo SANJOSE involved in the preparation and review of financial information and assessment of internal control systems on financial information are subject to continuous training programmes on regulation updates and best practices necessary to ensure the reliability of financial reporting.

2. ASSESSMENT OF RISKS OF THE FINANCIAL INFORMATION

2.1. What are the main features associated to risk identification, including error or fraud:

Whether the process exists and is documented.

The presence of Grupo SANJOSE in several business areas in different countries with different regulatory, political and social frameworks involves the assessment of risks of different nature.

During year 2011, the Group has identified the major risks which it is exposed to, having been documented ICSFlat national and international levels.

Whether the process covers the entire financial reporting objectives, (existence and occurrence, integrity, valuation, presentation, disclosure and comparability, rights and obligations), it is updated and how often.

The identification of risks affecting the reliability of financial information is based and has its beginning in determining the scope, according to quantitative criteria, of consolidated amounts within the consolidated financial statements regarding the Group's "Net revenue" and "Total Assets", as well as other quantitative criteria / error, fraud, unusual transactions, etc.

For each executed sub processes, risks arising at each stage of the process- sub process and internal controls are identified and documented by a Risk-Control Matrix, which analyses the adequate coverage of financial information reporting objectives (existence and occurrence, integrity, valuation, presentation, disclosure and comparability, rights and obligations).

Said process is updated pursuant to scope of consolidation and business activity results as recorded within the Financial Statements by analysing changes recorded within processes and sub processes.

The existence of an identification process of scope of consolidation method by taking into account, inter alia, the existence of complex corporate structures and special purpose vehicles

The Group has a documented process based on domestic regulation which guarantees the adequate identification of the scope of consolidation through a proper segregation of duties in the request, authorization, recording and reporting of any transaction of incorporation, merger, acquisition or sale of companies and any other corporate transaction, and that means for their execution, directly and in a coordinated manner, the Central Government Departments Corporate, Consolidation, Legal and Tax, among others.

This process considers the existence of complex corporate structures and special purpose vehicles, through, inter alia, the establishment of an adequate structure of segregation of duties for application, approval and communication to take any corporate action in the Group.

Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) affecting the financial statements.

The internal control system on financial information has been designed from a global point of view by considering effects arising from all types of risks (operational, environmental, etc).

Which entity within the institution monitors the aforesaid process

The Internal Audit Department is responsible for monitoring the ICSFI, consisting of:

- a) Follow up of recommendations and ensure their adequate implementation by the General Direction of Administration and Finance;
- b) issue opinions (binding) on changes proposed by the General Directorate of Administration and Finance, etc.;
- c) the General Direction of Administration and Finance, through the Bureau of Administration and consolidation will evaluate and will validate twice a year, coinciding with the issuance of semi-annual and annual information, the ICSFI, completely.

The problem identified will reported to the Internal Audit Group, in order to evaluate the design and effectiveness of ICSFI by a report to the Audit Committee, including the identification of the weaknesses of ICSFI as well as suggested actions of corrections

3. CONTROL ACTIVITIES

3.1 Procedures for reviewing and authorizing financial information and description of the ICFR, to be published on the securities markets, stating the persons responsible, and documents that describe the flows of activities and controls (including those relating to the risk of fraud) for the different types of transactions that may have a material effect on the financial statements, including the procedure for the accounting close and the specific review of significant opinions, estimates, assessments and forecasts.

Grupo SANJOSE has revision and authorisation procedures on financial information and internal control SCIFF, being the Board of Directors responsible for the same and having said powers transferred to the Audit committee pursuant to article 16.4. of the Board of Directors' Regulation of GESJ, S.A.

The Audit Committee reviews, analyses and makes comments on the Financial Statements and any other financial information, as well as judgements and estimates, together with the directorate General of Finance and the Internal audit Department and External Auditors in order to verify information reliability and consistency with previous years.

The flow of activities and control tests, even those regarding fraud, of transactions affecting the financial statements, accounting close and specific revision of judgements and estimates included, are duly document by means of the mandatory corporate policies, standards and procedures.

3.2 Internal control policies and procedures for information systems (inter alia, for secure access, exchange control, system operation, continuity of operations and separation of functions) that support the major processes of the company in connection with the drawing up and publishing of the financial information.

Grupo SANJOSE has policies, standards and procedures of internal control of information systems and security management set within the MSIS or Management System of Safety of Information Systems, in accordance with international standards, such as ISO 27001, ISO27002.

