

**Grupo Empresarial San José, S.A.
and Subsidiaries**

Consolidated Financial Statements for 2013
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.*

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AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Grupo Empresarial San José, S.A.:

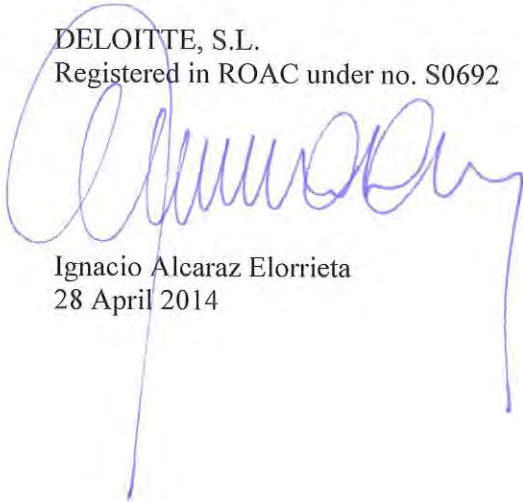
1. We have audited the consolidated financial statements of Grupo Empresarial San José, S.A. (“the Parent”) and Subsidiaries (“the Group”), which comprise the consolidated balance sheet at 31 December 2013 and the related consolidated income statement, consolidated statement of comprehensive income, 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 2.1 to the accompanying consolidated financial statements, the Parent’s 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 2013 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 2013, 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 Notes 16.3 and 19.4 to the accompanying consolidated financial statements, which indicate that at the date of this report the SANJOSE Group was involved in negotiations with the creditor banks of the syndicated borrowings in Spain in order to bring the debt service obligations into line with the Group's cash flow generation expectations. In this context, the Group has not settled certain amounts of interest and the principal of the borrowings, which were past-due at the date of this report, although it had been receiving approval from its financial creditors to postpone obligations established in the financing agreement. These circumstances are indicative of the existence of a significant uncertainty concerning the applicability of the going concern principle of accounting in the preparation of the accompanying consolidated financial statements, and it may affect the Group’s ability to realise its assets, particularly its deferred tax assets, and settle its liabilities for the amounts and with the classification reflected in the accompanying consolidated financial statements.

The Parent's directors consider that the aforementioned negotiations will reach a successful conclusion in the short term, thereby bringing the Group's bank borrowings into line with its prospects of generating cash flows in the current economic situation.

4. The accompanying consolidated directors' report for 2013 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2013. 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



Ignacio Alcaraz Elorrieta
28 April 2014

Grupo Empresarial San José, S.A. and Subsidiaries

Consolidated Financial Statements
for the year ending 31 December 2013
and Consolidated Management
Report, together with Independent Auditors'
Report.

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

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONSOLIDATED BALANCE SHEETS AT 31ST DECEMBER 2013 AND 2012

(Thousand of Euros)

