Grupo Empresarial San José, S.A. and Subsidiaries

Consolidated Financial Statements for 2012 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.

Deloitte.

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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 2012 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 2012 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 2012, 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 the content of 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, the Group will have to start to meet significant maturities of financial debt from 2013 onwards after completing on 21 April 2009 a process of renegotiation of all its bank borrowings. As indicated in Note 19.4 to the accompanying consolidated financial statements, the Parent's Directors expect to be able to settle the Group's financial obligations in 2013 through the available cash and the cash flows arising from operations and from the potential sale of non-strategic assets.

4. The accompanying consolidated directors' report for 2012 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 2012. 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
28 February 2013

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

Grupo Empresarial San José, S.A. and Subsidiaries

Consolidated Financial Statements
for the year ended 31 December 2012 and
Directors' Report and Independent Auditors'
Report.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

Consolidated Balance Sheet at 31 December 2012 and 2011

(Thousand of Euros)

ASSETS	31-12-12	31-12-11
NON-CURRENT ASSETS		
Property, plant and equipment (Note 7)	60,770	76,218
Investment property (Note 8)	499,929	546,785
Goodwill on consolidation (Note 9)	13,207	15,465
Intangible assets (Note 10)	20,690	16,318
Investments in associates and joint ventures	71,811	78,782
Equity investments in associates (Note 11)	55,589	63,051
Loans to related companies (Note 13.4)	16,222	15,731
Other non-current financial assets (Note 13.4)	113,747	58,050
Deferred tax assets (Note 20.4)	146,010	93,714
TOTAL NON-CURRENT ASSETS	926,164	885,332
CURRENT ASSETS		
Inventories (Note 12)	1,132,718	1,260,604
Trade and other receivables	373,274	476,594
Trade receivables for sales and services (Note 13.1)	349,532	454,768
Related companies receivables (Note 23)	30	630
Sundry accounts receivable	2,671	2,401
Public administrations (Note 20.6)	20,057	16,421
Other current assets	984	2,374
Other current financial assets (Note 13.3)	161,130	106,464
Cash and cash equivalents (Note 13.2)	197,560	168,086
TOTALCURRENT ASSETS	1,864,682	2,011,748
TOTAL ASSETS	2,790,846	2,897,080

EQUITY AND LIABILITIES	31-12-12	31-12-11
EQUITY		
Share capital	1,951	1,951
Issuance premium	155,578	155,578
Reserves	203,773	239,001
Translation differences	(21,692)	(20,211)
Equity-Valuation adjustments	(16,115)	(16,398)
Profit for the year attributable to the parent company	(97,085)	(36,150)
Equity attributable to shareholders of the Parent	226,410	323,771
Minority interests	20,635	25,355
TOTAL EQUITY (Note 14)	247,045	349,126
NON-CURRENT LIABILITIES		
Long-term provisions (Note 15)	32,106	27,176
Non-current bank borrowings (Note 16)	1,566,120	1,509,105
Bank loans and overdrafts	1,549,166	1,490,277
Finance lease creditors	2,472	3,839
Other financial liabilities	14,482	14,989
Derivative financial instruments (Note 16 and 17)	34,683	27,816
Deferred tax libilities (Note 20.4)	68,647	71,982
TOTAL NON-CURRENT LIABILITIES	1,701,556	1,636,079
CURRENT LIABILITIES		
Short-term provisions (Note 22.10)	29,329	20,353
Current bank borrowings (Note 16)	391,560	374,705
Bank loans and overdrafts	386,414	368,387
Finance lease creditors	1,401	1,002
Other financial liabilities	3,745	5,316
Derivative financial instruments (Note 16 and 17)	58	7,192
Payables to related companies (Note 23)	10,298	10,982
Trade and other payables	411,000	498,643
Trade payables (Note 18.1 and 18.3)	366,758	441,767
Tax payable (Note 20.6)	35,819	45,351
Other current liabilities (Note 18.2)	8,423	11,525
TOTAL CURRENT LIABILITIES	842,245	911,875
TOTAL EQUITY AND LIABILITIES	2,790,846	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 2012.

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Translation into English of consolidated financial statements for the year ended 31 December 2012, 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
years 2012 and 2011
(Thousand of Euros)

	31-12-12	31-12-11
CONTINUING OPERATIONS		
Revenue (Note 22.1)	658,389	752,232
Sales	613,711	712,727
Provision of services	44,678	39,505
Other operating income	9,605	5,888
Change in inventories of finished goods and work in progress (Note 22.11)	(31,852)	(9,988)
Procurements (Note 22.2)	(475,530)	(462,393)
Cost of raw materials and other consumables used	(167,208)	(158,231)
Works performed by other companies	(201,064)	(295,259)
Impairment of goods held for resale, raw materials and other supplies (Note 12)	(107,258)	(8,903)
Staff costs (Note 22.3)	(99,175)	(112,233)
Other operating expenses	(101,122)	(118,170)
Losses on impairment and change in allowances for trade receivables (Note 22.10)	(12,493)	(20,178)
Oher current operating expenses (Note 22.2)	(88,629)	(97,992)
Depreciation and amortisation charge (Notes 7, 8 and 10)	(13,767)	(15,301)
Excessive provisions (Note 22.10)	664	2,479
Impairment and gains or losses on disposal of non-current assets (Note 22.9)	(33,951)	(7,480)
PROFIT FROM OPERATIONS	(86,739)	35,034
Finance income (Note 22.7)	15,581	10,570
Finance costs (Note 22.8)	(75,063)	(73,936)
Changes in fair value of financial instruments (Note 4.11)	(6,444)	(10,351)
Exhange differences	851	34
Impairment and gains or losses on disposal of financial instruments (Note 22.12)	11,380	(8,770)
FINANCIAL LOSS	(53,695)	(82,453)
Profit/(loss) of companies accounted for using the equity method (Note 11)	(2,185)	(1,180)
PROFIT (LOSS) BEFORE TAXES	(142,619)	(48,599)
Income tax (Note 20)	43,304	10,968
PROFIT (LOSS) FOR THE YEAR FROM CONTNUIING OPERATIONS	(99,315)	(37,631)
PROFIT (LOSS) ATTRIBUTABLE TO EXTERNAL PARTNERS (Note 14.8)	(2,230)	(1,481)
PROFIT (LOSS) FOR THE YEAR	(97,085)	(36,150)
<u>Earnings per share (Euros/share)</u>		
-Basic	(1.49)	(0.56)
-Diluted	(1.49)	(0.56)

Accompanying Notes 1 to 26 to the Annual Report and Annex I, II and III form an integral part of the Consolidated Income Statement at 31 December 2012.

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

FOR YEARS 2012 AND 2011

(Thousand of Euros)

	Year 2012	Year 2011
Cash Flows from operating activities:		
(+) Profit (Loss) before tax	(142,621)	(48,599)
(+) Depreciation and amortisation charge	13,767	15,301
(+/-) Changes in operating allowances	167,017	34,588
(-) Financial income	(15,581)	(10,570)
(+) Financial costs	75,063	73,936
(+/-) Exchange differences	(851)	(34)
(+/-) Profit/(loss) of chages in value of financial instruments	6,444	10,351
(+/-) Profit/(loss) of companies accounted for using the equity method	2,185	1,180
(+/-) Other gains or losses	(18,265)	8,067
Total Cash Flows from operating activities	**87,158**	**84,220**
Other adjustments:		
(+/-) (Increase) / Decrease in working capital	24,922	23,597
(+/-) Other collections/ (payments) due to operating activities	18,948	(1,013)
1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	**131,028**	**106,804**
Investments:		
(-) Property, plant and equipment and investment property	(3,570)	(6,233)
(-) Intangible assets	(816)	(705)
(-) Shares and other financial assets	(68,153)	(42,741)
Total Investments	**(72,539)**	**(49,679)**
Dividends received	**1,598**	**5,297**
Disposals:		
(+) Property, plant and equipment and investment property	7,041	633
(+) Intangible assets	2,417	52
(+) Shares and other financial assets	-	-
Total Disposals	**9,458**	**685**
Other collections/ (payments) due to operating activities	**(41,740)**	**(86,659)**
2. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	**(103,223)**	**(130,356)**
Other collections/ (payments) due to treasury share transactions	**(2,010)**	**(6,972)**
Dividends paid	**-**	**-**
Increase/ (decrease) in borrowings	**60,918**	**95,580**
Net interest		
Received	13,983	3,079
Paid	(69,116)	(71,467)
Total net interests	**(55,133)**	**(68,388)**
Other collections/ (payments) due to financing activities	**(2,106)**	**(1,359)**
3. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES	**1,669**	**18,861**
TOTAL CASH FLOWS FOR THE YEAR	**29,474**	**(4,691)**

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**168,086**	**172,777**
Changes in the year	**29,474**	**(4,691)**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**197,560**	**168,086**

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 year 2012.

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR YEARS 2012 AND 2011
A) STATEMENT OF RECOGNISED INCOMED AND EXPENSES

(Thousand of Euros)

	2012	2011
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	(99,315)	(37,631)
Income and expenses recognised directly in equity		
- Cash flow hedges	4,183	(14,358)
- Other	502	1,355
- Tax effect	(357)	2,043
	4,328	(10,960)
Transfers to income statement		
- Cash flow hedges	(1,819)	12,104
- Other	(646)	(900)
- Tax effect	92	(3,589)
	(2,373)	7,615
TOTAL RECOGNISED INCOME / (EXPENSES)	(97,360)	(40,976)
a) Attributable to the Parent	(95,267)	(39,975)
b) Attributable to Minority Interests	(2,093)	(1,001)

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR YEARS 2012 AND 2011.

B) STATEMENTS OF CHANGES IN TOTAL EQUITY

(Thousand of Euros)

	Capital	Issuance premium	Legal Reserve	Other reserves of the Parent	Consolidated reserves		Translation differences	Adjustments to equity	Proft (Loss) for the year	Equity attributable to the Parent	Minority Interests	Total Equity
					In IG/IP companies	In associates						
Balance at 31 December 2010	1,951	155,578	263	92,892	159,085	11,524	(16,595)	(16,423)	(21,534)	366,739	28,856	395,596
Distribution of profit for year 2010:												
-to reserves	-	-	-	(3,560)	(20,523)	2,549	-	-	21,534	-	-	-
Translations differences	-	-	-	-	-	-	(3,616)	-	-	(3,616)	(1)	(3,617)
Changes in the scope of consolidations (Note 2.4)	-	-	-	-	638	(16)	-	-	-	622	(2,499)	(1,877)
Transfers and others	-	-	-	-	(3,851)	-	-	3,851	-	-	-	-
Recognised income and expenses year 2011	-	-	-	-	-	-	-	(3,825)	(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)	323,771	25,355	349,126
Distribution of profit for year 2011 :												
-to reserves	-	-	-	(1,838)	(33,132)	(1,180)	-	-	36,150	-	-	-
Translations differences	-	-	-	-	-	-	(1,481)	-	-	(1,481)	(1,335)	(2,816)
Changes in the scope of consolidations (Note 2.4)	-	-	-	-	(1,775)	1,223	-	(61)	-	(613)	809	196
Transfers and others	-	-	-	-	2,220	(746)	-	(1,474)	-	-	(2,102)	(2,102)
Recognised income and expenses	-	-	-	-	-	-	-	1,818	(97,085)	(95,267)	(2,093)	(97,360)
Balance at 31 December 2012	1,951	155,578	263	87,494	102,662	13,354	(21,692)	(16,115)	(97,085)	226,410	20,635	247,045

Notes 1 to 26 together with Appendix I, II and III form an integral part of the Consolidated Statement of Changes in Equity at 31 December 2012.

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Grupo Empresarial San José, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

1. Group activities

Incorporation

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 Public Notary of Pontevedra, Mr. Rafael Sanmartin 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.

Its registered office is located in Pontevedra, at Calle Rosalia de Castro, 44.

Activities

The activities carried on by the Parent and its investees (Grupo SANJOSE) 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.

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. (Real estate), Sanjosé Concesiones y Servicios, S.A.U. (maintenance services), 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.

Transactions executed within the previous years:

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

The Board of Directors of Sanjosé Tecnologías, S.A.U., Constructora San José, S.A., Sanjosé Energía y Medio Ambiente, S.A. and Sanjosé Concesiones y Servicios, S.A.U., have agreed on the spin-off of the company Sanjosé Tecnologías, S.A.U. and its division into three business activities. Integrating elements of the same have been valued by Directors of the company on EUR 11,409 thousand, being the detail as follows:

- Engineering and industrial construction: the beneficiary company of this business activity is "Constructora San José, S.A.". Net value of the business activity branch amounts to EUR 5,045 thousand.

- Maintenance of all type of facilities: the beneficiary company of this business activity is "Sanjosé Concesiones y Servicios, S.A.". Net value of the business activity branch amounts to EUR 5,045 thousand.

- Maintenance of all type of facilities: the beneficiary company of this business activity is "Sanjosé Concesiones y Servicios, S.A.". Net value of the business activity branch amounts to EUR 3.978 thousand.

Total value of the spin-off company, as well as of each branch of activity of the same were qualified as positive by PricewaterhouseCoopers Auditores, S.L., acting and independent professional experts appointed by the Register of Companies of Pontevedra and included on their report issued on 19 October 2010.

This transaction was approved by the General Shareholders' Meeting of the Company held on 25 November 2010 and granted by public deed on 27 December 2010. As of 20 July 2011 it was recorded at the Trade Registrar of Companies of Pontevedra.

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.

Segregation of the real estate branch of activity of Grupo Empresarial San José, S.A. (formerly, Udra, S.A.) in favour of "San José Desarrollos Inmobiliarios, S.A." (formerly, Inmobiliaria Udra, S.A.) and capital increase of the beneficiary company.

As of 17 and 18 of March 2010, the Board of Directors of the Company "San José Desarrollos Inmobiliarios S.A." and its main shareholder "Grupo Empresarial San José, S.A." passed, respectively, the segregation of the branch of activity of the later, by means of a non-monetary capital increase, of all real estate assets and liabilities of "Grupo Empresarial San José, S.A.", pursuant to provisions set forth no Title III of Act 3/2009 as of 3 April regarding Structural Modifications of Companies. Said transaction was approved at the Ordinary and Extraordinary General Meeting of Shareholders of company, held on 28 June 2010. The identification of assets of the segregated branch of activity, as well as their valuation and assessment by independent experts was included within the financial statements for year 2010.

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. There is no preferential subscription. This transaction was recorded at the Registrar of Companies of Pontevedra on 7 September 2010.

Said segregation 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.

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 16 June 2008, and was recorded on 16 June 2009.

On completion of this 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.

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL

Transactions executed by absorbed companies are taken into consideration by "Parquesol Inmobiliaria y Proyectos, 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 José, 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.

Said transaction also includes the following:

a. Split of shares of the Company, issuing 200 new shares for each former share and reducing, therefore, the par value from EUR 6.00 to EUR 0.03.

b. In order to allow entrance of minority shareholders of absorbed companies and pursuant to exchange terms and conditions agreed upon by the General Meetings of the involved companies, released by public deed granted on 10 July 2009, a capital increase was executed for a total of 21,298,083 shares of EUR 0.03 par value each and an issuance premium amounting to EUR 6.93676 per share.

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

The aforementioned Merger Plan 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.

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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.

Capital increase of "San José Desarrollos Inmobiliarios, S.A."

The shareholders of "San José Desarrollos Inmobiliarios, S.A." at the Extraordinary General Meeting held on 19 September 2008 agreed a non-monetary capital increase, without right of preferential subscription of minority shareholders.

The efficiency of said capital increased depended on the inscription at the corresponding Trade Registries of the public deeds which formalise: (i) The merger by "Parquesol Inmobiliaria y Proyectos, S.A." and five associates; and (ii) the merger by "Grupo Empresarial San José, S.A." of "San José Infraestructuras y Servicios, S.A.", "Udramed, S.L.U.", "Parquesol Inmobiliaria y Proyectos, S.A." and "Lhotse Desarrollos Inmobiliarios, S.L.".

The merger balance sheet, at 31 December 2008, as well as other relevant information, was disclosed on the financial statements of the associate for the year of transaction.

Merger of "Sanjosé Tecnologías, S.A.U." and the investees: "Artel Ingenieros S.L.U.", "Sefri Ingenieros S.A.U.", "Instal 8 S.A.U." and "SM Klima S.A.U."

The shareholders at the Annual General Meetings of Sanjosé Tecnologías, S.A.U., Artel Ingenieros S.L.U., Sefri Ingenieros 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 SanJosé 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 Sanjosé 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 Sanjosé Tecnologías, S.A.U. owns all the shares of Artel Ingenieros S.L.U., Sefri Ingenieros 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 Sanjosé 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 Sanjosé 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 "Sanjosé Tecnologías, S.A." must assume the fulfilment of certain requirements, pursuant to Articles 90.1 and 90.2 of the aforementioned Legislative Royal Decree 4/2004.

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

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

Sanjosé Tecnologías S.A.U., and Tecnocontrol S.A.U. Annual General Meetings, held on 30 June 2009, approved the joint spin-off of business branch and merger by absorption project of Tecnocontrol S.A.U. as the absorbed company by Sanjosé Tecnologias, 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 Tecnologias, 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 Sanjosé Tecnologias, S.A.U. owns all the shares of Tecnocontrol S.A.U. it is not necessary to increase the share capital of the absorbing company or fix a share exchange ratio. Similarly, neither the directors nor independent valuers are required to prepare reports in relation to the merger plan.

The assets and liabilities transferred in the merger were included in the accounting records of Sanjosé Tecnologías, S.A.U. 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 Sanjosé Tecnologías, S.A.U. for accounting purposes as on 01 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. Sanjosé Tecnologías S.A.U. must comply with certain requirements pursuant to Articles 90.1 and 90.2 of said Royal Decree 4/2004.

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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 Mediterrnea, 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 Mediterrnea, 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 José, 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 2012 of Grupo Empresarial San José, S.A. and Subsidiaries (Grupo SANJOSE 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), taking into account all the mandatory accounting principles and rules and measurement bases in IFRSs, and, accordingly, they present fairly the Grupo San José's consolidated equity and financial position at 31 December 2012 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

Grupo SANJOSE'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 SANJOSE and Subsidiaries for 2011, prepared in accordance with EU-IFRSs, were approved by the shareholders at the Annual General Meeting of Grupo Empresarial San José, S.A. held on 28 June 2012. Also, the 2012 consolidated financial statements of the Group and the individual financial statements of the Group companies 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.

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Standards and interpretations applicable for the year

The following accounting standards were enforced in 2012 for the first time:

Standards and amendments:	
Amendment of IFRS 7	Financial instruments - Breakdown on transfer of financial assets

The implementation of these interpretations and amendments have not had a significant impact on 2012 consolidated financial statements.

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:

Standards and amendments:		Compulsory application as of
Adopted for use within the EU		
Amendment of IAS 1	Reporting the Other Net Income	1 July 2012
Amendment of IAS 19	Employee benefits	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2014 (*)
IFRS 11	Joint agreements	1 January 2014 (*)
IFRS 12	Breakdown of interest ownership in other companies	1 January 2014 (*)
IFRS 13	Measurement of Fair Value	1 January 2013
IAS 27 (revision)	Consolidated financial statements	1 January 2014 (*)
IAS 28 (revision)	Investment in associates and joint ventures	1 January 2014 (*)
Amendment of IFRS 7	Compensation of assets with financial liabilities	1 January 2013
Amendment of IAS 32	Compensation of assets with financial liabilities	1 January 2014
Understanding IFRIC 20	Cost of production stage of a open-cast mine	1 January 2013
Adopted for use within the EU (1)		
IFRS 9	Financial Instruments Classification and assessment	1 January 2015
Improvement IFRS 2009-2011	Minor amendments of a series of standards	1 January 2013
Amendment of IFRS 10.11 and 12	Transitional rules	1 January 2013
Amendment of IFRS 10.12 and 12	Investment companies	1 January 2013

(1) Standards and understandings not adopted by the EU as of the date of preparation of the accompanying financial statements.

(*) The enforcement date approved by the IASB is 1 January 2013. Yet, the EU has delayed its enforcement till 1 January 2014. Its anticipated implementation is allows as long as applied as a whole.

The Directors of the Parent 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.

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 and regulations.

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- Amendment of IAS 14 "Compulsory advance payments" The payment in advance in accordance with minimum funding requirements may give rise to an asset.

- Understanding of IFRIC19 "Settlement of financial liabilities with equity instruments". Settlement of financial liabilities by issuance of shares.

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. The assessment of potential impairment losses of certain assets (see Notes 4.1, 4.2, 4.3, 4.4, 4.5, 4.7, 4.8 and 4.9).

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).

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 2012 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 SANJOSÉ 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 2012 is as follows:

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Country	Currency	Year-end exchange rate at 31/12/12	Average exchange rate 2012
United States	US Dollar (USD)	1.321	1.292
Mexico	Mexican peso	17.189	17.026
Argentina	Argentine peso (ARS)	6.480	5.868
Cape Verde	Cape Verde escudo	110.265	110.265
Panama	Panamanian balboa	1.301	1.268
Uruguay	Uruguayan peso	25.174	25.512
Paraguay	Guaraní	5,609.68	5,607.627
Peru	Peruvian sol	3.369	3.364
Chile	Chilean peso (CLP)	632.064	629.971
Brazil	Brazilian real	2.705	2.516
Romania	Romanian Lei	4.434	4.444
India	Indian rupee	72.270	69.228
Morocco	Morocco Dirham	11.129	11.030

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

Main balances and transactions in foreign currency correspond to those from Chile, Peru, Argentina and Cape Verde. Note 6.2. of the accompanying consolidated financial statements includes total assets and revenue provided by companies with operating currency other than the Euro.

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.

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 fault of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as profit or loss as of the acquisition date.

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

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

2. Exercise results are recorded under "Profit attributable to minority interest" in the accompanying 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 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 the consolidated financial statements details the subsidiaries included in consolidation and significant information thereon.

c) Associates

Associates are companies over which the Parent is in a position to exercise significant influence, but not effective control or joint management. 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 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 profit or loss at acquisition date.

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.