Access to information systems is managed in accordance with the job title of positions, limitations are established by applicable regulations and business needs in order to ensure the reliability of the information. Following corporate policy, Companies of the Group, coordinated by the Director of Systems, define access profiles, modification, validation or query information based on each user's role, assigned under the criteria of an adequate segregation of duties.

Procedures have been established to ensure that installed software cannot be changed without specific permission. All information systems are protected against viruses and software updates are available to prevent hacking into information systems.

3.3 Internal control policies and procedures used for supervising the management of activities outsourced to third parties, as well as those aspects of assessments, calculations or valuations that are entrusted to independent experts, which may have a material effect on the financial statements.

As a general rule, Grupo SANJOSE performs management controls of activities which may affect the reliability of financial statements by the direct use of internal resources, avoiding outsourcing activities.

The management of assessment activities, calculation or assessment procedures commissioned to independent experts refer mainly to real estate appraisal. The selection of such companies is performed according to methods consistent with the criteria established by "The Royal Institution of Chartered Surveyors" in implementing International Assessment Standards.

The reports on assets assessment are subjected to an internal review process to verify the adequacy of hypotheses and most significant assumptions used, as well as its compliance with International Accounting and Assessment Standards.

4. INFORMATION AND COMMUNICATION

4.1 A specific function tasked with defining and updating accounting policies and resolving any queries or disputes arising as a result of their interpretation, maintaining a fluent dialog with the people responsible for operations in the organization, as well as an up-to-date accounting policies manual that is communicated to the units through which the entity operates.

The Group has procedures and mechanisms to convey to staff involved in the preparation of financial information the applicable performance criteria and the information systems used in such processes.

The ultimate responsibility lays on the General Direction of Administration and Finance and must be carried out through the Central Administration Office together with the Consolidation and Control Management Division.

4.2 Systems for gathering and preparing the financial information using standard formats, to be applied and used by all the units in the company or the group, which supports the main financial statements and the notes, as well as the information set out on the ICSFR.

The Group's financial information is produced through a process consisting of aggregating individual financial statements for further consolidation in response to consolidation and accounting regulations on consolidated financial information publishing in the markets.

All of the units within the SANJOSE Group are required to submit detailed financial information using a single format and a CFO is responsible for each level of aggregation. The Consolidation Department establishes the formats to use and analyses potential problems which may arise, reporting the same to the General Direction of Administration and Finance.

In the process of aggregation and consolidation of financial statements, the Group employs the software application so-called CONSOLIDADA; this tool is parameterised for testing and automatic reconciliations looking for inconsistencies in the recorded data before validating them. This tool generates improvements in information security, as well as progress in the implementation of details.

5. SUPERVISION OF THE SYSTEM

5.1 Supervisory activities of the ICSFR carried out by the Audit Committee, and if the company has an Internal Audit function that includes among its competencies supporting the Committee in its internal control supervisory work, including the ICSFR.

Among the functions of the Audit Committee, the Board of Directors Regulation includes the monitoring of accounting and financial information, internal and external audit services and corporate governance.

The ICSFR monitoring activities undertaken by the Audit Committee include the following:

- To approve the internal audit plan for the assessment of Internal Control Systems of Financial Information Reporting and receive regular information on worked performed and a corrective action plan.

- To ensure the independence and effectiveness of the internal audit function, to propose the selection, appointment, reappointment and removal of the Director of Internal Audit, proposing the budget for this service, receive regular information about executed activities and ensure that senior management takes into account conclusions and recommendations of audit reports.

- To review on a semi-annual and quarterly basis the preparation of financial statements.

The Group has an Internal Audit Department responsible for the assurance and consulting functions, among other, supporting the Audit Committee on monitoring the internal control system of financial reporting.

The Internal Audit Department submits to the Audit Committee its annual working plan, reports directly of all incidents identified in its development, proposing possible corrective measures on the same.

5.2 Discussion procedure whereby the auditor, the internal audit function and other experts may report to senior management and to the Audit Committee or the Board of Directors on major internal control weaknesses that have been identified in the processes for reviewing the financial statements and in any other processes that may have been entrusted to them.

The Audit Committee maintains a stable and professional relationship with the external auditors of Grupo SANJOSE and the main Group companies, with strict respect for their independence. This relationship facilitates communication and discussion of significant weaknesses of internal control identified during the revision of financial statements.