	31/12/13	31/12/12 (*)	EQUITY AND LIABILITIES	31/12/13	31/12/12 (*)
ASSETS			EQUITY:		
NON-CURRENT ASSETS:			Share capital	1,951	1,951
Property, plant and equipment (Note 7)	54,848	53,980	Insurance premium	155,578	155,578
Investment property (Note 8)	487,349	499,929	Reserves	106,889	203,773
Goodwill on consolidation (Note 9)	13,207	13,207	Translation differences	(38,408)	(21,892)
Intangible assets (Notes 10)	18,564	20,690	Equity-Valuation adjustments	(19,888)	(16,115)
Investments in associates and joint ventures	106,403	110,071	Profit of the year attributable to the parent company	(155,242)	(97,085)
Equity investments in associates (Note 11)	63,165	69,455	Equity attributable to shareholders of the Parent	50,880	226,410
Loans to related companies (Note 13.4)	43,238	40,616	Minority interests	15,289	20,635
Other non-current financial assets (Note 13.4)	181,636	113,385	TOTAL EQUITY (Note 14)	66,179	247,045
Deferred tax assets (Note 20.4)	199,003	145,433			
TOTAL NON-CURRENT ASSETS	1,061,010	956,595			
			NON-CURRENT LIABILITIES		
			Long-term provisions (Note 15)	58,787	44,725
			Non-current bank borrowings (Note 16)	230,531	1,566,041
			Bank loans and overdrafts	220,715	1,549,087
			Finance lease creditors	1,605	2,472
			Other financial liabilities	8,211	14,482
			Derivative financial instruments (Note 17)	30,137	34,683
			Deferred tax liabilities (Note 20.4)	52,686	68,647
			TOTAL NON-CURRENT LIABILITIES	372,141	1,714,056
			CURRENT LIABILITIES:		
CURRENT ASSETS:			Short-term provisions (Note 12)	37,696	29,229
Inventories (Note 12)	864,224	1,106,371	Current bank borrowings (Note 16)	1,595,512	384,300
Trade and other receivables	311,672	373,103	Bank loans and overdrafts	1,591,122	379,158
Trade receivables for sales and services (Note 13.1)	282,372	349,423	Finance lease creditors	1,124	1,401
Realized companies receivables (Note 17)	11	30	Other financial liabilities	3,266	3,741
Sundry accounts receivable (Note 22.10)	2,160	2,650	Derivative financial instruments (Note 17)	75	58
Public administrations (Note 20.6)	25,625	20,016	Payables to related companies (Note 17)	9,892	10,456
Other current assets	1,504	984	Trade and other payables	383,750	409,952
Other current financial assets (Note 13.3)	68,758	160,969	Trade payables (Note 18)	345,255	366,027
Cash and cash equivalents (Note 13.2)	159,581	197,398	Tax Payable (Note 20.6)	22,280	35,818
TOTAL CURRENT ASSETS	1,404,235	1,838,441	Other current liabilities (Note 18)	16,205	8,107
TOTAL ASSETS	2,465,245	2,795,136	TOTAL CURRENT LIABILITIES	2,025,925	833,955
			TOTAL EQUITY AND LIABILITIES	2,465,245	2,795,136

(a) Pursuant to Accounting Standards Group SANJOSE has recorded as current borrowings an amount of 1,172.6 thousand euros, whose expected maturity is long term (see Note 16)

(*) Re-expression data (see Note 2.1)

ESTERITA CALVO ISLE & COMPANYpanying notes 1 to 26 to de Consolidated Annual Report and Annex I, II and III are an integral part of the Consolidated Balance Sheet at 31 st December 2013.

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries
CONSOLIDATED INCOME STATEMENT FOR
YEARS 2013 AND 2012
(Thousand of Euros)

	31/12/13	31/12/12 (*)
CONTINUING OPERATIONS		
Revenue (Note 22.1)	667,447	656,705
Sales	526,712	611,030
Provisions of services	40,735	44,675
Profit on disposal of investment properties (Note 8)	6,037	-
Other operating income	17,135	9,605
Change in inventories of finished goods and work in progress (Note 22.11)	(58,337)	(27,188)
Procurements (Note 22.2)	(516,786)	(470,707)
Cost of raw materials and other consumables used	(178,094)	(164,508)
Works performed by other companies	(156,766)	(201,050)
Impairment of goods held for resale, raw materials and other supplies (Note 12)	(181,928)	(105,149)
Staff costs (Note 22.3)	(87,746)	(99,028)
Other operating expenses	(93,589)	(100,510)
Losses on impairment and change in allowances for trade receivables	(12,986)	(12,446)
Other current operating expenses (Note 22.2)	(80,603)	(88,064)
Depreciation and amortisation charge (Notes 7,8 and 10)	(13,398)	(13,767)
Excessive provisions (Note 22.10)	463	657
Impairment and gains or losses on disposal of non-current assets (Note 22.9)	17,358	(33,951)
PROFIT FROM OPERATIONS	(161,418)	(79,184)
Finance income (Note 22.7)	10,147	15,873
Finance costs (Note 22.8)	(67,743)	(74,166)
Change in fair value of financial instruments (Note 4.11)	1,856	(6,444)
Exchange differences	275	744
Impairment and gains or losses on disposal of financial instruments (Note 22.12)	8,996	11,380
FINANCIAL PROFIT / (LOSS)	(46,469)	(52,613)
Profit/ (loss) of companies accounted for using the equity method (Note 11)	(11,734)	(10,437)
PROFIT (LOSS) BEFORE TAX	(219,621)	(142,234)
Income Tax (Note 20.2)	61,039	42,919
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(158,582)	(99,315)
PROFIT (LOSS) ATTRIBUTABLE TO EXTERNAL PARTNERS (note 14.8)	(3,340)	(2,230)
PROFIT (LOSS) FOR THE YEAR	(155,242)	(97,085)
Earnings per share (Euros/share)		
-Basic	(2.39)	(1.49)
-Diluted	(2.39)	(1.49)