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

d) Changes in the scope of consolidation

The main changes in the scope of consolidation in 2012 were as follows:

1. On 10 December 2012 the Company participated in the incorporation of a branch office in Brazzaville (Republic of the Congo), under the company name "San José Congo, S.A.", with a total social capital amounting to CFA 10,000,000 (EUR 15.2 thousand) subscribed and paid up to 25% at 31 December 2012. The ownership percentage of Grupo SANJOSE in said branch office is 70%. Corporate purpose of the Company is the execution of both, public and private works and facilities.

2. Capital increase of "San José Construction Group, Inc.", for a total amount of USD 1,800 thousand, fully subscribed and paid up at 31 December 2012. Minority shareholder did not attend capital increase, increasing ownership participation from 76.5% at 31 December 2011 to 78.19% at 31 December 2012. The impact of said transaction on consolidated equity if the group is minor.

3. On 31 March 2012, the General Shareholders of the associate Udra Mexico, S.A. increased its capital for a total amount of USD 4 million, fully subscribed and paid up by "Constructora San José, S.A." with a total ownership participation of 99.94%. The remaining 0.06% is held by "Grupo Empresarial San José, S.A.".

4. During year 2012 "Constructora San José, S.A." has executed several capital increases at the associate "San José India Infrastructure & Construction Private Limited" for a total amount of INR 28,362,600 (EUR 420 thousand) representing 2,836,260 shares. Said transactions have been formalised by means of capitalisation of loans granted previously.

5. On 4 October 2012, in Abu-Dhabi (UAE), in order to start business in said country, the Company incorporated a branch office in Abu-Dhabi. Currently, the company is developing the Louvre Museum in said country, contract awarded to the Company in January 2013 in JV, holding 33.3%, with two local partners (see Note 26).

6. On 4 December 2012, the Company has incorporated a branch office in Panama, with registered office in Panama City.

7. On 14 December 2012, the Company has incorporated a branch office in Nepal in order to develop business activity in said country. In January 2013 remodelling works of the International Airport of Kathmandu were started.

8. On 17 January 2012, The Company has incorporated in Santiago de Chile (Chile) the company "Inversiones Hospitalarias Limitada", with a total share capital amounting to CLP 700,000 (EUR 1.1 thousand), fully paid up by the Companies of the Group "Inversiones SANJOSÉ Andina Limitada" and "Inversiones SANJOSÉ Chile Limitada" for amounts of CLP 70 and CLP 699,930, respectively, being their ownership participation of 0.01% for Inversiones SANJOSÉ Andina Limitada and 99,99% for Inversiones SANJOSÉ Chile Limitada. Corporate purpose of said company is the participation in other companies to develop their business activity, so as to invest in real estate.

9. During December 2012, the associate "Desarrollos Urbanísticos Chamartín, S.A." increased its share capital in EUR 11.2 million, holding Group 27.5% ownership interest of capital increase, fully subscribed and paid up at 31 December 2012.

10. On 26 March 2012, The Company has incorporated in Santiago de Chile (Chile) the company "Inversiones Hospitalarias Limitada", with a total share capital amounting to CLP 700,000 (EUR 1.1 thousand), fully paid up by the Companies of the Group "Inversiones SANJOSÉ Andina Limitada" and "Inversiones SANJOSÉ Chile Limitada" for amounts of CLP 70 and CLP 699,930, respectively, being their ownership participation of 0.01% for Inversiones SANJOSÉ Andina Limitada and 99.99% for

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Inversiones SANJOSÉ Chile Limitad. Corporate purpose of said company is the participation in other companies to develop their business activity, so as to invest in real estate.

11. On 9 May 2012, "Constructora Udra Limitada" has incorporated a permanent establishment (branch) in Paria, Cape Verde, in order to develop business activity in said country.

12. During October 2012, the Company has incorporated "SanJosé Supreme Tollways Development Private Limited" in New Delhi (India), where Grupo SANJOSÉ holds 60% share capital. Corporate purpose of said company is construction, mainly of civil works.

13. On 9 April 2012, the Directors of the Group company "Green Inmuebles, S.L." (absorbing company) and its subsidiaries "Green Cine, S.L.U." and "Discovall 2000, S.L.U." (absorbed companies) subscribed a "Plan for Merger by Absorption". Transactions executed by absorbed companies are taken into consideration by "Green Inmuebles, S.L." (absorbing company) A for accounting purposes as on 1 January 2012. This transaction was recorded at the Registrar of Companies of Valladolid.

14. On 1 January 2012, due to the control and shared-control relationship of the group at the companies "Otoño, S.L." and "Pinar de Villanueva, S.A.", respectively, said companies have been totally and partially integrated, respectively. At 31 December 2011, said companies were consolidated according to the equity method (see Note 11).

    The main impact on the consolidated financial statements of the Group at 31 December 2012 of changing the consolidations method has been an increase of total assets and liabilities of the Group for EUR 921 and EUR 482 thousands, respectively. Main impact on the net equity of the Group is the record of higher reserves for a total amount of EUR 976 thousands, having qualified at 31 December 2011 as associate reserves.

The 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.", "Sanjosé Energia y Medio Ambiente, S.A." and "Sanjosé Concesiones y Servicios, S.A.U." of the branches of activity of "Sanjosé Tecnologías, S.A.U." (see Note 1), the beneficiary companies have received the participation of the absorbed company 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 Sanjosé Chile Ltda.": Sanjosé Tecnologías, S.A.U." hold a participation of 30% and transferred said participation at spin-off process to "Constructora San José, S.A.".

    - "San José 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 José 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 Sanjosé 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 2011, 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 "Sanjosé 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.

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4. During year 2011, "Constructora San José, S.A." increased its total share capital participation in "San José 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. This transaction involved a profit of EUR 466 thousand recorded under the caption "Impairment and disposal of financial instruments " in the accompanying profit and loss account.

6. During 2011, the following restructuring transactions of financial ownership interests of the Group in Chile tool place:

   - On 19 August 2011, the company "Sanjosé 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 Sanjosé Chile Ltda.". Consequently, at 31 December 2011, "Inversiones SanJosé Chile Ltda.", "Inversiones SanJosé 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 "Inversiones Sanjosé Chile Ltda." increased its share capital for a total amount of CLP 13,300,000, fully subscribed and paid up by "Constructora San José, S.A." and "Sanjosé Concesiones y Servicios, S.A.U." for CLP 13,152,800 and CLP 147,800, respectively. Consequently, at 31 December 2011, "Constructora San José, S.A." and "Sanjosé Concesiones y Servicios, S.A.U." hold ownership interests in said company amounting to 99% and 1%, respectively.

   - On 14 September 2011, the company "Inversiones Sanjosé 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 Mexico, 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 Mexico, S.A. de C.V.".

9. The company "San José 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 Company held ownership interest percentage of 76.5% of total share capital of "San José 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 "Sanjosé 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.

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12. On 30 September 2011, agreements resolved by the Extraordinary Shareholders' Meeting of the company "Inmoprado Laguna, S.L.", hold 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 s 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 2011 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).

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 2012.

2.6 Changes in the accounting criteria

Accounting criteria applied during year 2012 is the same as that implemented in year 2011.

During year 2012, no significant changes have been applied compared to those applied in year 2011.

3. Distribution of the Parent's profit

Parent Company Directors will propose to the General Shareholders' Meeting the recognition of 2012 losses, EUR 86,162 thousand, with a charge to "Prior years' losses", to offset the profits the Parent Company generates in the future.

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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 2012 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 2012 and 2011, 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 2012 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 01 January 2005 is measured at acquisition cost and that acquired earlier is recognised at the carrying amount at 31 December 2004. In both cases, at the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to "Impairment or Gains or Losses on Disposals of Non-Current Assets" in the consolidated income statement. Under IAS 36, Impairment of Assets, an impairment loss recognised for goodwill must not be reversed in a subsequent period.

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

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

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

1. If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the 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 SANJOSÉ 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 according to concession terms. Upon completion of the concession period, 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.

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 -

After their recognition as assets, 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.

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 works on their own assets are 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 %
Buildings	2
Technical facilities	10
Machinery	15
Other fixtures, 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.

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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.

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 though 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 2012, 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, those property investments that meet the criteria to be classified as "Assets held for sale" are measured according to 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.

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In 2012 and 2011, the Group has not capitalised borrowing costs under "Property, plant and equipment" and "Investment Property" 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). 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.

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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.

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, where applicable, directs 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 2012 and 2011 amounted to EUR 376 thousand and EUR 552 thousand, respectively (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.

Further, at 31 December 2012 and 2011, "Inventories" includes advances to suppliers for the purchase of inventories amounting to EUR 31,794 thousand and EUR 32,185 thousand, respectively (see Note 12).

4.8 Trade receivables and customer advances

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

The amount of customer advances received prior to the recognition of the sale of the buildings is recognised under "Current Liabilities - Trade and Other Payables" in the consolidated balance sheet (see Note 18.3).

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4.9 Financial Instruments

Definitions

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

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

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

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

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

Initial recognition of financial instruments

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

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

Derecognition of financial instruments

Financial assets are only derecognised when:

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

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

Fair value of financial instruments

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

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

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

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

Amortised cost of the financial instruments

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

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

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has become impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year.

Financial Liabilities

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

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

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

The Group 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 SANJOSÉ 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.

Net 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 SANJOSÉ did not hold any treasury shares at 31 December 2012 and 2011.

In year 2012, no transactions with treasury shares took place.

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 derivative instruments, basically interest rate swap (IRSs), as part of its strategy to reduce its exposure to interest rate risk. When these transactions meet certain requirements, they qualify for hedge accounting.

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

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

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

Hedges are classified into the following categories

- **Fair value hedges.** These hedges hedge the exposure to changes in the fair value of financial assets or liabilities or unrecognised firm commitments, or of an identified portion of such assets, liabilities or firm commitments, that is attributable to a particular risk, provided that it could affect the consolidated income statement.
- **Cash flow hedges.** These hedges hedge the exposure to changes in cash flows that is attributable to a particular risk associated with a financial asset or liability or to a highly probable forecast transaction, provided that it could affect the 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 2012 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 (IRSs), the Group uses an in-house IRS valuation model where the inputs are the Euribor market curves and long-term swap rates to establish the fair value of the interest rate derivative structures. In order to calculate the fair value of option-based derivatives (collars), the Group uses Black-Scholes option pricing models and variations thereon, taking as an input the implied volatility in the markets for the corresponding strikes and times to expiry.

At 31 December 2012 and 2011, the Group held interest rate swaps (IRSs and collars) for a total notional amount of EUR 1,321 and EUR 1,025 million, respectively, with maturity dates in 2013 and 2024. The negative impact on the consolidated net equity of the Group of the changes in fair value resulting from these arrangements at the end of 2012 and 2011 was EUR 16,981 thousand and EUR 17,366 thousand, respectively. Further, the Group recognises under "Changes in Fair Value of Financial Instruments" in the accompanying consolidated income statement for years 2012 and 2011 a loss amounting to EUR 6,444 and EUR 10,351 thousand, respectively, due to changes in market price for not fully qualifying as 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.

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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.

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

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

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

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

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

   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 main 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 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.

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

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

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

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

Asset exchange transactions 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 disposals does not produce future economic benefits nor meets accounting criteria to be recorded as an asset.

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

4.13 Borrowing Costs

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

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

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

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

4.14 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 main companies which contribute assets and liabilities denominated in currencies other than the Euro is as follows:

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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)	Industrialisation and Trade
San José Construction Group, Inc	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 installation.
San José Panamá, S.A (former Constructora Panameña de Aeropuertos, S.A).	Panama (Republic of Panama)	Construction
San José Perú, S.A.C.	Lima (Peru)	Construction
Inmobiliaria 2010, S.A.	Lima (Peru)	Construction and Real Estate 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	Enginerring and installations
Udra Argentina, S.A.	Buenos Aires (Argentina)	Real Estate
Udra Mexico S.A. de C.V.	Mexico	Holding company
San José India Infrastructure & Construction Private Limited	New Delhi (India)	Construction
Pontus Euxinus Tehnologii Renovabile, S.R.L.	Bucarest (Romania)	Industrialisation and Trade
Concesionaria San José Tecnocontrol, S.A.	Santiago de Chile (Chile)	Construction and Management of Health Care Centres
SanJosé Maroc, S.A.R.L.A.U.	Casablanca (Morocco)	Construction
Constructora SanJosé Brasil Ltda.	Salvador de Bahía (Brazil)	Construction
ZIVAR – Invertimentos Imobiliários, S.A.	Lisbon (Portugal)	Real Estate Development
Carlos Casado, S.A.	Buenos Aires (Argentina)	Property holding
Branch office Constructora San José, S.A. in Argentina	Buenos Aires (Argentina)	Construction
Branch office Constructora San José, S.A. in Chile	Santiago de Chile (Chile)	Construction
Branch office Constructora San José, S.A. in Panama	Panama (República of Panama)	Construction
Branch office Constructora San José, S.A. in Nepal	Kathmandu (Nepal)	Construction
Branch office Constructora San José, S.A. in Cape Verde	Paria (Cape Verde)	Construction

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

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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.

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 forms an integral part of the consolidated tax group. At 31 December 2012, the following companies from Grupo SANJOSÉ filed consolidated tax returns, acting "Grupo Empresarial San José, S.A." as the head of the consolidated tax group:

- Constructora San José, S.A.
- Cartuja Inmobiliaria, S.A.U.

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- 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.
- Trendy King S.A.U.
- Outdoor King S.A.U.
- Ewan Connection, S.A.U. (former Hood Sports S.A.U.)
- Vision King, S.A.U. (former Fashion King S.A.U.)
- Running King S.A.U.
- Enerxias 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.
- San José Energía y Medioambiente, S.A.
- Udramedios Editora de Galicia, S.L.
- San José 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, S.A.

- Tecnologías Renovables de Aragón, S.A.
- Tecnologies Renovables de Catalunya, S.A.
- Xornal Galinet, S.A.

4.17 Provisions

When preparing its consolidated financial statements, Grupo SANJOSÉ made a distinction between:

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

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

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

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

4.17.1 Provisions for urban development costs

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

4.17.2 Provisions for completion of construction projects and warranty costs

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

4.17.3 Litigation and/or claims in process

At the end of 2012 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 2012 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 Classification of current assets and liabilities

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

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

4.20 Joint ventures

Grupo SANJOSÉ 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. In addition, transfer prices are borne appropriately, and therefore, Company Directors believe there are any significant risks in this regard for any potential substantial liabilities arising in the future.

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.

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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:

	Year 2012	Year 2011	Changes
Net profit/(loss) for the year attributable to the Parent (thousands of Euros)	(97,085)	(36,150)	(60,935)
Weighted average number of shares (shares)	65,026,083	65,026,083	-
Basic profit/(loss) per share (Euros/Share)	(1.49)	(0.56)	(0.93)

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 2012 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 business segments

The business lines described below were established on the basis of the organisational structure of Constructora 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 2012 and 2011, Constructora 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.

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

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Secondary business 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, Morocco and Congo), Asia (India, UAE, and Nepal) and other European countries (Portugal, France, Germany and Romania).

6.2 Basis and methodology for segment reporting

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

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

Segment expense is expense resulting from the segment's operating activities that 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 2012__

	Thousands of Euros					
	Construction	**Real estate and property development**	**Energy**	**Concessions and Services.**	**Adjustment and other**	**TOTAL**
Income:						
Net Revenues:						
External sales	407,727	91,167	11,293	128,297	19,905	658,389
Inter-segment sales	93,365	460	-	2,334	(96,159)	-
	501,092	**91,627**	**11,293**	**130,631**	**(76,254)**	**658,389**
__Profit /(Loss):__						
Profit (Loss) from operations	16,380	(132,611)	912	26,753	1,827	(86,739)
EBITDA	30,023	29,346	2,360	27,209	(1,778)	87,160
Profit/(loss) from associates	(10)	(2,175)	-	-	-	(2,185)
Financial income	16,400	310	1	4,464	(5,594)	15,581
Financial costs and similar expenses	(8,512)	(34,207)	(375)	(24,168)	(2,014)	(69,276)
Profit/(Loss) before tax	**24,258**	**(168,683)**	**538**	**7,049**	**(5,781)**	**(142,619)**

Year 2011:

	Thousands of Euros					
	Construction	Real estate and property development	Energy	Concessions and Services.	Adjustment and other	TOTAL
Income:						
Net Revenues:						
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**
Profit /(Loss):						
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
Profit/(loss) from associates	-	(1,180)	-	-	-	(1,180)
Financial income	11,562	821	13	1,701	(3,527)	10,570
Financial costs and similar expenses	(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)**

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 property development		Energy		Concessions and Services.		Adjustments and other		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Other disclosure												
Additions to fixed assets												
In Spain	38	33	1,014	2,603	816	902	131	10	900	-	2,899	4,185
In foreign countries	653	1,203	100	336	-	-	24	29	711	1,185	1,488	2,753
	691	1,236	1,114	2,939	816	902	155	39	1,609	1,185	4,387	6,938
Amortisation charge	1,420	1,478	9,117	9,953	1,803	1,860	470	482	957	1,528	13,767	15,301
Balance sheet:												
Assets-												
Asegment assets-												
In Spain	556,549	693,910	1,565,113	1,650,675	29,638	34,383	13,385	5,959	(195,667)	(104,614)	1,969,018	2,280,313
In foreign countries	209,365	164,024	265,548	293,566	-	-	275,020	103,093	71,895	56,084	821,828	616,767
	765,914	857,934	1,830,661	1,944,241	29,638	34,383	288,405	109,052	(123,772)	(48,530)	2,790,846	2,897,080
Liabilities-												
Segment liabilities-	515,179	624,423	1,877,826	1,885,608	25,185	20,995	274,587	129,236	(148,976)	(112,308)	2,543,801	2,547,954

There are no significant non-operating assets.

Information on secondary segments:

The following table provides breakdown on several consolidated balances of the Group according to geographical distribution of arising entities:

	Thousands of Euros					
	Net Revenue		Total assets		Additions to property, plant and equipment and investment property	
	2012	2011	2012	2011	2012	2011
Spain	423,972	580,009	1,969,021	2,280,313	2,899	4,185
Portugal	51,009	72,924	226,321	252,255	13	164
Cape Verde	19,441	14,905	16,511	10,476	284	200
The United States	50	55	5,050	9,131	-	-
Argentina	10,058	8,958	116,960	141,620	800	1,898
Uruguay	-	-	153	153	-	-
Peru	47,548	29,510	74,304	45,461	240	292
Panama	-	-	185	165	-	-
France	1,305	1,523	19,784	20,029	-	5
Germany	-	-	164	164	-	-
Brazil	-	-	10,525	10,214	51	-
India	331	2	366	127	17	18
Chile	104,675	43,985	351,441	126,881	83	175
Morocco	-	360	61	91	-	-
Other countries	-	1	-	-	-	1
TOTAL	658,389	752,232	2,790,846	2,897,080	4,387	6,938

Note 2.3 of the accompanying consolidated Notes includes a list of the main countries where the Group operates in a currency other than the Euro. From total assets of the Group at 31 December 2012 and 2011 and from total revenue at 31 December 2012 and 2011, activity developed by the group at said countries amounts to EUR 575,556 thousand and EUR 182,103 thousand and EUR 344,319 thousand and EUR 97,776 thousand, respectively.

7. Property, plant and equipment

Changes in 2012 and 2011 under "Property, Plant and Equipment" in the consolidated balance sheet were as follows:

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Year 2012:

	Thousands of Euros				
	Land and Buildings	Technical facilities and machinery	Other Property, plant and machinery	Property, plant and machinery In progress	Total
Cost:					
Balance at 31 December 2011	66,370	13,343	41,070	-	120,783
Additions	-	1,344	555	-	1,899
Disposals	(6,715)	(310)	(1,317)	-	(8,342)
Translation differences	(2,071)	(151)	(59)	-	(2,281)
Transfers and other (Notes 8.1 and 10)	213	-	(9,994)	-	(9,781)
Balance at 31 December 2012	57,797	14,226	30,255	-	102,278
Accumulated amortisation:					
Balance at 31 December 2011	**(3,291)**	**(11,379)**	**(29,595)**	-	**(44,265)**
Provisions	(461)	(347)	(2,269)	-	(3,077)
Disposals	-	257	763	-	1,020
Translation differences	-	(3)	46	-	43
Transfers and other (Notes 8.1 and 10)	-	-	4,795	-	4,795
Balance at 31 December 2012	**(3,752)**	**(11,472)**	**(26,260)**	-	**(41,484)**
Impairment losses:					
Balance at 31 December 2011	(300)	-	-	-	(300)
Additions	-	-	-	-	-
Disposals	276	-	-	-	276
Balance at 31 December 2012	**(24)**	-	-	-	**(24)**
Total net property, plant and equipment	**54,021**	**2,754**	**3,995**	-	**60,770**

Year 2011:

	Thousands of Euros				
	Land and Buildings	Technical facilities and machinery	Other Property, plant and machinery	Property, plant and machinery In progress	Total
Cost:					
Balance 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	(625)	56	(13)	-	(582)
Transfers and other (Note 8)	(4,003)	683	(989)	-	(4,309)
Balance at 31 December 2011	**66,370**	**13,343**	**41,070**	-	**120,783**
Accumulated amortisation:					
Balance 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	-	(31)	9	-	(22)
Transfers and other (Note 7)	986	(720)	732	-	998
Balance at 31 December 2011	**(3,291)**	**(11,379)**	**(29,595)**	-	**(44,265)**
Impairment losses:					
Balance at 31 December 2010	(343)	-	-	-	(343)
Additions	(6)	-	-	-	(6)
Disposals	49	-	-	-	49
Balance at 31 December 2011	**(300)**	-	-	-	**(300)**
Total net property, plant and equipment	**62,779**	**1,964**	**11,475**	-	**76,218**

Main transactions under this item during 2012 refer to disposals under "Land and buildings" due to the sale of land executed by the Group company "Carlos Casado, S.A." which became effective in the first half of 2012 after the execution of the purchase option granted by the Group to third parties in 2011:

- On 29 March 2011 the Group company "Carlos Casado, S.A." accepted the purchase option of land made executed by the Paraguayan society "Cooperativa Colonia Multiactiva Fernheim Ltda." for a total area of 32,424 hectares of agricultural surface, and a purchase option for 7,271 additional hectares at a price of 500 $/h. On 22 April 2011 a purchase agreement was formalised with the purchaser and a total of USD 3,242 thousand were provided as advance payment of the transaction, which would be granted before public deed on 5 January 2012.