In this regard, the Audit Committee receives at least twice a year, the external auditors' report about the audit plan and its implementation, and verifies that senior management takes into account its recommendations.

The Director of Internal Audit, either in the process of reviewing the financial statements, issues a report addressed to Directorate General or the Area Manager involved in such revision. The report emphasises on process weaknesses and other identified issues, resolving on correctives measures to be implement. The Department of Internal Audit assesses correction measures regarding implementing time and method. The Internal Audit Department reports on a regular basis to the Audit Committee of the main weaknesses identified as well as the correction process implemented.

APPENDIX II:

ANNUAL REPORT PURSUANT TO ARTICLE 116 B OF THE SECURITIES EXCHANGE ACT

Pursuant to article 61 b of the Securities Exchange Act, the Board of Directors of Grupo Empresarial SANJOSE must provide the Annual Shareholders' Meeting with a report on the following information:

a) Securities not traded on a regulated EU market, with indication, where appropriate, of the different classes of shares and, for each class of shares, rights and obligations attaching to it.

Pursuant to article 5 of Bylaws, share capital amounts to one million nine hundred fifty thousand seven hundred eighty-two Euros and forty-nine cents (€ 1,950,782.49) Euros, represented by sixty-five million twenty-six thousand and eighty-three (65,026,083) shares, three Euro cents (0.03 €) par value each, numbered consecutively from one (1) to sixty-five million twenty-six thousand and eighty-three (65,026,083), both inclusive, of the same class and series, fully subscribed and paid.

b) Restrictions on the transferability of shares and any restrictions on voting rights.

Pursuant to Article 7 of the Bylaws, there are restrictions to transferability of shares representing the share capital

According to article 16.1, individual shareholders with at least one hundred shares (100), or those which may have grouped with other shareholders in the same situation to reach the minimum required, can attend and vote at a General Meeting.

c) Rules applicable to the amendment of the Bylaws.

Regarding the amendment of bylaws there is no procedure in addition to those which are set forth in Royal Decree 1/2010 of 2 July on the revised text of the Companies Act of Capital and Law 3/2009 of 3 April on structural modifications of commercial companies.

d) Significant agreements entered into by the company and to become into effect, alter or terminate in case of change of control due to a takeover bid.

There are no agreements in this regard

e) 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.

f) Description of the main features of the internal control system and risk management systems regarding financial reporting processes.

ESTEFANIA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafín Dubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

The Spanish regulatory framework on internal control systems, where voluntary recommendations coexists with binding obligations of the Unified Code of Corporate Governance, requires audit committees to be aware of financial reporting process and internal control systems.

Law 12/2010 of 30 June modifies, among others, Law 19/1988 of 12 July, on Auditing Services, and Law 24/1988 of 28 July, the stock market, and incorporates Spanish law, through the modification of the eighteenth additional provision of the Securities Market Act, new competences of audit committees of listed companies. These powers include monitoring the effectiveness of internal control systems and risk management process and presentation of financial information.

Section 4, points 2 and 3 of the eighteenth additional provision of the Securities Market Act, in respect to the minimum competencies of audit committees, reads as follows:

"2. To supervise the effectiveness of internal control of the company, internal audit, if applicable, and risk management systems and to discuss with the auditors or audit firms significant weaknesses of the system of internal control identified on the development of the audit. "

"3. To Supervise the preparation and presentation of regulated financial information"

Additionally, Law 2/2011, of March 4, of Sustainable Economy, we introduce a new article 61.bis of Law 24/1988 of 28 July, on the Securities Market, which amends the minimum content of the Report annual Corporate Governance Report (IAGC), previously regulated by Article 116 of the Securities Market Law. In particular the duty for inclusion in the IAGC of a description of the main characteristics of internal control and risk management in relation to the process of regulated financial reporting. The content and final structure of the IAGC is determined by the Ministry of Finance or, express authorization, by the National Committee on the Securities Market

1. COMPANY CONTROL SYSTEM

1.1. Entities and/or functions of: i. Existence and maintenance of an adequate and efficient internal control system on financial information; ii. Its implementation; iii. Its monitoring.

The Internal Control System on Financial Information (SCIIF) of the Group is based upon the on the principles and good practices of the reports published by the Committee of Sponsoring Organizations of the Tread way Commission (COSO) that sets out the main guidelines for the implementation, management and control of a system of internal control and corporate risk management.