- On 6 January 2012, pursuant to terms and provisions set out on agreement signed on 22 April 2011, a total of 32,424 hectares were sold out and transferred to "Cooperativa Colonia Multiactiva Fernheim Ltda." for a price amounting to 500 $/h, receiving USD 1,442 thousand upon formalisation of the agreement and establishing the outstanding payment in eight six-monthly instalments recorded under "Other non -current financial assets" and "Other current financial assets" in the accompanying balance sheet.

- Likewise, on 13 April 2012, a total of 7,271 hectares were sold out, pursuant to purchase option offered by the Group in year 2011, in favour of "Cooperativa Colonia Multiactiva Fernheim Ltda.", receiving half compensation in cash and establishing the outstanding payment in seven six-monthly instalments recorded under "Other non - current financial assets" and "Other current financial assets" in the accompanying balance sheet.

Sold assets are located at the so-called "Picada 500" area, within the Paraguayan Chaco, where Grupo SANJOSÉ, through its associate "Carlos Casado, S.A." owns 310 thousand hectares of agriculture surface.

This transaction involved a profit amounting to EUR 6,795 thousand recorded under the caption "Impairment and disposal of financial instruments " in the accompanying profit and loss account for year 2012 (Note 22.9).

Additionally, during year 2012, and pursuant to accounting criteria on public concessions, total costs incurred in due to construction and implementation, as well as any accumulated amortisation, of industrial facilities the hospitals under concession regime of Torre Cardenas, Puerto Real y Jaen, as well as primary educational centres of EISSA, classified at 31 December 2011 under "Property, plant and equipment" of the accompanying consolidated balance sheet for a total net cost amounting to EUR 5,580 thousand, were transferred to "Intangible assets, concession agreements" because the compensation for each contract to be received by the Group involves a fixed payable and a variable payable dependent on market prices and use of facilities, assuming the company the risk of recovering executed investment (the Group assumes demand risks) (see Note 10).

Main transaction during year 2011 refers to the transfer of property, plant and equipment to real estate investments due to change in use of certain items: real estate assets of the Group, formerly devoted to administrative purposes, were devoted to rental purposes, recording a total cost and accumulated amortisation amounting to EUR 4,350 thousand and EUR 970 thousand, respectively, (see Note 8).

At 31 December 2012 and 2011, investment hold in foreign countries, by associate, is as follows

	Thousands of Euros			
	31.12.2012		31.12.2011	
	Cost:	Accum. Amort.	Cost:	Accum. Amort.
Udra Argentina, S.A.	165	(74)	173	(70)
Parquesoles Portugal SGPS, S.A.	23	(22)	23	(20)
SanJosé Desarrollos Inmobiliarios, S.A.	173	(157)	584	(60)
Argentimo, S.A.	154	(125)	158	(133)
Bran office Constructora San José, S.A. Portugal,	2,073	(2,054)	2,071	(2,028)
Branch office Constructora San José, S.A. Argentina	233	(233)	272	(270)
Ute Ruta-20	45	(45)	52	(52)
Ute San Juan	26	(26)	17	(17)
Constructora Udra Limitada	120	(115)	120	(112)
Constructora San José Cabo Verde, S.A.	1,144	(498)	861	(293)
Sociedad Concesionaria San José – Tecnocontrol, S.A.	62	(22)	39	(8)
Constructora SanJosé Chile Ltda.	150	(52)	88	(9)
San José India Infrastr. & Construction Private Limited	45	(11)	29	(4)
Constructora San José Argentina, S.A.	153	(150)	175	(171)
San José, S.A.	1,039	(717)	1,000	(600)
Rexa Constructora, S.A.	737	(295)	492	(153)
Inmobiliaria 2010, S.A.	11	(11)	11	(11)
San José Construction Group INC	8	(7)	9	(7)
Grupo Carlos Casado	42,145	(281)	50,037	(193)
Tecnoartel, S.A.	2	(2)	3	(3)
TOTAL	**48,508**	**(4,897)**	**56,214**	**(4,214)**

As stated on Note 16.1, at year-end 2012 the Group had many leasing operations in course. Breakdown at 31 December 2012 is as follows:

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	Thousands of Euros
Term of contract (years)	8
Value in cash	108
Outstanding instalments (Note 16.1)	
Non-current	62
Current	98

Finance leasing agreements hold by the Company at year-end 2012 and 2011 is as follows:

- Two tower cranes for the urban development "Condominio Parques de la Huaca". The lease term commenced in June 2009 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 2012 amounted to EUR 53 thousand, which included a finance charge of EUR 6 thousand.

- Pumps and pipes for the associate "Rexa Constructora, S.A.". The lease term commenced in April 2012 and ends in March 2015, with a total term of 3 years. The nominal amounts of purchase option amounts to 1 Euro. The rent paid in 2012 amounted to EUR 24 thousand, which included a finance charge of EUR 3 thousand.

- Five vehicles for Group companies "San José Constructora Chile Lda." and "San José-Tecnocontrol Sociedad Concesionaria". The lease term commenced in February 2012 and ends in May 2013. The nominal amount of purchase option for the five vehicles amounts to EUR 5,011. The rent paid in 2012 amounted to EUR 55 thousand, which included a finance charge of EUR 7 thousand.

At year-end 2012, total items pending amortisation corresponding to finance leases amounted to EUR 3,873 thousand (see Note 16.1).

At 31 December 2012 and 2011, the cost of the land upon which property for own use is located amounted to EUR 53.2 million, including items provided by Carlos Casado.

At 31 December 2012 and 2011 there are specific property acting, with a carrying amount of approximately EUR 11,282 and EUR 10,676 thousand, respectively, as collateral for part of the loan syndicated by the Group which amounted to EUR 34.9 and 35.9 million, respectively (see Note 16.3).

Fair value of own use buildings at 31 December 2012 and 2011 amounts to EUR 23.7 and EUR 25.2 million, respectively, according to estimates carried by independent valuers (Savills España, S.A.). Carrying net cost at 31 December 2012 amounts to EUR 12.8 million.

At year-end 2012 and 2011, specific elements which were totally depreciated amounted to EUR 30.9 and EUR 24.2 million, respectively.

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.

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 2012 and 2011 is as follows:

Year 2012

	Thousands of Euros			
	Cost (*)	Amortisation	Impairment (Note 22.9)	Net
Balance at 31 December 2011	**659,619**	**(67,890)**	**(44,944)**	**546,785**
Additions	1,671	(8,824)	(38,264)	(45,417)
Disposals	-	-	-	-
Translation differences	(1,718)	816	54	(848)
Transfers and other (Note 7)	(817)	311	(85)	(591)
Balance at 31 December 2012	**658,755**	**(75,587)**	**(83,239)**	**499,929**

(*) At 31 December 2012 and 2011, real estate investments under development amounted for a total cost of EUR 37,059 and 37,059 thousand, respectively, with a total recorded impairment loss amounting to EUR 9,458 and EUR 7,439 thousand at 31 December 2012 and 2011, respectively (see Note 8.2).

Year 2011

	Thousands of Euros			
	Cost (*)	Amortisation	Impairment	Net
Balance 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 other (Note 7)	4,309	(1,026)	96	3,379
Balance 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 and 37,059 thousand, respectively, with a total recorded impairment loss amounting to EUR 7,439 and EUR 7,439 thousand at 31 December 2011 and 2010, respectively (see Note 8.2).

The cost of the investment property at 31 December 2012 and 2011 includes approximately EUR 280.4 million, relating to the carrying amount of the land relating thereto.

Main additions, disposals and transfers

Year 2012:

Additions carried out in year 2012 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 is the Shopping Centre Puerta de Europa in Algeciras with a total investment amounting to EUR 975 thousand.

Within this item have been included premises in Vigo for a total amount of EUR 600 thousand, received as compensation.

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Transfers refer mainly to change in use of administrative premises which were formerly classified as "Property investments" and were reclassified as "Property, plant and equipment" for a total amount of EUR 591 thousand.

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. Carrying cost 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 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).

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 devoted to leasing purposes at 31 December 2012 and 2011 is as follows:

	2012		2011	
Lease purpose	Area for lease (m2)	Percentage	Area. for lease (m2)	Percentage
Offices.	110,666	30%	109,739	30%
Hotels	48,163	13%	48,163	13%
Shopping Centres	160,307	44%	160,307	44%
Other	45,405	13%	45,405	13%
	364,541	100%	363,614	100%

Mortgaged investment property

At 31 December 2012 and 2011 certain investment property with a carrying amount of approximately EUR 167,988 and EUR 189,047 thousand, respectively, had been mortgaged as security for mortgaged loans which amounted at year-end to EUR 90,595 thousand and EUR 95,802 thousand. In addition to this, certain investment property recorded for a total net cost amounting at 31 December 2012 and 2011 to EUR 359,245 and EUR 377,556 thousand, respectively, act as security of the loan syndicated by the Group for EUR 481,018 thousand and EUR 442,463 thousand (see Note 16.3).

Income and expenses from rental of investment property

At 31 December 2012 and 2011, 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 2012 and 2011, the occupancy rate of the so-considered strategic buildings was approximately 94.5% 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 2012 and 2011 is as follows:

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Term	Thousands of Euros	
	2012	2011
Up to a year	23,433	29,025
From one to five years	50,081	55,864
More than five years	69,408	68,859
	142,922	153,748

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 2012 were used.

Total investment property rental income of the Group for year 2012 and 2011 amounts to EUR 31,703 and EUR 29,150 thousand and 27,066 thousand, respectively.

Insurance policy

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

8.2. Property developments in progress

31 December 2012 and 2011 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	Gross cost Thousands of Euros	
	31.12.2012	31.12.2011
Apartment in Pozuelo de Alarcn (Madrid)	13,583	13,583
San Pablo Shopping Centre (Seville)	23,476	23,476
	37,059	37,059

At 31 December 2012 and 2011, the Group has recorded impairment for a total value of EUR 9,458 and EUR 7,439 thousand, respectively.

At 31 December 2012 and 2011 there are specific properties in progress recorded for a total net cost amounting to EUR 27,601 and EUR 29,620 thousand, respectively, acting as collateral for part of the loan syndicated by the Group (see Note 16.3) 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 2012 and 2011, 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. The fair value was calculated using the discount rates acceptable to a prospective investor and in line with those applied by the market for properties of similar characteristics in similar locations.

As a result of the current situation of the market, the fair values of certain of the Group's investment property items fell in 2012. Consequently, a net impairment loss of EUR 38,264 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 2012, 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 2012 and 2011, the fair value of the Company's inventories based on the aforementioned study amounted to EUR 572 and EUR 607 thousand, respectively From said amount, at 31 December 2012 and 2011, EUR 32.1 and EUR 34.7 million, respectively, correspond to value of investment property of associates, amounting the carrying value recorded in books under this item to EUR 15.3 and EUR 19.5 million, respectively.

9. Goodwill

9.1 Breakdown and significant changes

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

	Thousands of Euros	
	31.12.2012	31.12.2011
Cartuja Inmobiliaria, S.A.U.	600	600
San José, S.A.	1,601	1,601
Rexa Constructora, S.A.	-	252
Inmobiliaria 2010, S.A.	-	1,136
Constructora San José, S.A.	8,401	8,401
San José Desarrollos Inmobiliarios subgroup	2,117	2,987
Other	488	488
Total	**13,207**	**15,465**

According to the estimates and projections available to the Directors of the Group, the estimated revenue attributable to the Group of these companies adequately supports the carrying amount of goodwill allocated to the relevant registered CGUs. During year 2012, and due to the Reduction of activity in investees "Rexa Constructora, S.A." and "Inmobiliaria 2010, S.A.", the Group has recorded an impairment for goodwill existent as of 31 December 2011 under the item "Impairment and profit and loss on disposal of property" (see Note 22.9).

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 SANJOSÉ Group made another allocation of the excess amount paid in the takeover of Parquesol Inmobiliaria y Proyectos, S.A. in 2007 based on the best information of the assets and liabilities acquired in the aforementioned business combination, as follows:

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	Thousands of Euros
Acquisition price	475,508
Underlying carrying amount	134,792
Net gain	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:

	Thousands of Euros
Gross asset revaluation	**672,171**
Recognition	
at 31.12.2011	
- Higher cost of sales	(73,533)
-Amortisations	(6,805)
-Impairment on inventories	(74,991)
	(155,329)
Recognitions during 2012	
- Higher cost of sales	(10,747)
-Amortisations	(1,125)
-Impairment on inventories	(91,698)
	(103,570)
Total carried forward at 31.12.12	**(258,899)**
Net revaluation at 31.12.12	**413,272**

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 2012 and 2011 is as follows:

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Year 2012:

	Thousands of Euros
Cost:	
Balance at 31 December 2011	**18,974**
Additions	817
Disposals	(232)
Translation differences	(1)
Transfers and other (Note 7)	10,628
Balance at 31 December 2012	**30,186**
Accumulated amortisation:	
Balance at 31 December 2011	**(1,705)**
Provisions	(1,866)
Disposals	74
Derivative financial instruments (Note 7)	(5,048)
Balance at 31 December 2012	**(8,545)**
Impairment losses:	
Balance at 31 December 2011	**(951)**
Provisions	-
Balance at 31 December 2012	**(951)**
Intangible assets	**20,690**

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 other (Note 7)	(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)**
Derivative financial instruments (Note 22.9)	(580)
Balance at 31 December 2011	**(951)**
Intangible assets	**16,318**

Main additions under this item of the consolidated balance sheet for year 2012 arise from issuance rights for said year of the Group company "Poligeneración Parc del Alba ST-4, S.A." amounting to EUR 200 thousand and recorded under "Received grants".

In year 2012, pursuant to public concession regulations, the Group has reclassified under "Intangible assets, concession agreements" within the current assets of the Group, all costs incurred into during the construction and implementation, as well as accumulated amortisations, of certain facilities under concession regime, of the Hospitals of Torre Cardenas (Almeria), Puerto Real (Cadiz) and Jaen, as well as the primary health care centres of EISSA, formerly classifies at 31 December 2011 under "Property, plant and equipment" within the consolidated balance sheet for a total amount of EUR 5,580 thousand, since the compensation received by the Group consists of a fixed rate plus a variable amount dependent on market rates and level of use of facilities, assuming the Company the risk of recovering involved investment.

At 31 December 2012, there are no intangible assets developed internally by the Group.

As stated on Note 16.1, at year-end 2012 the Group had many leasing operations in course. Breakdown at 31 December 2012 is as follows:

	Thousands of Euros
Term of contract (years)	8
Value in cash	4,340
Outstanding instalments (Note 16.1)	
Non-current	2,410
Current	1,303

Finance leasing agreements hold by the Company at year-end 2012 and 2011 is as follows:

- Thermal Power Installation at Puerto Real Hospital (Cadiz). 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 2012 amounted to EUR 731 thousand, which included a finance charge of EUR 37 thousand.

- Thermal Power Plant for Torrecardenas Hospital (Almeria). Leasing term commenced at 22 May 2008 for a period of 10 years. The nominal amount of the purchase option is EUR 33 thousand. The rent paid in 2012 amounted to EUR 277 thousand, which included a finance charge of EUR 100 thousand.

11. Investments accounted for using the equity method

The Group's most significant investments in associates at 31 December 2012 and 2011 were as follows:

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	Thousands of Euros	
	31.12.2012	31.12.2011
Desarrollo Urbanístico Chamartín, S.A.	21,933	18,989
Panamerican Mall, S.A.	18,668	21,281
Pontegrán, S.L.	9,446	9,381
Antigua Rehabitalia, S.A.	-	-
Fingano, S.A.	721	66
Corporación San Bernat, S.L. (Corsabe)	4,793	4,793
Pinar de Villanueva, S.L.	-	8,453
Other	28	88
Total	**55,589**	**63,051**

Changes in 2012 and 2011 under this item in the consolidated balance sheet were as follows:

	Thousands of Euros	
	31.12.2012	31.12.2011
Opening balance	**63,051**	**68,207**
Profit/(loss) for the year	1,163	753
Changes in the scope of consolidation (Note 2.4.d)	(7,897)	(54)
Additions (Note 2.4.d)	3,208	-
Paid-up dividends	(1,598)	(4,739)
Translation differences	(2,490)	(660)
Transfers	-	(153)
Other	152	(303)
Closing balance	**55,589**	**63,051**

At 31 December 2012 and 2011, "Long-term provisions", include the recognition of an additional impairment loss of EUR 19,244 and EUR 16,076 thousand, respectively, for the Group company "Antigua Rehabilitalia S.A." due to the decline in value of its assets, based on the appraisals of independent valuers (see Note 12), of which EUR 3,348 thousand and EUR 1,933 thousand are recorded under "Result of companies for using the equity method", included in the consolidated income statement, correspond to year 2012 and 2011, respectively.

Changes in the scope of consolidation regarding the investment in associates in year 2012 refer mainly to transactions regarding changes in the integration method of companies of Grupo Pinal de Villanueva S.L. and Otoño S.L. (see Note 2.4).

Dividends received in year 2012 correspond to "San José Desarrollos Inmobiliarios, S.A." for its ownership in "Pontegren, S.L and the company Centro Comercial Panamericano, S.A., , arising from its ownership interest in Panamerican Mall.

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 2012 and 2011 amounting to EUR 354 and EUR 346 million, respectively, and net revenue amounts to EUR 38.4 million and EUR 23.8 million in years 2012 and 2011.

12. Inventories

The detail of this item in the consolidated balance sheets at 31 December 2012 and 2011 is as follows:

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	Thousands of Euros	
	31.12.2012	31.12.2011
Acquired property	17,735	18,055
Land and plots of land	912,961	894,481
Raw materials and other supplies	9,278	4,356
Developments under construction		
- Long-cycle developments under construction	208,592	230,713
- Short-cycle developments under construction	32,970	38,727
Completed construction works	145,658	153,792
Advances to suppliers	31,734	32,185
Impairment of inventories (Note 22.2 and 22.11)	(226,210)	(111,705)
	1,132,718	1,260,604

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 2012 and 2011 has risen to EUR 376 and 552 thousand, respectively.

12.1 Acquired property

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

- 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.
- Assets hold by the group company "Douro Atlantico, S.A", the Group 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
- 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 Doa Leonor" in Valladolid for a total amount of EUR 1,055 thousand.

During year 2012, no significant changes took place.

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 2012 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 2012 and 2011, the Company owned inventories amounting to EUR 115,509 and EUR 141,122 thousand, respectively, which had been used as collaterals for mortgage loans or developer loans granted by banks totalling EUR 77,155 thousand and EUR 80,083 thousand (see Note 16.2). In addition, several assets recorded under this item at 31 December 2012 and 2011 for a total net cost amounting to EUR 610,432 thousand and EUR 641,929 thousand act as collateral for part of the loan syndicated by the Group (see Note 16.3) for EUR 650,926 and EUR 649,757 thousand, respectively.

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At 2012 and 2011 year-end the Group owned land with a total area of 2,866,951 m2 and 2,826,805 m2, respectively, of which 90.3% amounting to 1,591,279 m2 and 1,590,977 m2 are qualified as buildable land at 31 December 2012 and 2011, respectively. The detail, by location, of the Group's land is as follows:

	Total m^2	
	31.12.2012	31.12.2011
Spain	1,282,559	1,242,413
The United States	2,085	2,085
Portugal	99,543	99,543
Argentina	1,448,381	1,448,381
Brazil	34,383	34,383
TOTAL	2,866,951	2,826,805

During year 2012 the group company "Constructora San José, S.A." has received as deed of assignment in payment as collection of default rate. the following plots of land:

- An urban property at C/ Crucifijo in Cordoba with a total surface amounting to 301 m2 and total net cost amounting to EUR 288 thousand,
- A rustic property in the municipality of Badajoz, with a total surface amounting to 39,844 m2 and total net cost amounting to EUR 543 thousand,.

Main changes i in 2011 were as follows:

- The subsidiary "San José 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.

12.3 Land purchase commitments

At 31 December 2012 and 2011, the Group had entered into various memorandums of understanding or agreements with purchase options for land totalling approximately EUR 56.8 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. Details of 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.

In addition to this, at 31 December 2012, 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 2012 are not related to real estate. Yet, they refer to payments in advance to suppliers for the acquisition of raw materials and other supplies.

12.4 Developments under construction

The balance of this account at 31 December 2012 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.U".
- Property development Barama and Pueblo Serena (Malaga), Parque Libertades (Seville), La Joya 106, la Joya 107 and Paseo de Jalón stage II (Valladolid) of "San José Desarrollos Inmobiliarios, S.A.".
- Urban development comprising "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. Development started in year 2008 by the subsidiary "San José Peru, S.A.C.." (company registered in Peru). Said urban development consists of a total surface of 102 thousand m2 which shall house over 3,000 homes. In year 2012 and 2011, 692 and 380 housing units have been completed and delivered for a total amount of EUR 34,651 thousand and EUR 15,744 thousand, respectively.

At 31 December 2012, the group company "Copaga, S.A." completed the urban development "Plaza de Compostela", located at Calle Victoria, 1, in Vigo (Pontevedra), which was formerly recorded as urban development in progress and was reclassified as completed works, having started its delivery in 2012 for a total amount of EUR 13,730 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.

Further, 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).

At 31 December 2012 and 2011, several property developments in progress valued at EUR 151,923 thousand and EUR 147,982 thousand are mortgaged as collaterals for developer loans jointly amounting at said date to EUR 78,342 thousand and EUR 113,060 thousand (see Note 16). In addition to this, several assets under this item and recorded at the consolidated balance sheet of the Group at 31 December 2012 and 2011 for a total cost of EUR 13,179 thousand, for both years, are used as collateral of the syndicated credit of the group for a total amount of EUR 16,651 and EUR 17,003 thousand, respectively (see Note 16).

12.5 Completed construction works

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

Madrid

- Residential development Reserva de Guadarrama

- Parque Usera

- Estudios Marqués de Monteagudo

- Urban Development El Pinar del Parque in Navalcarnero

Malaga

- Urban Development Mirabella in Casares

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- Urban Development Bbaco in Churriana

Valladolid

- Residential development Jardinesa de Zorrilla
- Urban Development Paseo de Jaln 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

- Urban development Viñadelmar in La Manga del Mar Menor in Murcia
- Urban Development 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: Building Cuzco (Valladolid), Urban development Paseo de Jalon Stage I (Valladolid), Jardines de Zorrilla (Valladolid), Building Corona (Valladolid), Parquesur Stage II (Valladolid), Babaco (Malaga), Alfonso X (Valladolid), Building Europa (Algeciras), Viñadelmar (Murcia) and Urban development Plaza de Compostela (Vigo), for a total amount of EUR 50,001 thousand.

At 31 December 2012 and 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 90,533 and EUR 104,002 thousand, respectively, which act as mortgage hedge for banking borrowings amounting to EUR 70,681 thousand and EUR 74,354 thousand (see Note 16.2). In addition to this, at 2012 and 2011 year-end, several property developments valued at EUR 6,201 thousand and EUR 7,171 thousand act as collateral for syndicated credit facilities of the Group amounting to EUR 4,933 thousand (see Note 16.3).

12.6 Commitments to sell property developments in progress and completed buildings

At 31 December 2012 and 2011, 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 58,334 thousand and EUR 46,648 thousand, for which the Group had received advances from the related customers totalling EUR 31,553 and EUR 25,702 thousand, respectively (see Note 18.3).

12.7 Inventories subject to litigation

At 31 December 2012 and 20101 "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 losses on inventories

Based on cost and income estimates at 2012 year-end, the directors of the Company expect all the property developments completed or in progress at 31 December 2012 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 2012, 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 habi1tual interest rates in the mortgage market.

At 31 December 2012 and 2011, the fair value of the Company's inventories based on the aforementioned study amounted to EUR 1,468 and EUR 1,599 million, respectively At 31 December 2012 and 2011, this item includes EUR 110 million and EUR 126 million corresponding to the fair value of inventories of associates, being the recorded net cost of inventories of EUR 46 million and 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 substantially all its inventories are subject. The Parent's Directors consider insurance coverage arranged to be sufficient.

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13. Financial Assets

13.1 Trade and other receivables

This item of 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 2012 and 2011 is as follows:

	Thousands of Euros	
	31.12.2012	31.12.2011
Progress billings receivable and trade receivables for sales	307,520	415,656
Amounts to be billed for works performed	47,666	62,927
Retentions	14,182	12,286
Trade receivables from real estate customers	8,996	7,809
Impairment (Note 22.10)	(28,832)	(43,910)
Total	**349,532**	**454,768**
Advances (Note 18.3)	(91,994)	(83,374)
Total net accounts receivable	**257,538**	**371,394**

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 detailed in Note 4.12. The current liabilities "Advances" item from the consolidated balance sheet at 31 December 2012 and 2011 include EUR 60,411 thousand and EUR 55,115 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 2012 and 2011 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 10,320 thousand and EUR 16,454 thousand at 31 December 2012 and 2011, 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. 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.

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

Breakdown of trade receivables from Public Sector Customer and Private Sector Customers at 31 December 2012 and 2011 is as follows:

	Thousands of Euros	
	2012	2011
Public Sector Customers	185,252	242,617
Private Sector Customers	164,280	215,151
	349,532	457,768

A high percentage of trade receivables relate to transactions with Public Entities and, mainly, with the State Central Authority. Therefore, the Company considers credit risk is very low. Regarding private sector customers, the Company has strengthen during the last years the risk policy procedure from contracting (valuation and rating of potential customers, payment requirements, etc.) till regular revision and analysis of the global position and individual analysis of most customers. From this analysis late payment and default rate provision is established.

Average collection period for trade receivables is approximately 194 and 198 days for years 2012 and 2011 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 value of these assets is its fair value (there are no limitations, apart from those arising from syndicated credit facilities of the Group - see Note 16.3).

Breakdown at 31 December 2012 and 2011 is as follows:

	Thousands of Euros	
	31.12.2012	31.12.2011
Other cash and cash equivalents	107,005	37,192
Cash	345	246
Banks and credit entities	90,210	130,648
Total cash and cash equivalents	**197,560**	**168,086**

Out of the total balance of this item, EUR 26,678 and EUR 40,646 thousand correspond to joint ventures (see Note 29) for year 2012 and 2011, respectively.

13.3 Current financial liabilities

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

At 31 December 2012, amounts arising from use of syndicated loans of the Group in year 2011 (see Note 16.3), with severe restrictions on use. It is important to highlight those referring to "Sociedad Concesionaria San José-Tecnocontrol, S.A.", "Inversiones SanJosé Chile Ltda." and "SanJosé Constructora Chile Ltda", for a total value of EUR 92,291 thousand, being use restricted on technical Works regarding execution Works of the Project object of funding.

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 2012 were as follows:

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	Thousands of Euros				
	Investments available for sale	Loans to related companies	Other investments	Impairment	Total
Balance at 31 December 2010	5,413	15,455	15,958	(503)	36,323
Entries or provisions	976	276	38,955	(2,895)	37,312
Transfer to current account	153	-	482	(482)	153
Disposals, withdrawals or redundancies	(7)	-	-	-	(7)
Balance at 31 December 2011	6,535	15,731	55,395	(3,880)	73,781
Entries or provisions	2,675	491	62,270	(12,926)	52,510
Translation differences	-	-	4,755	(373)	4,382
Disposals, withdrawals or redundancies	(15)	-	(1,393)	704	(704)
Balance at 31 December 2012	9,195	16,222	121,027	(16,475)	129,969

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. From total impairment recorded above, EUR 3,586 thousand and EUR 563 thousand refer to investment available for sale at 31 December 2012 and 2011, respectively (see Note 22.12).

Net cost at which interest ownership of the Group is recorded, by associate, at 31 December 2012 and 2011, is as follows:

	Thousands of Euros	
Company	31.12.2012	31.12.2011
Bodegas Altanza, S.A.	1,226	995
Unirisco S.C.R., S.A.	469	408
Filmanova	152	37
Editorial Ecoprensa, S.A.	3,633	4,371
Other	129	161
	5,609	5,972

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 includes mainly loans and receivables due to certifications issued by the Sociedad Concesionaria de Chile for a total amount of EUR 110,180 thousand and EUR 58,048 thousand at 31 December 2012 and 2011, respectively, in compliance with IFRIC12 (see Note 2.1) for concessions with no demand risk. The Group has recorded a provision for potential contingencies associated to the development of the concession contract for EUR 11,968 and EUR 2,612 thousand at 31 December 2012 and 2011, respectively. Said provision has been recorded under "Impairment and profit/(loss) arising from the disposal of financial instruments" (see Note 22.12).

14. Net equity:

14.1 Share capital

At 31 December 2012 and 2011, share capital of the Parent was represented by 65,026,083 shares of EUR 0.03 par value each.

At 20 July 2009, Parent Company shares can be listed on the Continuous Market, with a market value of EUR 12.86 per share. The closing and mean quote for the last quarter of 2012 and 2011 has been EUR 1.14 and EUR 1.23 for year 2012 and EUR 2.07 and 2.68 for year 2011, respectively.

At 31 December 2012, shareholders with ownership interest of at least 10% of the Parent Company's share capital were: Mr. Jacinto Rey Gonzalez, with direct and effective ownership interest of 24.952% and 48.292%, respectively.

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 Act, 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 forth in article 273.4 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.

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 2012 and 2011 is as follows:

	Thousands of Euros	
	31.12.2012	31.12.2011
Reserves of the Parent	87,757	89,595
Consolidation reserves		
-From consolidated companies	102,662	135,349
-From companies considered equivalent	13,354	14,057
TOTAL	**203,773**	**239,001**

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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			
	2012		2011	
	Reserves	Profit/ (Loss) for the year	Reserves	Profit/ (Loss) for the year
Grupo Empresarial San José, S.A.	129,473	4,331	126,428	521
SJB Müllroser	(3,753)	(1,639)	(2,831)	(922)
Construction subgroup	171,624	25,873	147,277	24,660
Trade subgroup	8,997	400	7,497	1,501
Udra Medios subgroup	(8,680)	(1,165)	(5,716)	(2,964)
San José Desarrollos Inmobiliarios subgroup	(146,207)	(124,334)	(86,702)	(57,740)
Great Urban Developments	38,348	1,477	37,614	735
San José Concesiones y Servicios subgroup	796	286	718	78
San José Energía y Medio Ambiente subgroup	(1,893)	(84)	(1,132)	(763)
Cadena de Tiendas, S.A.U.	1,714	(45)	1,791	(76)
	190,419	(94,900)	224,944	(34,970)

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:

	Thousands of Euros			
	2012		2011	
Company	Reserves	Profit/ (Loss) for the year	Reserves	Profit/ (Loss) for the year
Desarrollo Urbanístico Chamartín, S.A.	(101)	(150)	(421)	(101)
Panamerican Mall, S.A.	1,665	729	580	1,084
Pontegrán, S.L.	17,407	593	20,533	746
Pinar de Villanueva, S.L.	-	-	-	(974)
Antigua Rehabitalia, S.A.	(6,204)	(3,348)	(7,222)	(1,933)
Acciona, S.A.	587	-	587	-
Other	-	(9)	-	(2)
	13,354	(2,185)	14,057	(1,180)

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.

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14.7 Shares of the Parent

At 31 December 2012 and 2011, the Group did not hold any treasury shares.

In year 2012, no transactions with treasury shares took place.

14.8 Minority interests

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

	Thousands of Euros	
Company	**housa Minority Interests**	**Profit/ (Loss) for the year attributed to minority**
Construction subgroup	23,035	(404)
San Jos Desarrollos Inmobiliarios subgroup	(3,843)	(1,910)
Trade subgroup	17	(68)
Udra Medios subgroup	(122)	(50)
San Josdios subgroupiarios subgroup, of "	(44)	(20)
San Jos Energsdios subgroupiarios subgrou	1,592	222
	20,635	**(2,230)**

Breakdown of this item for years 2012 and 2011 is as follows:

	Thousands of Euros	
	2012	**2011**
Opening balance	**25,355**	**28,856**
Changes in the scope of consolidation (Note 2.4)	265	(2,499)
Profit/(loss) for the year	(2,230)	(1,481)
Translation differences	(1,344)	1
Dividends	(2,102)	-
Other transactions	691	478
Closing balance	**20,635**	**25,355**

In year 2012, 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 305 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 2012 and 2011, the Group was achieving this parameter, as shown below:

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	Thousands of Euros	
	31.12.2012	**31.12.2011**
Non-current bank borrowings (Note 16)	1,566,120	1,509,105
Current bank borrowings (Note 16)	391,560	374,705
Cash and cash equivalents (Note 13.2)	(197,560)	(168,086)
Total	**1,760,120**	**1,715,724**
Net equity:	**471,958**	**470,256**
Financial debt (%)	373%	365%

15. Long-term provisions

Changes in 2012 and 2011 in "Long-Term Provisions" in the consolidated balance sheet were as follows:

	Thousands of Euros
Balance at 31 December 2010	26,899
Provisions	4,789
Applications	(2,506)
Reversals	(485)
Change in the scope of consolidation	(3)
Adjustments and other	(1,518)
Balance at 31 December 2011	27,176
Provisions	7,148
Applications	(364)
Reversals	(2,856)
Change in the scope of consolidation	-
Adjustments and other	1,002
Balance at 31 December 2012	32,106

At 31 December 2012, this item includes the accumulated impairment of the associate "Antigua Rehabitalia, S.A." (company integrated through the equity method), amounting to EUR 19,244 thousand. Impairment recorded for years 2012 and 2011 amounts to EUR 3,348 and EUR 1,933 thousand, respectively (see Notes 11 and 14.5), under "Profit (Loss) from companies subject to the equity method" at the accompanying consolidated income statement for years 2012 and 2011.

Further, at 31 December 2012, "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 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 SANJOSÉ 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.

16. Bank borrowings and debt instruments and other marketable securities

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

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Year 2012:

	Thousands of Euros		
	Debts and accounts payable	Derivative financial instruments	Total
Non-current financial liabilities:			
Bank borrowings (Note 16.1)	1,551,638	-	**1,551,638**
Derivative financial instruments (Note 17)	-	34,683	**34,683**
Other financial liabilities	14,482	-	**14,482**
Total non-current liabilities	**1,566,120**	**34,683**	**1,600,803**
Current financial liabilities:			
Bank borrowings (Note 16.1)	387,815	-	**387,815**
Derivative financial instruments (Note 17)	-	58	**58**
Other financial liabilities	3,745	-	**3,745**
Total current liabilities	**391,560**	58	**391,618**

Year 2011:

	Thousands of Euros		
	Debts and accounts payable	Derivative financial instruments	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:	**1,509,105**	**27,816**	**1,536,921**
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	**374,705**	**7,192**	**381,897**

"Other current financial liabilities" and "Other non-current financial liabilities" include mainly EUR 3,971 and EUR 333 thousand, respectively, in relation to guarantee deposits received in relation with the property development business, and EUR 4,352 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.

16.1 Bank borrowings

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

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	Thousands of Euros	
	31.12.2012	31.12.2011
Non-current:		
Finance leasing (Notes 7 and 10)	2,472	3,839
Bank loans and credit facilities	123,927	120,945
Syndicated credit facilities (Spain) (Note 16.3)	1,246,814	1,317,492
Syndicated credit facilities (Chile) (Note 16.3)	178,425	51,840
Total non-current:	**1,551,638**	**1,494,116**
Current:		
Finance leasing (Notes 7 and 10)	1,401	1,002
Syndicated credit facilities (Spain) (Note 16.3)	77,236	-
Payables from discounted notes and bills	55,764	71,175
Bank loans and credit facilities	27,236	28,516
Mortgage loans secured by inventories (Note 12 and 16.2)	226,178	268,696
Total current	**387,815**	**369,389**
TOTAL	1,939,453	1,863,505

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 2012 the following:

- A balance for EUR 11,194 thousand corresponding to Project finance, granted for the construction, commissioning and operation of the Plant and the facilities of the Group company Poligeneraci Parc de L'Alba ST-4, S.A.'s Policy Project (see Notes 10 and 2.6).

- A balance of EUR 84,525 thousand corresponding to mortgage loans over real estate investment of the companies of the Group (see Note 16.2).

- A balance of EUR 21,916 thousand corresponding to long-term financing received by Chilean associates. It mainly refers to two nominated loans in Chilean pesos granted to the associate "Inversiones San José Chile Ltda." for an aggregated amount of EUR 20,542 thousand. Said funding has been granted by the BICE Bank. Said loan is hedged by deposits hold by the associate at said financial entity for a total amount of EUR 20,070 thousand (see Note Nota 13.3).

"Bank loans and credit facilities" from current liabilities of the attached consolidated balance sheet at 31 December 2012 and 2011 includes EUR 14,043 and EUR 8,096 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. At 31 December 2012, net cost of secured assets amounts to EUR 525,865 thousand.

Mortgage loans secured by investment property

The Group has been granted certain loans by banks, amounting to EUR 95,595 thousand, that are secured by mortgages on certain properties owned by the Group recognised under "Investment Property" in the accompanying

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consolidated balance sheet at 31 December 2012 for a total amount of approximately EUR 84,525 thousand (see Note 8). These loans are repaid in instalments consisting of principal and interest, maturing between 2016 and 2025.

These mortage loans bear annual floating interest at a market rate, which in 2012 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 2012 is as follows:

	Thousands of Euros		
	Maturity		
	Short-term	Long-term	Total
Mortgage loans secured by real estate developments in progress:			
Of the Parent	-	-	-
Of Subsidiaries	9,563	68,779	78,342
Of Joint ventures	-	-	-
	9,563	68,779	78,342
Mortgage loans secured by investment property			
Of the Parent	-	-	-
Of Subsidiaries	3,778	66,903	70,681
Of Joint ventures	-	-	-
	3,778	66,903	70,681
Mortgage loans secured by land and buildable plots (Note 12):			
Of the Parent	-	-	-
Of Subsidiaries	2,322	67,610	69,932
Of Joint ventures	150	7,073	7,223
	2,472	74,683	77,155
Total mortgage loans secured by inventories (Note 12)	15,813	210,365	226,178

These mortgage loans bear annual floating interest at a market rate, which in 2012 ranged from 0.9% to 4.8%.

The outstanding principal of these loans at 31 December 2012 matures approximately as follows:

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Thousands of Euros				
Year 2013	Year 2014	Year 2015	Year 2016 and following	TOTAL
15,813	49,212	78,383	82,770	**226,178**

16.3 Syndicated credit facilities

The SANJOSÉ Group 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 Banco Popular and amount to EUR 2,210 million. The detail of these facilities is as follows:

- Trade and financial discount tranche amounting to EUR 1,129 million.
- Trade and financial discount tranche amounting to EUR 244 million.
- Trade and financial discount tranche amounting to EUR 105 million.
- Tranche of project tender and performance bonds and financial guarantees amounting to 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 Grupo SANJOSÉ certain companies, and mortgages on certain of the property assets.

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

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

The outstanding principal of these loans at 31 December 2012 matures approximately as follows:

Thousands of Euros (*)			
Year 2013	Year 2014	Year 2015	Total
77,236	81,615	1,181,049	**1,339,900**

(*) Gross amounts prior to deducing borrowing costs

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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 185 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 Maip, Hospital de la Florida", awarded to Grupo SANJOSÉ by the Ministry of Public Works of Chile. Loan shall be provided as works take place. At 31 December 2012, used amount reaches EUR 178,425 thousand. The group keeps EUR 72,221 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 2012 matures approximately as follows:

Thousands of Euros (*)					
Year 2013	Year 2014	Year 2015	Year 2016	Remaining years	Total
	19,152	19,615	20,540	124,088	183,395

(*) Gross amounts prior to deducing borrowing costs

17 Derivative financial instruments

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

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.

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 2012 and 2011, together with their fair values at said date, are the following:

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Year 2012:

Company	Financial Instrum.	Maturity	Thousands of Euros				
			Initial par value	Balance at 31.12/2012 (Note 16)	Remaining par value at 31.12.2012	Remaining par value at 31.12.2015	Remaining par value at 31.12.2020
Efficient Hedges							
Sociedad Concesionaria San José – Tecnocontrol, S.A.	CCS-uf	30/06/202	169,621	(14,060)	169,62	90,914	-
Outdoor King, S.A.U.	CCS-usd	10/07/201	774	(16)	774	-	-
Outdoor King, S.A.U.	CCS-usd	12/08/201	889	(19)	889	-	-
Running King, S.A.U.	CCS-usd	10/07/2013	155	(4)	155	-	-
Running King, S.A.U.	CCS-usd	12/08/203	77	(2)	77	-	-
Trendy King, S.A.U.	CCS-usd	10/09/201	850	(18)	155	-	-
Poligeneraciò Parc de l´Álba, S.A.	Swap	15/12/202	15,451	(2,273)	10,923	-	-
Sociedad Concesionaria San José – Tecnocontrol, S.A.	Swap	30/06/202	163,470	(5,152)	163,470	107,712	-
			351,287	**(21,544)**	**346,064**	**198,626**	**-**
Non- Efficient Hedges:							
SJ D.Inmob., S.A.	Swap	31/10/2019	9,676	(645)	5,529	3,266	-
SJ D.Inmob., S.A.	Swap	31/07/2023	10,00	(1,208)	7,708	5,857	2,208
SJ D.Inmob., S.A.	Swap	31/12/2023	25,000	(3,239)	19,877	15,337	6,369
SJ D.Inmob., S.A.	Swap	02/01/2024	10,000	(1,534)	8,185	6,407	2,911
SJ D.Inmob., S.A.	Swap	09/10/2017	20,00	(817)	7,778	3,127	-
SJ D.Inmob., S.A.	Swap	19/01/2023	20,098	(2,072)	15,013	11,234	4,086
SJ D.Inmob., S.A.	Swap	29/03/2024	25,000	(3,682)	20,304	15,726	7,090
			119,774	**(13,197)**	**84,394**	**60,954**	**22,664**
TOTAL			**471,061**	**(34,741)**	**430,458**	**259,580**	**22,664**

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Year 2011:

Company	Financial Instrum.	Maturity	Thousands of Euros				
			Par value	Balance at 31/12/2011 (Note 16)	Remaining par value 2012	Remaining par value 2016	Remaining par value 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)	-	-	-
Poligeneració Parc de l´Álba, S.A.	Swap	15/12/2021	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 José, S.A.	Swap	03/01/2012	50,000	(306)	-	-	-
SJ D.Inmob., S.A.	Swap K-O	12/02/2012	124,804	(711)	-	-	-
SJ D.Inmob., S.A.	Swap K-O	12/02/2012	236,384	(2,539)	-	-	-
SJ D.Inmob., S.A.	Swap	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**

The Group qualified hedging relationships as efficient when 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 2012 and 2011, the change of fair value of Derivative Financial Instruments allocated as Hedge Elements for their effective portion accumulated in Equity amounts to EUR 16,981 and EUR 17,366 thousand, respectively .

During 2012 and 2011, EUR 1,819 thousand and EUR 12,104 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%:

Sensitivity	Thousands of Euros 31.12.2012
+0,5% (EUR and CLP rate curve increase)	4,136
-0,5% (EUR and CLP rate curve increase)	(4,037)

The sensitivity analysis shows that the derivative interest rate records reductions in negative fair value as interest rates rise since the rate of interest paid by the group is limited upward and therefore is covered with these rate increases. Faced with interest rate movements downward, the negative value will increase.

Having been designated as accounting hedges and as highly effective both prospectively and retrospectively, the variation in fair value is recorded under 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 considered as accounting hedge in the case of changes to the Euro interest rate curve and Chilean Peso (CLP). The Group considers reasonable a change of interest rate of +/- 0,5%:

Sensitivity	Thousands of Euros 31.12.2012
+0,5% (EUR and CLP rate curve increase)	2,270
-0,5% (EUR and CLP rate curve increase)	(464)

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 430 million of this financial liability (said amount corresponds to the outstanding optional of derivatives outstanding at 31 December 2012.