The Board of Directors formally assumes the ultimate responsibility for the existence and correct application of Internal Control Systems on Financial Information. The role of the Group's Board of Directors is to pass on the control and risk management policy and the periodic monitoring of internal information control systems. Said function has been transferred to the Audit Committee, who should be informed of controls implemented by the Financial Department. For controls which may be considered appropriate, especially those made directly by the Finance Department and with a high element of subjectivity, the Board of Directors will require the implementation of appropriate control procedures.

The design, implementation and operation of SCIIF is the responsibility of the General Directorate of Administration and Finance Group, as set forth the San Jose Group Oversight Policy of SCIIF.

Internal Audit Management of Grupo SANJOSE shall be responsible for the monitoring and control of said functions, as well as any other functions entrusted by the Board of Directors.

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafín Tubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

1.2.Existence of Departments and/or mechanisms responsible for: i. Design and review of the organisational structure, ii. Definition of lines of responsibility and authority, with an appropriate distribution of tasks and functions, iii. Existence of sufficient procedures for proper dissemination in the organisation

The Board of Directors through the CEO, regarding departments involved in the elaboration of financial information. Is responsible for the design and revision of the organisational structure.

The Chief Executive Officer through the Human Resources Management is responsible for defining the lines of responsibility and authority, with an appropriate distribution of tasks and functions.

The Group has a section on the Intranet which publishes the organizational structure, The functions of the mainly responsible for the area. Access to these files is restricted based on the type of user you refer

Code of Conduct:

Grupo SANJOSE has a Code of Conduct that is in the process of approval by the Board of Directors.

The main values in the Code of Conduct refer to:

- Maintaining an unimpeachable standard of integrity in their behaviour and relationships, both outside as inside the organization.
- Optimization of resources which is responsible to provide maximum competitiveness to SANJOSE Group.
- Objectivity, transparency and non discrimination in administrative management and elaboration of financial information to ensure its reliability.
- Enforcement of policies and internal rules and legislation. Obligation of rejection and reporting of any mal practice.
- Treatment of confidential information which comes to light in the process of developing administrative and financial information.

Reporting channel:

The Group possesses the necessary tools to allow any type of incident report in this respect, safeguarding confidentiality, irregular behaviour of a financial nature accounting or any other, and any eventual breach of the Code of Conduct.

Training programmes:

Personnel of Grupo SANJOSE involved in the preparation and review of financial information and assessment of internal control systems on financial information are subject to continuous training programmes on regulation updates and best practices necessary to ensure the reliability of financial reporting.

2. RISK ASSESSMENT OF FINANCIAL REPORTING

2.1. What are the main features associated to risk identification, including error or fraud:

Whether the process exists and is documented.

The presence of Grupo SANJOSE in several business areas in different countries with different regulatory, political and social frameworks involves the assessment of risks of different nature.

During year 2011, the Group has identified the major risks which it is exposed to, having been documented SCIIF at national and international levels.

Whether the process covers the entire financial reporting objectives, (existence and occurrence, integrity, valuation, presentation, disclosure and comparability, rights and obligations), it is updated and how often.

The identification of risks affecting the reliability of financial information is based and has its beginning in determining the scope, according to quantitative criteria, of consolidated amounts within the consolidated financial statements regarding the Group's "Net revenue" and "Total Assets", as well as other quantitative criteria / error, fraud, unusual transactions, etc.

For each executed sub processes, risks arising at each stage of the process- sub process and internal controls are identified and documented by a Risk-Control Matrix, which analyses the adequate coverage of financial information reporting objectives (existence and occurrence, integrity, valuation, presentation, disclosure and comparability, rights and obligations).

Said process is updated pursuant to scope of consolidation and business activity results as recorded within the Financial Statements by analysing changes recorded within processes and sub processes.

The existence of an identification process of scope of consolidation method by taking into account, inter alia, the existence of complex corporate structures and special purpose vehicles

The Group has a documented process based on domestic regulation which guarantees the adequate identification of the scope of consolidation through a proper segregation of duties in the request, authorization, recording and reporting of any transaction of incorporation, merger, acquisition or sale of companies and any other corporate transaction, and that means for their execution, directly and in a coordinated manner, the Central Government Departments Corporate, Consolidation, Legal and Tax, among others.

This process considers the existence of complex corporate structures and special purpose vehicles, through, inter alia, the establishment of an adequate structure of segregation of duties for application, approval and communication to take any corporate action in the Group.

Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) affecting the financial statements

The internal control system on financial information has been designed from a global point of view by considering effects arising from all types of risks (operational, environmental, etc).

Which entity within the institution monitors the aforesaid process

The Internal Audit Department is responsible for monitoring the SCIIF, consisting of:

- a) follow up of recommendations and ensure their adequate implementation by the General Direction of Administration and Finance;
- b) issue opinions (binding) on changes proposed by the General Directorate of Administration and Finance, etc.;

ESTEFANIA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafín Tubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

c) the General Direction of Administration and Finance, through the Bureau of Administration and consolidation will evaluate and will validate twice a year, coinciding with the issuance of semi-annual and annual information, the SCIIF completely.

The problem identified will reported to the Internal Audit Group, in order to evaluate the design and effectiveness of SCIIF by a report to the Audit Committee, including the identification of the weaknesses of SCIIF as well as suggested actions of corrections

3. CONTROL ACTIVITIES

3.1 Procedures for the revision and approval of financial information and description of internal control system SCIIF to be publish at stock markets, detailing responsible members, as well as cash-flow control activities (including those regarding risks of fraud), including accounting close procedures and specific revision of the judgments, estimates, valuations and relevant projections.

Grupo SANJOSE has revision and authorisation procedures on financial information and internal control SCIFF, being the Board of Directors responsible for the same and having said powers transferred to the Audit committee pursuant to article 16.4. of the Board of Directors' Regulation of GESJ, S.A.

The Audit Committee reviews, analyses and makes comments on the Financial Statements and any other financial information, as well as judgements and estimates, together with the directorate General of Finance and the Internal audit Department and External Auditors in order to verify information reliability and consistency with previous years.

The flow of activities and control tests, even those regarding fraud, of transactions affecting the financial statements, accounting close and specific revision of judgements and estimates included, are duly document by means of the mandatory corporate policies, standards and procedures.

3.2 Policies and procedures of internal control of information systems (among others, access security, monitoring of changes, operation continuity, and segregation of duties) that support relevant processes within the organisation in relation to the development and public release of financial information.

Grupo SANJOSE has policies, standards and procedures of internal control of information systems and security management set within the MSIS or Management System of Safety of Information Systems, in accordance with international standards, such as ISO 27001, ISO27002.

Access to information systems is managed in accordance with the job title of positions, limitations are established by applicable regulations and business needs in order to ensure the reliability of the information. Following corporate policy, Companies of the Group, coordinated by the Director of Systems, define access profiles, modification, validation or query information based on each user's role, assigned under the criteria of an adequate segregation of duties.

Procedures have been established to ensure that installed software cannot be changed without specific permission. All information systems are protected against viruses and software updates are available to prevent hacking into information systems

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/Serafín Rubio, 5, 1º
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

3.3 Policies and internal control procedures for monitoring the management of outsourcing activities to third parties, and aspects regarding assessment and calculation of works entrusted to independent experts, which may affect financial statements in a certain way.

As a general rule, Grupo SANJOSE performs management controls of activities which may affect the reliability of financial statements by the direct use of internal resources, avoiding outsourcing activities.

The management of assessment activities, calculation or assessment procedures commissioned to independent experts refer mainly to real estate appraisal. The selection of such companies is performed according to methods consistent with the criteria established by "The Royal Institution of Chartered Surveyors" in implementing International Assessment Standards.

The reports on assets assessment are subjected to an internal review process to verify the adequacy of hypotheses and most significant assumptions used, as well as its compliance with International Accounting and Assessment Standards.

4. INFORMATION AND REPORTING

4.1 A specific function responsible for defining, maintaining up to date accounting policies (area or department of accounting policies) and resolving questions or disputes regarding their interpretation and ensuring good communication with those responsible for operations within in the organization, as well as keeping up to date guidelines on accounting policies duly informing operating units on the same.

The Group has procedures and mechanisms to convey to staff involved in the preparation of financial information the applicable performance criteria and the information systems used in such processes.

The ultimate responsibility lays on the General Direction of Administration and Finance and must be carried out through the Central Administration Office together with the Consolidation and Control Management Division.

4.2 Mechanisms of submission and preparation of financial information in homogeneous formats, application to all units, which support main financial statements and the accompanying notes, as well as information detailed on internal control systems on financial information, SCIIF.

The Group's financial information is produced through a process consisting of aggregating individual financial statements for further consolidation in response to consolidation and accounting regulations on consolidated financial information publishing in the markets.