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.

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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.

• 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. Third supplementary 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:

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	Euros			
	2012		2011	
	Amount	%	Amount	%
Payments executed within maximum legal payment term	491,028	98%	384,478	89%
Remaining payments	10,152	2%	49,384	11%
Total payments to suppliers for the year	**501,180**	**100%**	**433,862**	**100%**
PMPE (days) (*)	88	-	130	-
Amount of deferred payments which exceed maximum legal payment term.	5,603	2%	40,091	9%

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

According to Act 15/2010 as of 5 July, amendment of Act 3/2004 on 29 December on default payment measures, maximum payment time in 2012 is 75 days in general and 90 days for public-sector customers.

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

18.2 Other current liabilities

Other current liabilities" includes mainly the accounts payable relating to joint ventures. It also includes the provisions totalling EUR 5,212 and EUR 4,824 thousand, at 31 December 2012 and 211, 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 2012 and 2011 amount to EUR 31,553 and EUR 25,702 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.

Likewise, at 31 December 2012 and 2011 this item also includes "Amounts Billed in Advance for Construction Work" totalling EUR 60,411 and thousands EUR 55,115 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 30 thousand and EUR 2,557 thousand are also recorded under this item as other advances at 31 December 2012 and 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, with exposure spread over a large number of counterparties and customers.

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

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

19.2 Interest rate risk exposure

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

The objective of interest rate risk management is to mitigate the impact on borrowing costs arising from fluctuations in interest rates. Financial derivatives which guarantee fixed interest rates or rates with caps and 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 2012, 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 Group pursues the prudent management of the liquidity risk based on the maintenance of sufficient cash and marketable securities, availability of financing through s sufficient level of committed credit facilities and sufficient capacity to settle market positions. The Company calculates its cash requirements through a 12-month cash budget. The Group considers that the financing framework is sufficiently flexible to adapt to the dynamic needs of the underlying businesses.

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

	Thousands of Euros				
	Less than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	+ 5 Years
Interest rate swap	-291	-992	-2,978	-13,644	-3,542

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

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The main figures in the consolidated cash budget for 2013, based on the Group's recurring business are as follows:

	Thousands of Euros
Collection from operations	77,052
Changes in current assets	(27,052)
Changes in current liabilities	46,859
Total cash generated from ordinary transactions	**96,859**
Financial transactions	
(-) Payments due to investment	(10,200)
(+/-) Variation in borrowings	(102,668)
Adjustment and other	(46,318)
Total cash generated by/ (used for) financial transactions	**(159,186)**
Total cash generated	**(62,327)**

According to the Group's cash-flow forecast for the year 2013, as well as the sensitivity analysis performed by the Group at 2012 year-end, it is reasonable to conclude that the group will be able to finance its transactions. Mainly regarding syndicated debt repayment obligations in 2013 (see Note 16.3), arising from existing cash flows and those generated by interest in Construction Divisions of in Spain and Portugal, as well as the disinvestment of non-strategic assets.

20. Taxation

The Groupo SANJOSÉ companies file individual tax returns in accordance with the tax legislation in force in each country. With regard to Spain, the Grupo SANJOSÉ, 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).

As of 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.

At 31 December 2012, the following SANJOSÉ group companies filed consolidated tax returns, acting "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.
- San José Concesiones y Sevicios, S.A.U.
- Udra Mantenimiento, S.L.U.
- Tecnocontrol Sistemas de Seguridad, S.A.U.
- Tecnocontrol Servicios, S.A.U.
- Gestión de Servicios de Salud, S.A.
- Comercial Udra S.A.
- Basket King S.A.
- Arserex S.A.
- Trendy King S.A.U.
- Outdoor King S.A.U.
- Ewan Connection, S.A.U. (former Hood Sports S.A.U.)
- Vision King, S.A.U. (former Fashion King S.A.U.)
- Running King S.A.U.
- Udramedios S.A.
- Xornal de Galicia, S.A.U.
- Xornal Galinet, S.A.
- Udramedios Editora de Galicia, S.L.
- San José Desarrollos Inmobiliarios, S.A.
- 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.
- Inmoprado Laguna S.L.
- Altiplano Desarrollos Inmobiliarios S.L.
- 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.
- SanJosé Energía y Medioambiente, S.A.
- Poligeneraciones parc de L´Alba, S.A.

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- Tecnologías Renovables de Aragón, S.A.
- Tecnologies Renovables de Catalunya, S.A.
- Enerxías Renovables de Galicia, S.A.
- Cadena de Tiendas S.A.U.

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 2009 open for review.

During 2012, the tax inspection authorities opened years 2006-2008 for income tax review and review of all the taxes applicable to period July 2007 - December 2008.. Tax inspection did not involve tax payment for the Group.

During year 2012, the Department of the Treasury started tax inspection for income tax and VAT of the company San José Desarrollos Inmobiliarios, S.A. for years 2008 and 2009.

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.

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, not having undergone tax inspections during 2012..

Pursuant to available information, the Parent's Directors consider that no additional material liabilities will arise as a result of future audits of the years open for review.

20.2 Income tax

The balance of "Income Tax" in the accompanying consolidated income statement for 2012 and 2011 was determined as follows:

	Thousands of Euros	
	2012	**2011**
Profit/(Loss) before tax	**(142,619)**	**(48,599)**
Increases at individual companies	3,477	1,818
Decreases at individual companies	-	(9,511)
Elimination trade consolidation	(1,353)	(95)
Non recorded losses tax credit	2,817	-
Equity method	2,185	(1,180)
Offset of prior years' tax losses	-	-
Taxable profit	**(135,493)**	**(57,567)**
Less taxable profit of companies not resident in Spain	(13,890)	14,004
Tax loss of consolidated group resident in Spain	**(149,383)**	**(43,563)**
Gross tax payable (30%)	**(44,815)**	**(13,069)**
Plus - deductions	(239)	(100)
Accrued tax expense	**(45,054)**	**(13,169)**
Regulation of previous years	(8,886)	(1,568)
Non resident tax expense	10,636	3,769
Tax expense	**(43,304)**	**(10,968)**

20.3 Tax loss carry forwards

Although at 2012 year-end some of the consolidated companies had declared tax losses amounting to approximately EUR 393,950 thousand, the accompanying consolidated balance sheet at 31 December 2012 only includes a tax asset of EUR 99,093 thousand in this connection.

The detail of the tax loss carry forwards of the consolidated companies at 31 December 2012 is as follows:

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Company	Year of inclusion	Thousands of Euros Tax losses	Last year to offset
Grupo Empresarial San Joss carry	From 1997 to 1999	31	From 2015 to 2017
	2000	3	2018
	2001	0.6	2019
	2002	391	2020
	2003	67	2021
	2004	920	2022
	2005	554	2023
	2006	596	2024
	2007	6,773	2025
	2008	71,078	2026
	2009	53,831	2027
	2010	37,528	2028
	2011	50,569	2029
	2012	78,798	2030
Total consolidated tax group		**303,043**	
Spanish companies not included in the consolidated tax group	From 1997 to 1999	67	From 2015 to 2017
	2000	61	2018
	2001	85	2019
	2002	258	2020
	2003	169	2021
		217	
	2004		2022
	2005	267	2023
	2006	1,094	2024
	2007	2,061	2,025
	2008	13,154	2,026
	2009	8,354	2027
	2010	4,570	2028
	2011	2,789	2029
	2012	708	2030
Total Spanish companies not included in consolidated tax groups		**49,991**	
Foreign companies	From 1997 to 1999	992	-
	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		**40,916**	
TOTAL		**393,950**	

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 18 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 into.

20.4 Deferred tax assets and liabilities

The deferred tax assets recognised in the accompanying consolidated balance sheet at 31 December 2012 and 2011 arose as a result of the following:

	Thousands of Euros	
	31.12.2012	31.12.2011
Financial Instruments	3,843	3,971
Non deductible financial profit /(loss)	13,156	-
Backlog charge	10,659	19,305
Other items	12,600	5,720
Tax credit carry forwards	6,659	6,421
Tax assessments Parquesol 2002	-	3,423
Tax loss carry forwards (Note 20.3)	99,093	54,874
	146,010	93,714

The balance of "Deferred tax liabilities" at 31 December 2012 relates basically to the following items:

1. Acknowledgement of tax credits arising from negative tax bases declared by companies of the Group.
2. Elimination of backlog provisions.
3. According to the recognition related to hedge financial instruments.

The deferred tax assets recognised in the accompanying consolidated balance sheet at 31 December 2012 and 2011 arose as a result of the following:

	Thousands of Euros	
	31.12.2012	31.12.2011
Asset revaluation	49,857	52,069
Deferral for reinvestment of extraordinary gains	2,863	2,125
Backlog provisions	3,839	4,844
Deferred profit	8,417	8,417
Other adjustments	3,671	4,527
	68,647	71,982

The balance of "Deferred tax liabilities" at 31 December 2012 relates basically to the following items:

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

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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.

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 239 thousand as an increase in the income tax asset accrued in 2012, as follows:

Item	Year of inclusion	Thousands of Euros
Earned by the consolidated tax group Grupo Empresarial San José S.A.		
Double taxation tax credit	2012	229
Tax credits for donations	2012	10
		239

At 31 December 2012 the following tax credits remain pending:

Earned by the consolidated tax group Grupo Empresarial San José S.A.	Year of inclusion	Thousands of Euros
Double taxation tax credit	2011	1,440
Tax credit for training activities	2011	0.4
Tax credits for donations	2011	82
Double taxation tax credit	2010	329
Tax credits for donations	2010	45
Tax credit for training activities	2010	0.3
Tax credit for R&D activities	2010	368
Double taxation tax credit	2009	676
Tax credits for donations	2009	41
Tax credit for training activities	2009	1
Tax credits for reinvestment of extraordinary gains	2008	103
Double taxation tax credit	2008	2,494
Tax credit for R&D activities	2008	329
Tax credits 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		**6,420**

The tax credit carry forwards for the year were recognised as tax assets.

Reinvestment requirements relating to the full amount of the tax credits for the reinvestment of extraordinary gains earned by the Group during the period 2003 to 2008, inclusive, had been met in full by 31 December 2012 within the periods established by current tax legislation

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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.

20.6 Tax receivables and payables

The detail of the Group's tax receivables and payables at 31 December 2012 is as follows:

	Thousands of Euros			
	31.12.2012		31.12.2011	
	Current	Non-current	Current	Non-current
Tax assets:				
Deferred tax assets	3,717	146,010	2,118	93,714
Tax receivables				
VAT receivables	13,604	-	12,889	-
Sundry receivables	2,736	-	1,414	-
	16,340	-	14,303	-
Total tax assets	**20,057**	**146,010**	**16,421**	**93,714**
Tax liabilities:				
Deferred tax liabilities	1,748	68,647	1,862	71,982
Tax payables				
Tax payable as a result of tax assessments	698		4,235	-
VAT payables	27,077		34,587	-
Personal income tax payable	2,360		2,103	-
Sundry payables	-		648	-
Social Security payables	3,936		1,916	-
	34,071		43,489	-
Total tax liabilities	**35,819**	**68,647**	**45,351**	**71,982**

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 San José S.A." in favour of "San José 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 José S.A.". Segregation was notified to the Tax Department on 2 November 2010.

21. Guarantee commitments to third parties

At 31 December 2012 and 2011, the Group had received from banks and insurance companies guarantees provided to third parties amounting to EUR 236 million and EUR 353 million (mainly project and definite tender and

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performance bonds to public and private bodies). EUR 5.6 million and EUR 2.7 million of which correspond to the parent company and the rest to the subsidiaries at 31 December 2012 and 2011, 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 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 expenditure

22.1 Income

The detail of "Revenue" in the accompanying consolidated income statements for 2012 and 2011 is as follows (in thousands of Euros):

	Thousands of Euros	
	2012	2011
Construction:		
- Civil works	116,643	142,640
- Residential	69,769	89,506
-Non Residential	297,686	371,539
- Industrial	16,994	37,445
	501,092	**641,130**
Real estate	91,627	59,413
Concessions and Services.	130,631	68,671
Energy	11,293	10,689
Other	(76,254)	(27,671)
Net Revenue	**658,389**	**752,232**

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

In year 2012, EUR 89 million of the more than EUR 658 million of net revenue relate to joint ventures (see Annex III).

Virtually all the work was performed as prime contractor.

The backlog of projects not yet commenced at 31 December 2012 and 2011 amounted to EUR 1,933 and EUR 2,022 million, respectively; the detail being as follows:

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	Thousands of Euros (*)	
	2012	2011
Construction:		
Civil works	237.5	316.7
-Non Residential	71.1	115.7
-Non Residential	403.1	427.0
Industrial	12.5	26.8
Subtotal construction	**724.2**	**886.2**
Concessions and Services.	388.0	384.1
Energy:	820.6	752.1
Total Backlog	**1,932.8**	**2,022.4**
Detail by type of client:		
-Public-sector	56.7%	82.8%
-Private-sector	43.3%	17.2%
Details by geographical area:		
-Domestic market	51.9%	59.4%
-International market	48.1%	40.6%

(*) 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.

(**) It does not include projects awarded in January 2012 to Grupo SANJOSÉ (in JV with local partners and holding 33.3% interest ownership) regarding the Louvre Museum Abu-Dhabi (UAE) for a total budget amounting to EUR 500 million (see Note 26).

22.2 Procurements and other external expenses

The breakdown of "Procurements" in the consolidated income statements for 2012 and 2011 is as follows:

	Thousands of Euros	
	2012	2011
Raw materials and other supplies	167,319	158,340
Impairment changes on inventories	107,258	8,903
Purchase volume - rebates	(111)	(109)
Works performed by other companies	201,064	295,259
Total procurement	**475,530**	**462,393**

"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.

The breakdown of "Other current management expenses" in the consolidated income statements for 2012 and 2011 is as follows:

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	Thousands of Euros	
	2012	2011
R&D expenses	49	272
Utilities	5,923	7,548
Repair and maintenance services	4,973	4,606
Transport and freight costs	979	1,287
Insurance premiums and banking services	3,064	5,812
Independent professional services	18,852	24,102
Leases	14,780	16,618
Advertising and publicity	2,539	2,302
Other Services	21,026	18,567
Taxes and income tax	12,430	12,409
Other operating expenses	4,014	4,469
Total	**88,629**	**97,992**

22.3 Staff costs

The detail of "Staff Costs" is as follows:

	Thousands of Euros	
	2012	2011
Wages and salaries	75,200	87,056
Termination benefits	5,054	3,331
Employer social security costs	16,903	19,923
Other social costs	2,018	1,923
Total	**99,175**	**112,233**

The average workforce by professional category is as follows:

Category	2012		2011	
	Men	Female	Men	Female
University graduates	282	110	294	142
University three-year degree graduates	310	87	347	107
Clerical staff	71	89	109	128
Officers and technical personnel	1,642	113	1,755	94
	2,305	399	2,505	471

The average workforce at 31 December 2012amounted to 2,564 of which 2,183 were men and 381women

22.4 Compensation in kind

At 31 December 2012 there was no significant compensation in kind.

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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 2012, the Group had acquired future lease payment obligations under finance leases entered into amounting to EUR 3,873 thousand, most of which will be amortised in the following 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 statement is as follows:

	Thousands of Euros	
	2012	2011
Interest on receivables	15,581	10,013
Income from equity investments	-	557
Other financial income	-	-
	15,581	10,570

"Interests on receivables" for year 2012 and 2011 includes approximately EUR 5.4 million and EUR 2.2 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 expenses

Breakdown is as follows.

	Thousands of Euros	
	2012	2011
Interests on payables	52,120	57,261
Other finance expenses	22,943	16,675
Changes in fair value	6,444	10,351
	81,507	84,287

"Other finance expense" for years 2012 and 2011 includes EUR 6,856 thousand and EUR 6,107 thousand, respectively, corresponding to the costs from the previous syndicated financing as well as EUR 4,901 thousand and EUR 10,567 thousand for years 2012 and 2011 corresponding to the settlement of hedge instruments.

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

The detail is as follows:

	Thousands of Euros	
	2012	2011
Gains/Losses on write-offs of fixed assets (Note 7)	6,795	(135)
Impairment on goodwill (Note 9)	(2,258)	-
Impairment of property, plant and equipment (Note 10)	-	(580)
Impairment of investment property (Note 8)	(38,264)	(6,807)
Other	(224)	42
	(33,951)	(7,480)

22.10 12 *Changes in operating provisions*

Changes in 2012 and 2011 in the consolidated balance sheet were as follows:

Year 2012:

	Thousands of Euros		
	Operating insolvencies (Note 13)	Other operation provisions	Total
Balance at 31 December 2011	**43,910**	**20,353**	**64,263**
Provisions	11,068	12,353	23,421
Applications	(21,450)	(1,269)	(22,719)
Reversals	(3,992)	(1,368)	(5,360)
Changes in the scope of consolidation and other	(704)	(740)	(1,444)
Balance at 31 December 2012	**28,832**	**29,329**	**58,161**

Year 2011:

	Thousands of Euros		
	Operating insolvencies (Note 13)	Other operation provisions	Total
Balance at 31 December 2010	**43,910**	**20,353**	**64,263**
Provisions	17,460	2,181	19,641
Applications	(3,837)	(2,501)	(6,338)
Reversals	(1,683)	(2,063)	(3,746)
Changes in the scope of consolidation and other	3,654	(868)	2,786
Balance at 31 December 2011	**43,910**	**20,353**	**64,263**

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Current provisions classified under "Short-term provisions" include estimated amounts to face possible business contingencies. During 2012 and 2011, EUR 1,314 and EUR 120 thousand, respectively, linked to provisions for conclusion of property developments, was reversed as they no longer apply.

22.11 *Change in inventories of finished goods and in progress*

Breakdown of the item "Changes in inventories" is as follows:

	Thousands of Euros	
	2012	2011
Changes in inventories for recorded expenses /sales	(24,230)	(17,050)
Changes in inventories for impairment	(7,626)	(641)
In-house work on assets	4	7,703
Total	**(31,852)**	**(9,988)**

22.12 *Impairment and gains or losses on disposals of real estate investments*

This item of the accompanying income statement of the Group, for year 2012, includes mainly EUR 25,166 corresponding to gains on financial transactions. Further, recorded impairment for year 2012 amounts to EUR 3,023 thousand and refers mainly to financial investments recorded by the Group as "Investments hold for sale" (see Note 13.4.1). Likewise, this item also records impairment on current and non-current finance receivables and other, recorded by the Group at 31 December 2012 for a total amount of EUR 10,763 thousand, corresponding mainly to the concession contract of Chile, for a total amount of EUR 9,356 thousand.

22.13 *Audit fees*

In 2012 and 2011 the expense corresponding to the financial audit services provided to the Company by Deloitte, S.L. and associated of the same, as well as fees for audit services for independent financial statements of associated and related companies was as follows

Year 2012:

Description	Thousands of Euros	
	Services provided by the main auditor	Services provided by other auditing firms
Audit services	346	31
Other verification services	70	-
Total audit services and related services	**416**	**31**
Tax and fiscal advice services	-	-
Other Services	15	-
Total	**431**	**31**

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Year 2011:

Description	Thousands of Euros	
	Services provided by the main auditor	Services provided by other auditing firms
Audit services	394	22
Other verification services	74	-
Total audit services and related services	**468**	**22**
Tax and fiscal advice services	-	-
Other Services	79	-
Total	**547**	**22**

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	
	2012	2011
Assets:		
Antigua Rehabitalia, S.A. (Note 13.4.2)	16,222	15,731
Other	30	630
Liabilities:		
Pontegrán, S.A.	10,298	10,982
Other	-	-
Transactions:		
Income	-	185
Expenses	77	204

24. Remuneration

24.1 Remuneration of Directors

The detail of the remuneration of all kinds earned in 2012 and 2011 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:

Type of Directors	Thousands of Euros	
	2012	2011
Executive	3,206	2,600
Independent members	284	195
Other members	16	84
Total	**3,506**	**2,879**

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The amount for 2012 and 2011 includes Directors' remunerations for the furtherance of their duties as Senior Management for EUR 2,448 and EUR 2,500 thousand, respectively.

At 31 December 2012 and 2011, 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, nest a list of companies with the same, similar or supplementary business activities of Grupo Emprsarial San José, S.A." and Subsidiaries with Parent's Directors (according to article 231 of the Spanish Companies Law), and functions:

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	□onstructora Udra Limitada	Construction	-	20%
Mr. Jacinto Rey González	Udra Argentina, S.A.	Real estate	Chairman	10%
Mr. Jacinto Rey González	Carlos Casado, S.A.	Agricultural productions and real estate	Chairman	-
Mr. Jacinto Rey González	Udra Mexico 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 Inversiones, S.L.U.	Subscription and purchase of shares	Sole Director	-
Mr. Jacinto Rey González	San José Bau GMBH	Construction	-	12%
Mr. Jacinto Rey González	Constructora San José Argentina, S.A.	Construction	Chairman	3.594%
Mr. Jacinto Rey González	Pinos Altos XR, S.L.	Subscription and purchase of shares	Sole Director	55%
Mr. Jacinto Rey González	Pinos Altos Patrimonio, S.L.U.	Real estate and construction	Sole Director	100%
Mr. Jacinto Rey González	San José Perú, S.A.C.	Real estate and construction	Chairman	0.000003%
Mr. Jacinto Rey González	Rexa Constructora, S.A.	Construction	Chairman	-
Mr. Jacinto Rey González	San José India Infrastructure & Construction Private Limited	Construction	Chairman	-
Mr. Jacinto Rey González	Inmobiliaria 2010, S.A.	Real estate	Chairman	-
Mr. Jacinto Rey González	Cimsa Argentina, S.A.	Construction	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	-

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Mr. Jacinto Rey González	Tecnoartel, S.A.	Shareholding	Chairman	-
Mr. Jacinto Rey González	San José Construction Group INC	Construction	Chairman	-
Mr. Jacinto Rey González	Sociedad Concesionaria San José – Tecnocontrol, S.A.	Concessionaire	Chairman	-
Mr. Jacinto Rey González	Argentimo, 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 José Construction Group INC	Construction	Chairman	-
Mr. Jacinto Rey Laredo	San José France	Construction	Sole Director	-
Mr. Jacinto Rey Laredo	SJ Bau GMBH	Construction	Sole Director	-
Mr. Jacinto Rey Laredo	SJB Mullroser Baugesellschaft MBH	Construction	Director	-
Mr. Jacinto Rey Laredo	Constructora Udra Limitada	Construction	Sole Director	-
Mr. Jacinto Rey Laredo	Pinos Altos XR, S.L.	Subscription and purchase of shares	-	22.5%
Mr. Jacinto Rey Laredo	Constructora San José, S.A.	Construction	Director	-
Mr. Jacinto Rey Laredo	San José Desarrollos Inmobiliarios, S.A.	Real estate	Vicepresident and CEO	-
Mr. Jacinto Rey Laredo	Lardea, S.L.U.	Real estate	Sole Director	-
Mr. Jacinto Rey Laredo	Sofía Hoteles, S.L.U.	Hotel management	Sole Director	-
Mr. Jacinto Rey Laredo	Hotel Rey Pelayo, S.A.	Hotel management	Sole Director	-
Mr. Jacinto Rey Laredo	Azac, S.A.U.	Real estate	Sole Director	-
Mr. Jacinto Rey Laredo	Ageinsa	Real estate	Sole Director	-
Mr. Jacinto Rey Laredo	Kantega Desarrollos Inmobiliarios, S.A.	Real estate	Chairman	-
Mr. Jacinto Rey Laredo	Parquesoles Portugal SGPS, S.A.	Subscription and purchase of shares	Chairman	-
Mr. Jacinto Rey Laredo	SCI Parquesol, Rue de la Bienfaisance	Real estate	Sole Manager	-
Mr. Jacinto Rey Laredo	Comercial Udra, S.A.U.	Trade	Vicepresident and CEO	-
Mr. Jacinto Rey Laredo	Cadena de Tiendas, S.A.U.	Trade	Sole Director	-
Mr. Jacinto Rey Laredo	Top Brands, S.A.	Trade	Vicepresident	-
Mr. Jacinto Rey Laredo	Editorial Ecoprensa, S.A.	Mass media	Director	-
Mr. Jacinto Rey Laredo	Unirisco Galicia, SRC, S.A.	Venture capital company	Director	-

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Ms.Altina de Fátima Sebastián González	Ferrovial, S.A.	-	-	133.3 shares
Mr. Guillermo de la Dehesa Romero	Acciona, S.A.	Environment and construction	-	342 shares

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 SANJOSÉ 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 2012 and 2011 as follows:

Number of people	Thousands of Euros
Year 2012:	
15 Executives	1,866
Year 2011:	
14 Executives	1,760

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.

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26. Events after the reporting period

In January 2013 the Group, trough a joint venture with local partners and a 33.3% interest ownership was awarded the Louvre Museum Abu-Dhabi (UAE) for a total budget amounting to EUR 500 million (see Note 22.1).

There are no other significant events occurred after 31 December 2012 which may have impacted on the accompanying financial statements

Translation into English of consolidated financial statements for the year ended 31 December 2012, originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Appendix

Consolidated subsidiaries

Company	Audit company	Address	Activity	% of voting rights controlled by Parent companies			Ownership cost (Thousands of Euros)
				Direct	Indirec.	Other	
1681 West Avenue, LLC	Not audited	Delaware (USA)	Real Estate Development	-	100	-	5,225
Alexín XXI, S.L.U.	Not audited	Bilbao (Vizcaya).	Real Estate Development	-	100	-	3
Altiplano Desarrollos Inmobiliarios, S.L.	Not audited	Valladolid	Real Estate Development	-	100	-	2,612
Aprisco Salvador Inv. Hoteleiros e Imobiliários, Ltda.		Brazil	Construction and Real Estate Development	-	100	-	4,090
Argentimo, S.A.	Deloitte, S.L.	Buenos Aires (Argentina)	Real Estate Development	-	100	-	20,932
Arserex, S.A.U.	Deloitte, S.L.	Madrid	Trade and distribution of sport items	-	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
Basket King, S.A.U.	Not audited	Madrid	Trade and distribution of sport items	-	100	-	977
Burgo Fundiários, SA	Deloitte Portugal	Oporto (Portugal)	Real estate	-	100	-	5,965
Cadena de Tiendas, S.A.U.	Not audited	Pontevedra	Trade, distribution, import and export of clothes	100	-	-	60
Carlos Casado, S.A.	Auren	Buenos Aires (Argentina)	Real Estate Development	-	52.19	47.81	25,393
Cartuja Inmobiliaria, S.A.U.	Deloitte, S.L.	Seville	Construction	-	100	-	3,884
Centro Comercial Panamericano, S.A.	Deloitte Argentina	Buenos Aires (Argentina)	Real Estate Development	-	100	-	10,202
CIMSA Argentina, S.A.	Deloitte Argentina	San Luis (Argentina)	Civil works	-	100	-	(764)
Comercial Udra, S.A.U.	Deloitte, S.L.	Pontevedra	Trade	100	-	-	1,748
San José Panamá, S.A (former Constructora Panameña de Aeropuertos, S.A).	Bustamante y Bustamante	Panama (Repúblic of Panama)	Construction	-	100	-	190
Constructora San José Argentina, S.A.	Deloitte Argentina	Buenos Aires (Argentina)	Construction	-	96.406	3.594	8,141
Constructora San José Brasil Limitada	Not audited	Salvador de Bahía (Brazil)	Construction and Real Estate Development	-	100	-	263
Constructora San José Cabo Verde, S.A.	Not audited	Cape Verde	Construction	-	100	-	453
Constructora San José, S.A.	Deloitte, S.L.	Pontevedra	Construction	99.79	-	0.21	92,510
Constructora Udra Limitada	Deloitte, S.L.	Monaco (Portugal)	Construction, maintenance and repair	7	70	23	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
Douro Atlantico Sociedade Inmobiliaria, S.A.	Deloitte, S.L.	Oporto (Portugal)	Real estate	-	100	-	16,619
Douro Atlantico, S.L.U.	Deloitte, S.L.	Pontevedra	Real estate	-	100	-	3,579
Avenida da Liberdade,	Deloitte Portugal	Lisbon (Portugal)	Rental	-	100	-	827
Duque de Palmela	Deloitte Portugal	Lisbon (Portugal)	Rental	-	100	-	3,750
Duque de Palmela	Deloitte Portugal	Lisbon (Portugal)	Rental	-	100	-	3,425
Enerxías Renovables de Galicia, S.A.	Not audited	Pontevedra	Production and trade of electric energy by renewable energy resources	25	75	-	563

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Company	Audit company	Address	Activity	% of voting rights controlled by Parent companies			Ownership cost (Thousands of Euros)
				Direct	Indirect	Other	
Eraikuntza Birgaikuntza Artapena, S.L.U.	Deloitte, S.L.	Vitoria Gasteiz	Construction	-	100	-	435
Eskonel Company, S.A.	Not audited	Uruguay	Energy	-	99.99	-	431
Ewan Connection, S.A.U. (anteriormente Hood Sports, S.A.U.)	Not audited	Madrid	Manufacturing, storage and distribution of goods	-	100	-	60
Gestión de servicios de la Salud S.L.	Not audited	-	Hospital services	-	100	-	90
Green Inmuebles S.L	Deloitte, S.L.	Valladolid	Rental	-	75	25	6,560
Hotel Rey Pelayo, S.A.	Not audited	Gijon (Asturias)	Rental	-	100	-	7,508
Hospes Brasil Participaciones e Empreendimientos Lda.		Brazil	Construction and Real Estate Development	-	100	-	423
Iniciativas Galebal, S,L.	Not audited	Palma de Mallorca	Real Estate Development	-	56	44	3
Inmobiliaria 2010, S.A.	Deloitte Perú.	Lima (Peru)	Construction and Real Estate Development	-	100	-	1,294
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.	Deloitte, S.L.	Buenos Aires (Argentina)	Real Estate Development	-	100	-	680
Inmoprado Laguna, S.L.	Not audited	Valladolid	Real Estate Development	-	100	-	4,950
Inversiones Patrimoniales Guadaiza, S.L.U.	Not audited	Pontevedra	Real Estate Development	-	100	-	8,905
Inversiones SanJosé Chile Limitada	Not audited	Santiago de Chile (Chile)	Investment and real estate	-	100	-	22
Inversiones San José Andina Ltda.	Deloitte Chile	Santiago de Chile (Chile)	Investment and real estate	-	100	-	14,969
Inversiones Hospitalarias Ltda.	-	Santiago de Chile (Chile)	Capital investment		100	-	1
Inversiones Viales Andina Ltda.	-	Santiago de Chile (Chile)	Capital investment		100	-	1
Lardea, S.L.	Not audited	Madrid	Real Estate Development	-	100	-	26,328
Otoño, S.L.		Valladolid	Without activity	-	67	-	42
Outdoor King, S.A.U.	Not audited	Madrid	Manufacturing, storage and distribution of goods	-	100	-	60
Poligeneració Parc de l'Álba, S.A.	Not audited	Barcelona	Construction, remodelling 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	-	14,550
Parquesoles Inmobiliaria y Proyectos, S.A.	Deloitte Portugal	Lisbon (Portugal)	Real Estate Development	-	100	-	9,840
Parsipanny Corp. S.A.	-	Uruguay	Real estate and agriculture	-	51.72	48.28	722
Poligeneraciones parc de L´Alba	Deloitte, S.L.	Barcelona	Construction, implementation and maintenance of electric energy power stations	-	76	14	4,024
Pontus Euxinus Tehnologii Renovabile, S.R.L.	Not audited	Bucarest (Romania)	Production and trade of electric energy by renewable energy resources	-	75	-	8
Puerta de Segura, S.A.	-	Uruguay	Industrial, Commercial		51.72	48.28	5,086
Rexa Constructora, S.A.	Deloitte Perú.	Lima (Peru)	Construction	-	75	25	348
Rincon S.A.G.		Paraguay	Development of a tourist project in Alto Paraguay and agriculture activities in the same area.	-	51.72	48.28	239
Running King, S.A.U.	Not audited	Pontevedra	Trade, distribution, import and export of clothes	-	100	-	1
San José BAU GmBH	Wisbert & Partner	Berlin (Germany)	Construction	-	84	16	435

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				Direct	Indirec.	Other	
San José Concesiones y Sevicios, S.A.U.	Not audited	Pontevedra	Provisions of health care and social services	100	-	-	2,446
San José Construction Group, Inc	Not audited	Washington (USA)	Construction		78.19	-	18,958
San José Desarrollos Inmobiliarios, S.A.	Deloitte, S.L.	Pontevedra	Real Estate Development	98.69	-		123,675
San José France, S.A.S.	Not audited	Le Haillan (France)	Holding company	-	100	-	982
San José Maroc, S.A.R.L.A.U.	-	Rabat (Morocco)	Construction	-	100	-	1
San José Perú, S.A.C.	Deloitte, S.L.	Lima (Peru)	Construction	-	100	-	9,075
SanJosé Congo	-	Republic of Congo	Construction	-	70	-	3
San José India Infrastructure & Construction Private Limited	Not audited	New Delhi (India)	Development, construction and operation of Infrastructure	-	99.99	0.01	1,396
SanJosé Mahavir Supreme Building One Private Limited	Not audited	New Delhi (India)	Construction	-	51	-	-
SanJosé Supreme Tollways Development Private Limited	Not audited	New Delhi (India)	Construction	-	60	-	-
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)	Industrialisation and Trade	-	100	-	10
San José Energía y Medio Ambiente, S.A.	Not audited	Pontevedra	Energy production	99.99	0.01	-	4,039
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	-	100	-	3,967
Sefri Ingenieros Maroc, S.A.R.L.	Not audited	Morocco	Engineering and installations	-	75	25	258
Sociedad Concesionaria Chile Tecnocontrol	Not audited	Santiago de Chile (Chile)	Hospital Infrastructure Concessions	-	100	-	15,947
San José Constructora Chile Ltda.	Deloitte Chile	Santiago de Chile (Chile)	Construction	-	100	-	20
SJB Müllroser	Wisbert & Partner	Mullrosser (Germany)	Construction	100	-	-	730
Sofía Hoteles, S.L.U.	Not audited	Valladolid	Management of "Tryp Sofía" Hotel located in Valladolid	-	100	-	19,130
SUPRA Desarrollos Inmobiliarios, S.L.	Not audited	Seville	Real Estate Development	-	55	45	6
Tecnologías Renovables de Aragón, S.A	Not audited	Zaragoza	Production and trade of electric energy by renewable energy resources	-	100	-	61
Tecnologíes Renovables de Catalunya, S.A.	Not audited	Barcelona	Production and trade of electric energy by renewable energy resources	-	100	-	61
Tecnoartel Argentina, S.A.	Deloitte (Argentina)	Buenos Aires (Argentina)	Maintenance and installation.	-	100	-	23,465
Tecnocontrol Mantenimiento, S.L.U.	Not audited	Tres Cantos (Madrid)	Maintenance and collection of public telephone services	-	100	-	3
Tecnocontrol Servicios, S.A.U.	Deloitte, S.L.	Tres Cantos (Madrid)	Maintenance services	-	100	-	1,668
Tecnocontrol Sistemas de Seguridad, S.A.U.	Not audited	Tres Cantos (Madrid)	Maintenance of security systems	-	100	-	120
Top Brands, S.A.	Not audited	Argentina	Trade	-	65	-	195
Trendy King, S.A.U.	Not audited	Madrid	Trade and distribution of sport items	-	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	Edition, production, reproduction and release of books, newspapers, magazines and video	100	-	-	1,500
Udra Medios Editora de Galicia	Not audited	Galicia	Press				4
Udra Mexico S.A. de C.V.	Not audited	Mexico	Construction		100	-	4,110

Udralar, S.L.	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
Urbemasa, S.A.U.	Not audited	Valladolid	Without activity	-	100	-	329
Vision King S.A.U. (former Fashion King, S.A.U.)	Not audited	Madrid	Trade, distribution, import and export of clothes	-	100	-	60
Xornal de Galicia, S.A.	Not audited	Galicia	Press	-	92.73	7.27	5,653
Xornal Galinet, S.A.	Not audited	A Coruña.	Press	100	-	-	1,100
Zivar, investimentos inmobiliarios C.	Not audited	Portugal	Real estate		52.5	-	2,609

Appendix II
Associates accounted for using the equity method

Company	Audit company	Address	Activity	% of voting rights controlled by Parent companies			Ownership cost (Thousands of Euros)
				Direct	Indirect	Other	
Pontegran, S.L.	Deloitte, S.L.	Madrid	Real Estate Development	-	45	55	11,509
Corporacite Developmentrolled	Audihispana	Barcelona	Shareholding	-	28	-	4,205
Antigua Rehabitalia, S.A.	Deloitte, S.L.	Madrid	Real Estate Development	-	40	60	480
Desarrollo UrbanlopmentA.lled by Paren	Deloitte, S.L.	Madrid	Real Estate Development	-	27.5	72.5	23,341
Fingano, S.A.	-	Buenos Aires (Argentina)	Real Estate Development	-	100	-	-
Panamerican Mall, S.A.	KPMG	Buenos Aires (Argentina)	Real Estate Development	-	20	80	17,914
Villa del Prado Patrimonio, S.L.	-	Valladolid	Without activity	-	50	50	27
Villa del Prado Gestimonio, S	-	Valladolid	Without activity	-	50	50	3

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Appendix III

1. Consolidated Joint ventures:

Company	Registered office	Activity	Effective ownership % Ownership of the Parent	Ownership cost (Thousands of Euros)
Desarrollos Inmobiliarios Makalu, S.L. (1)	Madrid	Real Estate Development	50.00	4,623
Cresca S.A.	Misiones esquina Perú No 593, Asunción, Paraguay	Sale of any type of mix farming product and sale, rental and construction of urban and rural property	50.00	3,698
Pinar de Villanueva, S.L.	Valladolid	Operation of rural plots of land, buildings and real estate development	50.00	9,427
Kantega Desarrollos Inmobiliarios, S.A.	Seville	Real Estate Development	50.00	5,601
				23,349

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

2. Joint ventures:

Joint ventures	Ownership %	Thousands of Euros Certificates issued/income (100% JV)	Status
Pista 18	25%	-	In progress
Torrelaguna	50%	-	In progress
Puente Genil	100%	-	Pending settlement
Hospital Xeral De Lugo	50%	333	In progress
Cinturón De Vigo	50%	-	In progress
Daimiel	100%	-	Pending settlement
Hosp Almansa	70%	-	In progress
Nueva Sede Diputación De Malaga	50%	-	In progress
Zona De Contacto Toledo	100%	-	Pending settlement
Cañada Ancha	100%	-	In progress
Almanjayar	75%	-	In progress
Plaza El Arbol	20%	-	Pending settlement
Variante Iscar	100%	-	Pending settlement
A.I. La Nava	100%	-	In progress
Chiclana	100%	-	In progress
Acceso Zona Contacto Toledo	100%	-	In progress
San Lucar	100%	-	In progress
Rivas Oeste	100%	-	In progress
Aeropuerto De Menorca	50%	-	In progress
Can zariquey	100%	-	In progress
Edificio público "espejo de la participacion"	100%	-	In progress

Museo Del Prado	50%	-	In progress
Ciudad De La Cultura	50%	1,058	In progress
Casa de niños	100%	-	In progress
Jabalon (Manserja)	40%	-	In progress
Prolongacion Avenida Alvaro Domecq	100%	-	In progress
Nueva Estacion 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 L Eliana	70%	-	In progress
Piscina Parla	60%	-	In progress
Ac-301 Padron	100%	-	In progress
Viviendas Alcosa	80%	-	In progress
Resultado Edificio Ciudad Cultura	50%	-	In progress
Metro Boadilla	30%	-	In progress
Nueva Ciudad Deportiva De Umbrete En Sevilla	100%	-	In progress
Ccb Mallorca	55%	-	In progress
Alcorcon	100%	-	In progress
Jarosa El Escorial	100%	-	Pending settlement
El Puerto	100%	-	In progress
Autovía A-50 Salamanca	100%	-	In progress
Hospital Asturias	43%	1,762	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	60%	4,078	In progress
Autovia Encinas Reales Cordoba	70%	-	In progress
Estadi Municipal Montcada	20%	-	Pending settlement
Ceip San Jordi	20%	-	In progress
Embalse Contreras	50%	-	In progress
Estacion Ave Zaragoza	55%	-	In progress
Ceip San José Calasanz - Bigastro	60%	-	In progress
Adecuacion Edificio Camara De Comercio	60%	-	In progress
Centro De Salud Lucero En Madrid	70%	-	In progress
Reforma Bjologicas-Uv	60%	-	In progress
Industrial Engineering	50%	18	In progress
Hospital De Guadix	100%	-	In progress
Ocaña	70%	-	In progress
Zona Comercial Aeropuerto Menorca	50%	-	In progress
Colegio Alameda De Osuna	65%	114	In progress
Autovía Verín-Frontera Portuguesa	50%	-	In progress
Regadio Canal Del Páramo Bajo	50%	-	In progress
Valdebebas Lote 6	50%	-	In progress
Paso Inferior Ifema	50%	-	In progress
Anillo Norte Estacion Delicias	63%	-	In progress
Hospital De Plasencia	45%	44	In progress

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Ronda Suroeste Toledo	50%	-	In progress
Arroyo De La Vega Ampliacion Edar	50%	-	In progress
Proyecto Y Obras De La Edar Aranjuez Norte	50%	-	In progress
El Tejar	70%	2	In progress
Csj-Obremo	67%	-	In progress
Parque De Bomberos	51%	-	In progress
Escuela Universitaria De Magisterio	80%	6	In progress
Mieres	60%	-	In progress
Ensanche Barajas	50%	-	In progress
Vall Nuria	20%	-	In progress
Vilanova	20%	-	In progress
Etsi Universidad Valencia	80%	3,146	In progress
Hotel Colon Sevilla	70%	-	In progress
San José El Ejidillo E	60%	17	In progress
San José El Ejidillo F	60%	24	In progress
Nave Ind.Vicalvaro	60%	-	In progress
Hospital Gandia	70%	14	In progress
Fase Ii H.Juan Canalejo La Coruña	50%	-	In progress
Palacio Justicia Paterna	60%	-	In progress
Jardineria Ifema	60%	140	In progress
Parque Fuensanta	60%	-	In progress
Zonas Verdes Ferrol	60%	1,107	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	60%	548	In progress
Rehabilitacion Poboado Mineiro Fontao	100%	454	In progress
Casco Historico Cartagena	60%	-	In progress
San José El Ejidillo Paseo De Europa	70%	-	In progress
Depuradora Cutar	20%	-	In progress
Hosp.Verge Cinta	20%	-	In progress
Tratamiento Agua Potable Villanubla	20%	-	In progress
Vall Nuria	20%	-	In progress
Vilanova	20%	-	In progress
Campo De Futbol Ciudad Jardin (Malaga)	75%	-	In progress
Sistema Luces Aeropuerto	20%	-	In progress
Santa Maria De La Isla	20%	-	In progress
Renovacion Red De Saneamiento Teruel	20%	-	In progress
Tratamiento Agua Potable Villanubla	20%	-	In progress
Coveta Fuma	20%	-	In progress
Captacion Bombeo Cubillo De Butron	20%	-	In progress
Abastecimiento Fuensaldaña	20%	-	In progress
Agua Potable Proteccion Legionelosis	20%	-	In progress
Almuradiel	20%	-	In progress
Saneamiento En Kareaga Goikoa	20%	-	In progress
Desagüe De Pluviales Ronda Parque	20%	-	In progress
Ciudad De La Luz - Alicante	20%	-	In progress
In progress Ciudad De La Luz - Alicante	20%	-	In progress
Lagunilla In progress	70%	-	In progress
Tecno-Cimsa Alumbrado Camino Carmen	20%	-	In progress