All of the units within the SANJOSE Group are required to submit detailed financial information using a single format and a CFO is responsible for each level of aggregation. The Consolidation Department establishes the formats to use and analyses potential problems which may arise, reporting the same to the General Direction of Administration and Finance.

In the process of aggregation and consolidation of financial statements, the Group employs the software application so-called CONSOLIDADA; this tool is parameterised for testing and automatic reconciliations looking for inconsistencies in the recorded data before validating them. This tool generates improvements in information security, as well as progress in the implementation of details.

5. MONITORING OF THE SYSTEM'S PERFORMANCE

5.1 SCIF monitoring activities executed by the Audit Committee, as well as by the internal audit division, if applicable for including within its function to support the audit committee in internal control monitoring activities. Scope of action of assessments on internal control systems on financial information and outcome of the same, as well as any applicable corrective measures on and financial impact of results.

Among the functions of the Audit Committee, the Board of Directors Regulation includes the monitoring of accounting and financial information, internal and external audit services and corporate governance.

The SCIF monitoring activities undertaken by the Audit Committee include the following:

-To approve the internal audit plan for the assessment of Internal Control Systems of Financial Information Reporting and receive regular information on worked performed and a corrective action plan.

-To ensure the independence and effectiveness of the internal audit function, to propose the selection, appointment, reappointment and removal of the Director of Internal Audit, proposing the budget for this service, receive regular information about executed activities and ensure that senior management takes into account conclusions and recommendations of audit reports.

- To review on a semi-annual and quarterly basis the preparation of financial statements.

The Group has an Internal Audit Department responsible for the assurance and consulting functions, among other, supporting the Audit Committee on monitoring the internal control system of financial reporting.

The Internal Audit Department submits to the Audit Committee its annual working plan, reports directly of all incidents identified in its development, proposing possible corrective measures on the same.

5.2 Whether there is an applicable discussion procedure by which, the auditor (in accordance with the provisions set out by NTA), the internal audit and other experts, may notify senior management and the Audit Committee or directors of weaknesses of the internal control system identified during preparation of financial statements. Information on possible corrective measures, if applicable, shall also be notified.

The Audit Committee maintains a stable and professional relationship with the external auditors of Grupo SANJOSE and the main Group companies, with strict respect for their independence. This relationship facilitates communication and discussion of significant weaknesses of internal control identified during the revision of financial statements.

In this regard, the Audit Committee receives at least twice a year, the external auditors' report about the audit plan and its implementation, and verifies that senior management takes into account its recommendations.

The Director of Internal Audit, either in the process of reviewing the financial statements, issues a report addressed to Directorate General or the Area Manager involved in such revision. The report emphasises on process weaknesses and other identified issues, resolving on correctives measures to be implement. The Department of Internal Audit assesses correction measures regarding implementing time and method. The Internal Audit Department reports on a regular basis to the Audit Committee of the main weaknesses identified as well as the correction process implemented.

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/ Serafin Turiso, 5, 1º
36000 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986690488

DIRECTORS' SIGNATURES

For the purposes of R.D. 1362/2007 on 19 October (Article 8.1.b and Article 10), the undersigned Directors of Grupo "Constructora 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 Board of Directors sign herein.

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 179 sheets of officially stamped single-sheet paper were prepared by the Company's Board of Directors on 28 February 2012.

Mr. Jacinto Rey González

Mr. Jacinto Rey Laredo

Mr. Miguel Zorita Lees

Mr. Ramón Barra! Andrade

Ms. Altina de Fátima Sebastián González

Mr. Francis Lepoutre

Mr. Francisco Hernanz Manzano

Mr. Juan Emilio Iranzo Martín

Mr. Roberto Alvarez Alvarez

Mr. Santiago Martínez Carballal

Mr. José Manuel Otero Novas

Mr. Alfonso Paz Andrade

CERTIFICATION

CERTIFICACIÓN

I, Estefanía Calvo Iglesias, English Sworn Translator, certified by the Spanish Ministry of Foreign Affairs,

do hereby certify

that the preceding is a true and faithful English translation, on the essentials, of a document issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

Madrid, on the seventh of May, two thousand and twelve

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, a siete de mayo de dos mil doce

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL
C/ Serafín (C/ Toledo, 5, 1º)
36900 Marín (Pontevedra)
calvo.estefania@gmail.com
690320705 - 986890498

Estefanía Calvo Iglesias