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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)	100%	-	Settled
Reforma Radioterapia H.Virgen Del Rocio	50%	139	In progress
Edificio Multiusos Telde	60%	-	In progress
S.José-Cimsa-Rodio O/Montijo	90%	-	In progress
San José-Abengoa O/La Lama	75%	-	In progress
Novo Hospital	95%	-	In progress
Andujar	80%	-	In progress
Santa Marta Magasca	60%	-	In progress
Aljarafe	75%	-	In progress
Tercia Baena	100%	-	Pending tax deregistration
Barrio Bajo	80%	-	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%	-	In progress
Viviendas Dehesa Vieja	50%	-	In progress
Paseo Marítimo Algeciras	70%	-	In progress
Clinica IMQ Bilbao	100%	(3,325)	In progress
El Ejidillo Plaza Castilla	60%	131	In progress
Miamán Ponte Ambia	70%	35,320	In progress
Ejidillo Las Rozas	60%	-	In progress
Ampliación Aeropuerto Vigo	50%	16,169	In progress
Ejidillo Valladolid	60%	1,464	In progress
Edificio Aeronautic Suppliers Village	80%	-	In progress
Kultur Etxea Hondarribia	100%	1,266	In progress
Guardería Pabellón Deportivo	75%	-	In progress
Hospital Albacete	38%	1,584	In progress
Movimiento tierras Ikea	55%	-	In progress
Etap Monforte de Lemos	50%	599	In progress
Rafael de la Hoz.	50%	91	In progress
Central eléctrica AE Santiago	60%	707	In progress
Desaldora el Mojón	25%	-	In progress
Cerdañola Vallés	95%	-	In progress
Cabildo Insular	50%	-	In progress
Inhuca	35%	-	In progress
Movimiento tierras Ikea	55%	6,427	In progress
Torre Iberdrola	30%	1,006	In progress
Edificio Binter canarias	45%	1,989	In progress
200 vvdas nuevo amate	100%	10,329	In progress
Variante pajares - lote sur	60%	23,318	In progress
Consultorio cruz roja bilbao	100%	46	In progress
Ute Universidad De Santiago	100%	-	In progress
Instalaciones Eléctricas Hospital De Lugo	34%	110	In progress
Cymitec Serv.Centrales Ciudad De La Cultura Santiago	50%	112	In progress
Ute Alcalá De Henares	60%	352	In progress
Ute Edificio Transferencia Conocimeinto	80%	2,937	In progress

Ute Edificio Lucía	60%	3,205	In progress
Ute Proyecto Mejora Carretera Destriana	60%	541	In progress
Ute San José El Ejidillo Zona D	60%	92	In progress
Ute San José El Ejidillo Dasotec	58%	8,920	In progress
Ute Mob Y Equip Aeropuerto Gc	60%	-	In progress
Ute Residencia Real Madrid	50%	8,506	In progress
Ute San José Ejidillo Ifema2	60%	100	In progress
Pista Aeropuerto De Alicante	50%	5,354	In progress
Planta de reciclaje Colmenar	50%	47	In progress
Campo de football la Vinyassa	52%	-	In progress
Universidad De Santiago	80%	16	In progress
Clima Terminal Sud	50%	1,687	In progress
Hospital Valle del Guadiato	60%	-	In progress
Estación autobuses Vitoria	60%	-	In progress
Casco Historico Cartagena	20%	-	In progress
Hospital Valle de los Pedroches	60%	-	In progress
Rehabilitación Teatro San Fernando	80%	-	In progress
Redes telefonía y datos, Ministerio del Interior	80%	-	In progress
Operation and maintenance of security servics of Barajas airport	50%	-	In progress

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. AND SUBSIDIARIES

Directors' Report year 2012

1. Business performance and situation of the Group

1.1 Market performance

In year 2012 Spain has not been immune to the effects of the global crisis affecting the Euro zone not the slowdown in the pace of global growth.

During the last year, Spain has returned to recession, GDP fell during the first quarter of the year by 0.4% chaining two consecutive negative quarters and this trend has continued throughout the year reaching during the fourth quarter a cumulative GDP of 1.37%. The main cause of the GDP fall may be found in the decline in domestic demand, the rise in VAT rates from September onwards, the loss of confidence in the recovery or the cuts in wages which have reduced domestic household and business investment.

In year 2012, the Government has faced two important outstanding issues, the reform of the labour market and the financial sector restructuring.

Despite the labour market reform, Spain has continues to destroy employment, reaching at December 2012 an employment rate of 26.02%. During the year, unemployed people were increase in 691,700, amounting a total of 5,965,400. Despite unemployment being reduced compared to previous years, n we cannot yet determine whether this effect is due to the labour market flexibilisation or to companies already having adjusted template to the actual production in the early years of the crisis.

Regarding the banking sector reform, the Fund for Orderly Bank Restructuring (FROB) has injected EUR 37,000 million to recapitalise nationalised banks and EUR 2,500 million for the incorporation of the Banking Restructuring Asset Management Company (SAREB) , which shall receive problematic assets from nationalised entities so that they be feasible and have continuity in the future.

In spite of recession, CPI at December 2012 reaches 2.9%. Product groups involving price increases are energy goods - petrol, gas and electricity.

The reforms introduced by the government along with the gain in competitiveness, the stabilization of the financial environment in terms of sovereign debt and the greater weight of the external sector in our economy suggest that Spain may start the recovery in late 2013-early 2014. According to the latest projections of the IMF (WEO Report Jan-13), Spain will have a negative growth of 1.5% in 2013 and a positive growth of 0.8% in 2014

As for the Euro zone, the growth prevision according to the IMF is located at -0.2% and 1.0% in the years 2013 and 2014, respectively, with Germany and France leading the recovery.

Following its strategy, each year Grupo SANJOSÉ has more presence overseas, both regarding net revenue and project backlog. Contracts have been executed with emerging or developing markets, such as Nepal and Abu-Dhabi. Growth forecasts of the IMF for these areas reach 3.4% and 3.8% for years 2013 and 2014, respectively, for the Middle East and 7.1% and 7.5% for years 2013 and 2014, respectively, for developing countries in Asia.

1.2 Evolution of the construction sector in year 2012

In 2012 the lack of Spanish public contracting has been increased and during the last year public calls to tender were reduces by 46% (Seopan report Dec-12), which together with the invitation to tender reduction of 47.5% of previous year involves only EUR 7,378 million available for tender procedures.

Despite the lack of public invitations to tender, Grupo SANJOSÉ has improved its EBITDA reaching 13.24% in 2012, compared to 7.9% in 2011. The EBITDA increase is due to the strategy of the Group and which is based on two aspects.

- Geographical diversification: the importance of the international backlog of contracted projects at December 2011 and 2012 amounts to 41% and 45.6%, respectively. Grupo SANJOSE has increased its participation in international tenders, in emerging or developing countries, being awarded projects in 2012 in countries where we were not present before, such as Nepal and Abu- Dhabi (January 2013).

- Improvement of profitability of works, acting on costs and improving EBITDA margins.

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 financial profits or losses

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

Therefore, the Group issued consolidated financial statements according to IFAC in year 2006.

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 247 million

Profit /(Loss): Net revenue amounted to EUR 658 million, a decrease of -12.5%. 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 13.24% positive EBITDA margin, slightly above the 7.9% recorded in the previous year.

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1.5 Main actions of the Group's business units

The Group is a diversified group as regards its activities and the geographical areas in which it carries them on. The following divisions are present in the Group: construction (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 2012 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, such as Nepal and the Middle East.

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

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

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

Objectives for year 2013

Construction: Like in recent years, Grupo SANJOSÉ will continue to attend tender procedures in developing countries in order to increase international turnover and backlog, yet without leaving aside the domestic market. Further, it will continue to adjust costs so as to increase margins.

The construction division maintains a backlog still to be executed of EUR 724 million, consisting mainly of non-residential building construction and civil engineering projects, 56% and 33%, respectively. 51% of this total figure refers to public-sector customers.

Real estate: The objective of Grupo SANJOSÉ focuses on efficient equity management, increasing occupation rates and improving the use of existing resources. Strong efforts shall be applied to the sale of concluding property developments despite difficult market and financial conditions in order to try to keep with delivery rates of year 2012. Regarding Peru, developments shall continue according to last year rates in order to keep up with delivery rates.

Energy: Grupo SANJOSÉ will increase domestic and international tendering procedures. Optimisation of resources and consolidation of activities started in previous years in Spain.

The backlog of projects not yet commenced at 31 December 2012 amounts to EUR 820 million.

Concessions: During the current year, hospitals awarded in Santiago de Chile shall start operation. Grupo SANJOSÉ shall seek new concessionaire programmes both, at national and international level, as well as the optimisation of resources at maintenance contracts in Spain. The goal is to boost this division both, at national and international level, by self-financing projects with interesting profitability rates and not-so-long recovery terms which ensure concurrent income.

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 their equity, financial position and results.

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

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

2. Events after the reporting period

In January 2013, Grupo SANJOSÉ made public the awarding of the execution works of the Louvre Museum Abu-Dhabi for a total budget of EUR 660 million to be executed in joint venture with a total ownership interest amounting to 33%.

3. Future outlook

Spain, which continues to be the main market of Grupo SANJOSÉ in 2012, has entered recession. The recession has severely affected the construction and real estate sector involving a contraction of invitations to tender and a decrease of the sale of housing units.

The evolution expected for Spain, according to the IMF, is to stay in recession until the end of the year 2013, when economy shall start to recover so as to grow in year 2014. Due to this and to efforts of the Group, we expect turnover and EBITDA shall increase during the following years.

In order to meet the internationalisation goal of Grupo SANJOSÉ, the international scenario has gained more importance. According to IMF, developing and emerging markets are expected to grow 3% and 7% for the Middle East and Asia countries, respectively, during the following years. Because of this and together with the effort that SANJOSÉ Group is applying to expand market in such countries, the Group prevision is to increase international portfolio and turnover for the coming years.

4. Research and development

Grupo SANJOSÉ 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 2012 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:

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Company	Type of certificate	Certificate #
CONSTRUCTORA SAN JOSÉ S.A.	R&D&i Management	IDI-0056/2010
SANJOSÉ ENERGÍA Y MEDIO AMBIENTE, S.A.	R&D&i Management	IDI-0056/2010

Among the main strategic technology areas for the development of R&R&i projects, highlight, among others, 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 share transactions

Grupo SANJOSÉ did not have treasury shares in 2012 and 2011.

.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 pursues the prudent management of the liquidity risk based on the maintenance of sufficient cash and marketable securities, availability of financing through s sufficient level of committed credit facilities and sufficient capacity to settle market positions. The Company calculates its cash requirements through a 12-month cash budget.

According to the Group's cash-flow forecast for the year 2013, as well as the sensitivity analysis performed by the Group at 2012 year-end, it is reasonable to conclude that the group will be able to finance its transactions. Mainly regarding syndicated debt repayment obligations in 2013, arising from existing cash flows and those generated by interest in Construction Divisions of in Spain and Portugal, as well as the disinvestment of non-strategic assets.

In the event of cash surplus, short-term investments are held in safe highly liquid deposits.

In order to finance investment activities, self-financing means are used, so as to ensure the remuneration of shareholders, attention to debt needs and working capital management.

Credit risk: rick which arises from customer defaults, is managed by means of the preventive assessment of the solvency rating of the Group's potential customers at the beginning of the relationship and throughout the duration of the contract, evaluating the credit rating of the outstanding amounts receivable and reviewing and segregating the estimated recoverable receivables from doubtful receivables.

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Appendix I to the Directors' Report

ANNUAL CORPORATE GOVERNANCE REPORT

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Translation into English of consolidated financial statements for the year ended 31 December 2012, originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

PARTICULARS OF ISSUER

END OF FISCAL YEAR: 31/12/2012

C.I.F.: A-36046993

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

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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 voting rights
PINOS ALTOS XR, S.L	11,279,513	0	17.346
Ms JULIA SÁNCHEZ ÁVALOS	5,091,103	0	7.829
Ms MARIA VIRTUDES S´ÇANCHEZ ÁVALOS	5,084,455	0	7.819
Ms MARIA JOSÉ SÁNCHEZ ÁVALOS	0	3,816,530	5.869
LIBERBANK, S.A.	0	3,605,830	5.545

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Ms MARIA JOSÉ SÁNCHEZ ÁVALOS	0	3,816,530	5.869
LIBERBANK, S.A.	0	3,605,830	5.545

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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
LIBERBANK, S.A.	BANCO CAJA CASTILLA-LA MANCHA	3,605,830	5.545

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 GONZÁLEZ	16,224,999	15,176,795	48.291
Mr. JACINTO REY LAREDO	213,140	0	0.328
Mr. ROBERTO ÁLVAREZ ÁLVAREZ	23,000	0	0.035

Name of indirect shareholder	Trough: Name of direct shareholder	Number of direct voting rights	% of total voting rights
Mr. JACINTO REY GONZÁLEZ	PINOS ALTOS XR, S.L.	11,282,000	17.350
Mr. JACINTO REY GONZÁLEZ	PINOS ALTOS INVERSIONES, S.L.U.	3,611,500	5.554
Mr. JACINTO REY GONZÁLEZ	UDRA VALOR, S.A.	283,194	0.436

% total of voting rights in possession of the Board of Directors	48.654

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:

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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:

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:

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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 (thousand €)	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.

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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:

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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	28/06/2012	SHAREHOLDERS' MEETING
Ms. ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	-	MEMBER	27/06/2008	30/06/2009	SHAREHOLDERS' MEETING
Mr. GUILLERMO DE LA DEHESA ROMERO	-	MEMBER	28/06/2012	28/06/2012	SHAREHOLDERS' MEETING
Mr. JAVIER REY LAREDO	-	MEMBER	28/06/2012	28/06/2012	SHAREHOLDERS' MEETING
Mr. JOSEP PIQUÉ	-	MEMBER	28/06/2012	28/06/2012	SHAREHOLDERS' MEETING
Mr. JUAN EMILIO IRANZO MARTÍN	-	MEMBER	11/11/2010	11/11/2010	SHAREHOLDERS' MEETING
Mr. ROBERTO ÁLVAREZ ÁLVAREZ	-	MEMBER	27/06/2008	30/06/2009	SHAREHOLDERS' MEETING

Total number of Directors	8

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

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Name of Director	Type of departing Director	Date of departure
Mr. RAMÓN BARRAL ANDRADE	INDEPENDENT	28/06/2012
Mr. ALFONSO PAZ-ANDRADE RODRIGUEZ	INDEPENDENT	28/06/2012
Mr. FRANCISCO HERNANZ MANZANO	OTHER EXTERNAL DIRECTORS	28/06/2012
Mr. JOSE MANUEL OTERO NOVAS	OTHER EXTERNAL DIRECTOR	28/06/2012
Mr. FRANCIS LEPUTRE	INDEPENDENT	28/06/2012
Mr. SANTIAGO MARTÍNEZ CARBALLAL	EXECUTIVE	20/12/2012
Mr. MIGUEL ZORITA LEES	EXECUTIVE	20/12/2012

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

EXECUTIVE DIRECTORS

Name of Director	Nominated by	Position within the company
Mr. JACINTO REY GONZÁLEZ	APPOINTMENTS AND COMPENSATION COMMITTEE	CHAIRMAN AND CEO
Mr. JACINTO REY LAREDO	APPOINTMENTS AND COMPENSATION COMMITTEE	DEÙTY CHARIMAN AND CEO
Mr. JAVIER REY LAREDO	APPOINTMENTS AND COMPENSATION COMMITTEE	MEMBER

Total number of Executive Directors	3
% Total of Board	37.500

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EXTERNAL NOMINEE DIRECTORS

Total number of External Nominee Directors	0
% Total of Board	0.000

EXTERNAL INDEPENDENT DIRECTORS

Name of Director
Ms. ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ
Profile
ECONOMIST

Name of Director
Mr. GUILLERMO DE LA DEHESA ROMERO
Profile
ECONOMIST

Name of Director
Mr. JOSEP PIQUE CAMPS
Profile
ECONOMIST

Name of Director
Mr. JUAN EMILIO IRANZO MARTÍN
Profile
ECONOMIST

Name of Director
Mr. ROBERT ÁVAREZ ÁLVAREZ
Profile
ECONOMIST

Total number of External Independent Directors	5
% Total of Board	62.500

OTHER EXTERNAL DIRECTORS

Total number of Other External Directors	0
% Total of Board	0.000

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.

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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 honoured 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 honoured.

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:

YES

Name of Director

Mr. ALFONSO PAZ-ANDRADE RODRIGUEZ

Reason for resignation

Resignation, he has notified his resignation and the General Shareholders' Meeting 2012 accepted the same and has suggested him forming part of an Advisory Board which he could provide all his know-how, loyalty and experience with. -------------

Name of Director

Mr. FRANCIS LEPOUTRE

Reason for resignation

Resignation, he has notified his resignation and the General Shareholders' Meeting 2012 accepted the same and has suggested him forming part of an Advisory Board which he could provide all his know-how, loyalty and experience with. -------------

Name of Director

Mr. FRANCISCO HERNANZ MANZANO

Reason for resignation

Resignation, he has notified his resignation and the General Shareholders' Meeting 2012 accepted the same and has suggested him forming part of an Advisory Board which he could provide all his know-how, loyalty and experience with. -------------

Name of Director

Mr. JOSE MANUEL OTERO NOVAS

Reason for resignation

Resignation, he has notified his resignation and the General Shareholders' Meeting 2012 accepted the same and has suggested him forming part of an Advisory Board which he could provide all his know-how, loyalty and experience with. -------------

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Name of Director

Mr. MIGUEL ZORITA LEES

Reason for resignation

Resignation, he has notified his resignation as Director, yet he continues to collaborate with the Group.

Name of Director

Mr. RAMÓN BARRAL ANDRADE

Reason for resignation

Resignation, he has notifies his resignation and the General Shareholders' Meeting 2012 accepted the same and has suggested him forming part of an Advisory Board which he could provide all his know-how, loyalty and experience with. ------------

Name of Director

Mr. SANTIAGO MARTÍNEZ CARBALLAL

Reason for resignation

Resignation, he has notified his resignation as Director, yet he continues to collaborate with the Group.

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. JACINTO REY LAREDO

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	ARGENTIMO, S.A.	CHAIRMAN
Mr. JACINTO REY GONZÁLEZ	CARLOS CASADO, S.A.	CHAIRMAN
Mr. JACINTO REY GONZÁLEZ	CENTRO COMERCIAL PANAMERICANO, S.A.	CHAIRMAN

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Mr. JACINTO REY GONZÁLEZ	CIMSA ARGENTINA	CHAIRMAN
Mr. JACINTO REY GONZÁLEZ	CONSTRUCTORA SAN JOSÉ, ARGENTINA, S.A.	CHAIRMAN
Mr. JACINTO REY GONZÁLEZ	DESARROLLOS URBANÍSTICO UDRA, S.A.U.	SOLE DIRECTOR
Mr. JACINTO REY GONZÁLEZ	INMOBILIARIA 2010, S.A.	CHAIRMAN
Mr. JACINTO REY GONZÁLEZ	INMOBILIARIA AMERICANA DE DESARROLLOS IRBANÍSTICOS, S.A.U.	SOLE DIRECTOR
Mr. JACINTO REY GONZÁLEZ	INMOBILIARIA EUROPEA DE DESARROLLOS URBANÍSTICOS, S.A.U.	SOLE DIRECTOR
Mr. JACINTO REY GONZÁLEZ	INMOBILIA SUDAMERICANA DE DESARROLLOS URBANÍSTICOS, S.A.	CHAIRMAN
Mr. JACINTO REY GONZÁLEZ	REXA CONSTRUCTORA, S.A.	CHAIRMAN
Mr. JACINTO REY GONZÁLEZ	SAN JOSE CONSTRUCTION GROUP, INC	CHAIRMAN
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	SOCIEDAD CONCESIONARIA SAN JOSE TECNOCONTROL	CHAIRMAN
Mr. JACINTO REY GONZÁLEZ	TECNOARTEL	CHAIRMAN
Mr. JACINTO REY GONZÁLEZ	UDRA ARGENTINA	CHAIRMAN
Mr. JACINTO REY GONZÁLEZ	UDRA MEXISO, S.A. DE CV	SOLE DIRECTOR

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Mr. JACINTO REY LAREDO	CONSTRUCTORA SAN JOSE CABO VERDE, S.A.	DIRECTOR
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	DIRECTOR
Mr. JACINTO REY LAREDO	SAN JOSE CONSTRUCTION GROUP	CHAIRMAN OF THE BOARD
Mr. JACINTO REY LAREDO	SAN JOSE FRANCE, S.A.	SOLE DIRECTOR
Mr. JACINTO REY LAREDO	SAN JOSE INDIA INFRASTRUCTURE & CONSTRUCTION PRIVATE LIMITED	DIRECTOR
Mr. JACINTO REY LAREDO	SJB MULLROSER BAUGESELLSCHAFT MBH	SOLE DIRECTOR
Mr. JACINTO REY LAREDO	UDRA LIMITED	SOLE DIRECTOR
Mr. JAVIER REY LAREDO	AGEINSA, S.A.	SOLE DIRECTOR
Mr. JAVIER REY LAREDO	AZAC, S.A.	SOLE DIRECTOR
Mr. JAVIER REY LAREDO	CADENA DE TIENDAS, S.A.U.	SOLE DIRECTOR
Mr. JAVIER REY LAREDO	COMERCIAL UDRA, S.A.U.	CHAIRMAN AND CEO
Mr. JAVIER REY LAREDO	CONSTRUCTORA SAN JOSE, S,A,	DIRECTOR
Mr. JAVIER REY LAREDO	DOURO ATLANTICO SOCIEDAD INMOBILIARIA	CHAIRMAN

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Mr. JAVIER REY LAREDO	HOTEL REY PELAYO	SOLE DIRECTOR
Mr. JAVIER REY LAREDO	KANTEGA DESARROLLOS INMOBILIARIOS, S.A.	CHAIRMAN
Mr. JAVIER REY LAREDO	LARDEA, S.L.U.	SOLE DIRECTOR
Mr. JAVIER REY LAREDO	SAN JOSE DESARROLLOS INMOBILIARIOS, S.A.	DEPUTY-CHAIRMAN AND CEO
Mr. JAVIER REY LAREDO	SOFIA HOTELES, S.L.U.	SOLE DIRECTOR
Mr. JAVIER REY LAREDO	TOP BRANDS, S.A.	DEPUTU-CHAIRM,AN

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:

Name of Director	Name of listed entity	Position
Mr. GUILLERMO DE LA DEHESA ROMERO	BANCO SANTANDER, S.A.	DIRECTOR
Mr. GUILLERMO DE LA DEHESA ROMERO	CAMPOFRIO FOOD GROUP, S.A.	DIRECTOR
Mr. GUILLERMO DE LA DEHESA ROMERO	AMADEUS, S.A.	DIRECTOR
Mr. JOSEP PIQUE CAMPS	GRUPO EZENTIS	DIRECTOR
Mr. JOSEP PIQUE CAMPS	VUELING AIRLINES, S.A.	CHAIRMAN
Mr. JUAN EMILIO IRANZO MARTÍN	RED ELECTRICA CORPORACIÓN, S.A.	DIRECTOR

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

NO

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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 budge	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	1,308
Variable compensation	1,070
Attendance fees	184
Bylaw-stipulated fees	81
Stock options and/or other financial instruments	0
Other	600

Total	3,243

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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	45
Variable compensation	25
Attendance fees	48
Bylaw-stipulated fees	25
Stock options and/or other financial instruments	0
Other	120

Total	263

Other benefits	Thousands of Euros
Advances	0
Loans granted	0

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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	3,072	134
External Nominee Directors	0	0
External Independent Directors	155	129
Other External Directors	16	0
Total	3,243	263

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

Total Directors' compensation (Thousands of Euros)	3,506
Total Directors' compensation / Income allocated to parent company (as a %)	3.6

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
Mr. ANTONIO MOURE FIGUEIRAS	GENERAL LEGAL DIRECTOR

Mr. JUAN ARESES VIDAL	DIRECTOR GENRAL CIVIL WORKS AND PROCUREMENT CONSTRUCTORA SAN JOE
Ms. ESTELA AMADOR BARCIELA	DIRECTOR GENERAK OF HR, QUALITY AND ENVIRONMENT AND MASS MEDIA
Mr. GUILLERMO BRIONES GODINO	CHAIRMAN SANJOSE ENERGIA Y MEDIO AMBIENTE, S.A.
Mr. JEAN CLAUDE CURELL COSTANZO	INTERNATIONAL DIRECTOR OF INDIA
Ms. LOURDES FREIRÍA BARREIRO	DIRECROR GENERAK OF INSURANCE AND RISKS
Mr. PEDRO ALLER ROMÁN	INTERNATIONAL DIRECTOR OF AFRICA
Mr. ROBERTO REY PERALES	FINANCE DIRECTOR GENERAL
Ms. CRISTINA GONZÁLEZ LÓPEZ	TAXATION DIRECTOR
Mr. JAVIER ALONSO LÓPEZ	CEO DESARROLLOS INMOBILIARIOS, S.A.
Mr. IGNACIO ALONSO LOPEZ	DIRECTOR GENERAL COMERCIAL UDRA
Mr. VALERIANO GARCÍA GARCÍA	CEO CONSTRUCTORA SAN JOSÉ
Mr. JOSÉ MARÍA REBOLLO OLLETA	DIRECTOR GENERAL BUILDING DIVISION CONSTRUCTORA SAN JOSE
Mr. DAVID RODRIGUEZ BARCALA	CHAIRMAN SAN JOSE DESARROLLOS INMOBILIARIOS, S.A.
Mr. FRANCISCO FERNÁNDEZ FERNÁNDEZ	DIRECTOR RELATED COMPANIES

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Total senior management compensation (Thousands of Euros)	1,865

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 authorising 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
Shareholders at the General Meeting will adopt a resolution determining fixed remuneration for each year and the Board will establish the individual remuneration levels for each Director. Article 25 – Compensation of Board of Directors ' Members 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

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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.

At the General Shareholders' Meeting held on 28th June 2012, the following agreement was passed:

Eighth. AGREEMENT REGARDING POINT 8 OF THE AGENDA. Compensation of Directors.

It is proposed to: ....

Regulation: ....

Attendance fees. Allowances referring to section 25.1 (ii) of the Bylaws

Fixed attendance fees are assigned for each Director and/or Committee, regardless the variable allowance agreed on an annual basis by the Board of Directors. ....

a) Attendance fees for the Board of Directors:
€ 2,000 per meeting and per Director, attendance expenses are included within such amount. ....

b) Attendance fees for the Audit Committee:
€ 1,500 per meeting and per Director, attendance expenses are included within such amount. ....

c) Attendance fees for the Appointments, Compensation and Good Governance Commission:
€ 1,500 per meeting and per Director, attendance expenses are included within such amount. ....

d) Attendance fees for the Executive Commission:
€ 3,000 per meeting and per Director, attendance expenses are included within such amount. ....

e) Attendance fees for the International Executive Committee:
€ 3,000 per meeting and per Director, attendance expenses are included within such amount. ....

Special allowance pursuant to Article 25.1 (i) and 25.2 of the Bylaws. ....

Allowance applicable to directors or specific advisors of a particular country or technical capacity. ....

a) Executive Commission: up to 1% of the operations profit (EBITDA) of Grupo Sanjose
b) International Executive Committee: up to 1.5% of the international turnover of Grupo Sanjose

For explanatory purposes, allowances refer to all members of the concerning Committees up to specified maximum limit for each Committee. ....

Allowances shall be assigned according to involvement and results, as well as participation at international level.

....

Enforcement. ....

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This policy replaces any other policy in force at the present date, being applicable as of its approval by the General Shareholders' Meeting held on 28th June. ....

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

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Matters addressed by the compensation policy report
The basic objectives pursued by the regime and the policy of remuneration of Members of San Jose Business Group, Inc., are: (i) Ensure that the remuneration for their structure and total amount, be competitive with comparable entities nationwide. (ii) Encourage the creation of shareholder value on a sustained basis over time. 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.

Role of the Corporate Responsibility and Governance Committee
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. 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.

Was external advice sought?	NO

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:

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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
Mr. JAVIER 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)

Name of related Director
Mr. JAVIER 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
Amendments lead to the incorporation into the Board's Regulation of Articles 16b and 18 c: Article 18b. The International Executive Committee: composition, performance and internal regulations. 1. Composition The Board of Directors may form an International Committee consisting of a maximum of twelve (12) members appointed by the Board of Directors, yet proposed by the Chairman. Members of the International Committee may be Members of the Board, acting as Directors, or third parties, acting as international experts specially appointed for this purpose. The International Executive Committee may report, monitory, provide advice and draft proposals at international level. The Committee shall be chaired by the Chairman of the Board. Decisions adopted at the Committee may be deemed as resolutions of the Chairman pursuant to powers and faculties granted by the

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Board.

Members of the International Committee may cease mandate upon replacement, end of term, free will or loss of confidence of the Board.

2. Performance

The International Executive Committee may gather whenever called by the Chairman. Sessions may be plenary or by sections, counting on the presence of those members called by the Chairman regarding country, area or specialization or activity sector.

3. Competences of the International Executive Committee

Regardless any other tasks assigned by the Board of Directors, the International Executive Committee must:

a) To collaborate in the development of the international arena of the Group, regarding construction, concessions, energy and real estate projects o any other business line of activity.
b) To boost international relationships of the Group with public and private entities.
c) To seek business opportunities. Analyse projects. Draft proposals for foreign, public and private entities, as well as for other entities working at international level.
d) To raise capital and funs for funding international projects.
e) To propose joint investment projects with the appropriate partners

4. Remuneration

The remuneration of the members of the International Executive committee shall be appointed by the Board of Directors according to the proposal of the Chairman, prior report of the Appointments, Remunerations and Good Governance Commission within the limits and terms established annually by the General Shareholders' Meeting.

Article 18 c. The Advisory Board: composition, performance and internal regulations.

1. Composition

The Board of Directors may form an Advisory Board consisting of a maximum of seven (7) members appointed by the Board of Directors, yet proposed by the Chairman, for a period of four 84) years time.

Members of the Advisory Board are technical experts, specialized on certain areas or sectors, appointed due to their expertise and capacity. Member may be relevant individuals at national and international level or at their professional area or sector.

The Advisory Board may provide advice on any issue raise by the Chairman of the Board. The Committee shall be chaired by the Chairman of the Board and any Director may participate whenever invited by the Chairman. Members of the Advisory Board, not Directors, may cease mandate upon replacement, end of term, free will or loss of confidence of the Board.

2. Performance

The Advisory Board may gather whenever called by the Chairman, yet at least twice a year.

Sessions may be plenary or by sections, counting on the presence of those members called by the Chairman

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regarding country, area or specialization or activity sector.

3. Competences

The Advisory Board must provide advice to the Chairman of the Board regarding any issue related to any business line or activity of the Group: construction, concessions, energy and real estate projects or any other business area.

Membership to the Advisory Board may be voluntary and reports shall not be binding.

4. Remuneration

The remuneration of the members of the Advisory Board shall be appointed by the Board of Directors according to the proposal of the Chairman, prior report of the Appointments, Remunerations and Good Governance Commission within the limits and terms established annually by the General Shareholders' Meeting.

Members may hold within the Group or any associate or related companies professional or trading relationships, yet these must be notified to the Appointments, Remunerations and Good Governance Commission.

5. Responsibility

Liabilities and any potential conflict of interest of Members of the Advisory Board must follow regulations applicable to independent external directors.

Actions of the Advisory Board do not interfere with or affect functions, rights, duties and responsibilities of the Board of Directors pursuant to the Stock Exchange, the Companies Acts and any other applicable regulation thereof.

Description of modifications
Stock market and corporations, and other applicable

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.

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.

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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

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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 Chairman	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

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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	6
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	4
Number of Audit Committee meetings	6
Number of Appointments and Compensation Committee meetings	4
Number of Appointments Committee meetings	4
Number of Compensation Committee meetings	4

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

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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 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.

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

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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 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.1.37Indicate 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

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	Company	Group	Total
Fees for non-audit work (Thousands of Euros)	58	27	85
Fees for non-audit work / Total fees billed by audit firm (as a %)	51.790	7.620	18.230

B.1.38 Indicate whether the audit report on the financial statements for the preceding year contain 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	18	18

	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:

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Name of Director	Name of company in which shares are held	Ownership %	Position or functions
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
Mr. GUILLERMO DE LA DEHESA ROMERO	ACCIONA	0.000	NONE
Mr. JAVIER REY LAREDO	PINOS ALTOS XR, S.L.	22.500	NONE

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
Article 27 of the Board Regulations External advisory services. In order to obtain assistance when exercising its duties, the Directors and the Board Committees and Commissions may ask the Chairman of the Board of Directors to hire legal, accounting, financial or other experts. Such aid shall necessarily respond to specific problems of certain relevance and complexity in the furtherance of their duties.

B.1.42 Indicate whether there is a procedure 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
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.

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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 the procedure
ART.25 OF THE BOARD OF DIRECTORS' REGULATION APPPLICABLE

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

Adopted decision	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
Mr. JOSEP PIQUÉ CAMPS	DEPUTY-CHAIRMAN	INDEPENDENT
Mr. GUILLERMO DE LA DEHESA ROMERO	DIRECTOR	INDEPENDENT

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Mr. JACINTO REY LAREDO	DIRECTOR	EXECUTIVE

AUDIT COMMITTEE

Name	Position	Type
Ms. ALTINA DE FÁTIMA SEBASTÍAN GONZÁLEZ	CHAIRMAN	INDEPENDENT
Mr. GUILLERMO DE LA DEHESA ROMERO	DIRECTOR	INDEPENDENT
Mr. JUAN IRANZO MARTÍN	DIRECTOR	INDEPENDENT

APPOINTMENTS AND COMPENSATION COMMITTEE

Name	Position	Type
Mr. GUILLERMO DE LA DEHESA ROMERO	CHAIRMAN	INDEPENDENT
Mr. JAVIER REY LAREDO	DIRECTOR	EXECUTIVE
Mr. JUAN IRANZO MARTÍN	DIRECTOR	INDEPENDENT
Mr. ROBERTO ÁLVAREZ ÁLVAREZ	DIRECTOR	INDEPENDENT

EXECUTIVE INTERNATIONAL COMMITTEE

Name	Position	Type
Mr. JACINTO REY GONZÁLEZ	CHAIRMAN	EXECUTIVE
Mr. JOSEP PIQUÉ CAMPS	DEPUTY-CHAIRMAN	INDEPENDENT
Mr. GUILLERMO DE LA DEHESA ROMERO	DIRECTOR	INDEPENDENT
Mr. JACINTO REY LAREDO	DIRECTOR	EXECUTIVE

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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.	YES
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
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.	YES
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.	YES
Ensures the independence of the external auditor.	YES
In the case of groups, the group auditor should be encouraged to take responsibility for auditing all the companies in the Group.	YES

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.

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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

INTERNATIONAL EXECUTIVE COMMITTEE

Brief description

Art. 18 b sets out that the functions of the Executive International Committee are:

a. To collaborate within the international development of the Group at all business lines of activity: construction, concessions, energy, real estate and urban projects or any other.
b. To boost international relationships of the Group with public and private entities.
c. To seek business opportunities. Analyse projects. Draft proposals for foreign, public and private entities, as well as for other entities working at international level.
d. To raise capital and funs for funding international projects.
e. To propose joint investment projects with the appropriate partners.

Name of the Committee

INTERNATIONAL EXECUTIVE COMMITTEE

Brief description

Art. 18 b establishes that the Executive International Committee shall meet whenever the Chairman calls the Board. Meetings may be plenary or by sections, counting with the presence of the required members in the event of the latter who may be called to attend the Board depending on the country, area of specialization or business activity to be dealt with.

Name of the Committee

AUDIT COMMITTEE

Brief description

Article 16 of the Board Regulations sets forth the duties of the Audit Committee.

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Notwithstanding other duties assigned by the Board of Directors, the Audit Committee will have the following competencies:

1. Inform shareholders regarding any questions that shareholders may have within its area of authority.

2. Make recommendations to the Board of Directors for submission to the shareholders for their approval at the General Meeting, with regard to the appointment, of the external auditors, as well as the terms of engagement and, if applicable, their revocation or non-renewal.

3. Supervise the internal audit service established by the Board of Directors, before the issue of the relevant report by the Appointment, Remuneration and Good Governance Committee, and propose the selection, appointment, re-election or removal of the Director of these services, propose a budget, receive regular information regarding its activities and verify that senior management takes into account the conclusions and recommendations made in its reports.

4. Oversee the financial information process and the Company's internal control systems.

5. Maintain relations with external auditors to receive information regarding issues that may put their independence into question in any other issues relating to the audit of the accounts, as well as any other communications established under audit legislation and technical regulations.

6. Any others assigned by the Bylaws, these regulations, the internal Code of Conduct and other regulations in force at the Company.

When performing its duties, the Audit Committee may obtain assistance from experts when it is deemed that the Company's technical resources are not sufficient, due to reasons of independence or specialisation. The Audit Committee is able to call any employee or executive at the Company, even without the presence of any other executive.

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 RESOLUTION FUNCTIONS

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

Name of the Committee
EXECUTIVE OR DELEGATED COMMITTEE
Brief description
ADVICE, ANALYSIS AND RESOLUTION FUNCTIONS

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

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

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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

INTERNATIONAL EXECUTIVE 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 favourable 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:

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Name of significant shareholder	Name of the company or Group	Type of relationship	Type of transaction	Amount (Thousand of Euros)
PINOL ALTOS XR, S.L.	GRUPO EMPRESARIAL SAN JOSE, S.A.	LEASING FOR PURPOSES OTHER THAN RESIDENTIAL	Leasing	108

C.3 Give details of material transactions entailing a transfer of funds or obligations between the Company or entities of its Group and the Company's Directors or executives:

Name of shareholder or director	Name of the company or Group	Type of relationship	Type of transaction	Amount (Thousand of Euros)
Mr. MIGUEL ZORITA LEES	CONSTRUCTORA E INVERSIONES SAN JOSE ANDINA LIMITADA	PROVISION OF FINANCIAL, LEGAL, ACCOUNTING, ENGINEERING SERVICES...	Leasing	1,500

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:

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.

Regarding transaction detailed on C2, Mr. Jacinto Rey Gonzalez, Mr. Jacinto Rey Laredo and Mr. Javier Rey Laredo abstained.

Regarding transaction detailed on C3, Mr. Miguel Zorita Lees and Mr. Santiago Martinez Carballal abstained.

C.7 is more than one Group company listed in Spain?

NO

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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 derivatives are contracted are highly solvent and the counterparty risk is not significant.

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

The Group's credit risk is mainly attributable to its trade payables. The amounts involved are recorded in the balance sheet, net of bad debt provisions, which are estimated by Group management on the basis of prior year experience and an assessment of the current economic environment. The amount of financial assets recognised in the consolidated financial statements, net of possible impairment losses, represents the Group's maximum exposure to credit risk, excluding guarantees or other credit improvements provided.

The credit risk affecting liquid funds and derivative financial instruments is limited because the counterparties are banks that international rating agencies have assigned high ratings.

The Group's credit risk concentration is not significant and exposure is distributed among a large number of customers.

The Group has obtained credit insurance that allows it to reduce the commercial risks affecting transactions carried out with customers.

The Group monitors and has laid down specific procedures for managing receivables and has established conditions for accepting orders, which are regularly monitored.

Interest rate risk

This risk derives from changes in the future cash flows from variable rate borrowings (or maturing in the short-term) as a result of changes in market interest rates.

The objective of the management of this risk is to mitigate the impact on the cost of borrowings deriving from fluctuations in interest rates. Financial derivatives are contracted to ensure fixed interest rates or tight fluctuation bands affecting those rates for a substantial port of the borrowings that may be affected by this risk.

Exchange rate risk exposure

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In 2012 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.

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,

YES

If yes, describe the underlying circumstances and whether the established control systems functioned.

Risks during the year

Financial risk

Reasons for the same

The deterioration of the real estate market has derived into a reduction in value of assets (Inventories and Property, plant and equipment)

Performance of control systems

Control systems have worked.

D.3 Indicate whether any Committee or other governing body is responsible for establishing and supervising those control mechanisms.

YES

If yes, give details of their functions.

Name of the commission or entity

Audit Committee

Description of functions

The Audit Committee has among its functions the supervision if internal control measures, risks management systems and drafting and reporting of financial information.

D.4 Identification and description of the procedures for compliance with the various regulations affecting the

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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

	% quorum other than as provided in Art. 193 LSC for general matters	% 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.

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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 y proxy	% Remote voting		Total
			Electronic voting	Other	
28/06/2012	81.380	10.220	0.000	0.000	91.600

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

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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, re-election, 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 voting.

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.

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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 "subsidiarisation", 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

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substantially independent.

See section: E.8

Complies partially

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 voluntary.

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

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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 favourable 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

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

Not applicable

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 honoured 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

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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

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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 programmes 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

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.

Complies

29. Independent Directors should not remain in office for a continuous period of more than 12 years.

See section: B.1.2

Explain

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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

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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

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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

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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

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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

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

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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

28/02/2013

Indicate whether there are any Directors who voted against or abstained from voting to approve this Report.

NO

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Appendix II to the Directors' Report

Report issued by the Board of Directors of Grupo Empresarial San José, S.A. on the Additional Information to be included within the Directors' Report pursuant to Article 61 b of the Securities Exchange Act

Pursuant to article 61 b of the Securities Exchange Act, the Board of Directors of Grupo Empresarial SANJOSÉ 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, company shares may be transferred.

Pursuant to Bylaws there are no restrictions to transferability of shares representing the share capital According to Article 16.1, individual shareholders with at least one hundred shares (100), o 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 and 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.

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:

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"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. n 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 José Group Oversight Policy of SCIIF.

Internal Audit Management of Grupo SANJOSÉ 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. 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 and 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 SANJOSÉ 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 organisation.

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- Optimization of resources which is responsible to provide maximum competitiveness to SANJOSÉ 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 bad 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 SANJOSÉ 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 SANJOSÉ 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 identified the major risks which it is exposed to, having documented SCIIF at domestic and international levels. During year 2012, the Group has carried out revision and update tasks.

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,

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

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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 of the Group 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) issuance 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 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 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 SANJOSÉ 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 SANJOSÉ 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,

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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 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 SANJOSÉ 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 SANJOSÉ 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.

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5. MONITORING OF THE SYSTEM'S PERFORMANCE

5.1 SCIIF 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 SCIIF 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 SANJOSÉ 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.

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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 Empresarial San José, S.A." hereby make the following statement of liability:

That, to the best of their knowledge, the consolidated annual accounts prepared in accordance with applicable accounting standards present a true and fair view of consolidated equity, the consolidated financial position and the consolidated results obtained by the issuer and its consolidated companies taken as a whole and that the consolidated Directors' Report includes an accurate analysis of business development and results, the position of the issuer and the companies included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties which they face. In witness whereof, the Board of Directors sign herein.

These Consolidated Financial Statements at 31 December 2012 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 2013.

Mr. Jacinto Rey González

Mr. Jacinto Rey Laredo

Mr. Roberto Rey Perales

Mr. Josép Piqué Camps

Ms. Altina de Fátima Sebastián González

Mr. Juan Emilio Iranzo Martín

Mr. Guillermo de la Dehesa Romero

Mr. Roberto Alvarez Álvarez

Mr. Javier Rey Laredo

CERTIFICATION	CERTIFICACIÓN
I, Estefanía Calvo Iglesias, English Sworn Translator, certified by the Spanish Ministry of Foreign Affairs,	*Yo, Estefanía Calvo Iglesias, Traductora Jurada de inglés por el Ministerio de Asuntos Exteriores del Gobierno de España,*
do hereby certify	***certifico que***
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.	*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, on the fifth of June, two thousand and thirteen	Madrid, a cinco de junio de abril de dos mil trece

ESTEFANÍA CALVO IGLESIAS
INTÉRPRETE JURADO INGLÉS-ESPAÑOL

Estefanía Calvo Iglesias