(*) Re-expression data (see Note 2.1)

Accompanying notes 1 to 26 to the Annual Report and Anex I, II and III form an integral part of the Consolidated Income Statement at 31st December 2013

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR YEARS 2013 AND 2012

A) STATEMENTS OF RECOGNISED INCOMES AND EXPENSES

(Thousand of Euros)

	YEAR 2013	YEAR 2012 (*)
CONSOLIDATED PROFITS / (LOSSES) OF THE YEAR	(158,581)	(99,315)
Income and expenses recognised directly in equity		
-For cash flow hedges (Note 17)	(1,816)	4,183
-Other	97	502
-Tax effect	316	(357)
	(1,403)	4,328
Transfer to income statement		
-For cash flow hedges (Note 17)	(2,222)	(1,819)
-Other	(414)	(646)
-Tax effect	545	92
	(2,091)	(2,373)
TOTAL RECOGNISED INCOMES / (EXPENSES)	(162,075)	(97,360)
a) Attributable to Parent	(158,872)	(95,267)
b) Attributable to minority interests	(3,203)	(2,093)

(*) Re-expression data (see Note 2.1)

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR YEARS 2013 AND 2012

B) STATEMENTS OF CHANGES IN EQUITY

(Thousand of Euros)

	Share Capital	Issurance premium	Legal Reserve	Other reserves of the Parent	Consolidated Reserves		Translation differences	Equity adjustments	Profit of the year	Total equity attributable to Parent	Minority Interests
					In consolidated companies	In associated companies					
Balance at December 31, 2011 (*)	1,951	155,578	263	89,332	135,349	14,057	(20,211)	(16,398)	(36,150)	323,771	25,355
Distribution of profit for year 2011:											
-To reserves	-	-	-	(1,838)	(33,132)	(1,180)	-	-	36,150	-	-
Translation differences	-	-	-	-	-	-	(1,481)	-	-	(1,481)	(1,335)
Variation of the consolidation perimeter	-	-	-	-	(799)	247	-	(61)	-	(613)	809
Other equity movements	-	-	-	-	2,220	(746)	-	(1,474)	-	-	(2,102)
Total recognized income/expenses year 2012	-	-	-	-	-	-	-	1,818	(97,085)	(95,267)	(2,093)
Balance at December 31, 2012 (*)	1,951	155,578	263	87,494	103,638	12,378	(21,692)	(16,115)	(97,085)	226,410	20,635
Distribution of profit for year 2012:											
-To reserves	-	-	-	(80,602)	(14,298)	(2,185)	-	-	97,085	-	-
Translation differences	-	-	-	-	-	-	(16,822)	-	-	(16,822)	(1,309)
Variation of the consolidation perimeter (Note 2.4)	-	-	-	-	(2,543)	2,744	106	-	-	307	(825)
Other equity movements	-	-	-	-	49,516	(49,516)	-	(142)	-	(142)	-
Total recognized income/expenses year 2013	-	-	-	-	-	-	-	(3,631)	(155,242)	(158,873)	(3,203)
Balance at December 31, 2013	1,951	155,578	263	6,892	136,313	(36,579)	(38,408)	(19,888)	(155,242)	50,880	15,299

(*) Re-expression data (see Note 2.1)

Accompanying notes 1 to 26 to the Annual Report and Annex I, II and III form an integral part of the Consolidated Statement of Changes in Equity at 31st December 2013.

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries
CONSOLIDATED CASH FLOW STATEMENTS
FOR YEARS 2013 AND 2012
(Thousand of Euros)

	Year 2013	Year 2012 (*)
Cash flows from operating activities:		
(+) Profit (Loss) before tax	(219,621)	(142,234)
(+) Depreciation and amortisation charge	13,398	13,767
(+/-) Changes in operating allowances	185,967	167,015
(-) Financial income	(10,147)	(15,873)
(+) Financial costs	67,743	74,166
(+/-) Exchange differences	(275)	(744)
(+/-) Result of changes in value of financial instruments	(1,856)	6,444
(+/-) Result of companies accounted for using the equity method	11,734	10,437
(+/-) Other gains or losses	(10,219)	(18,265)
Total Cash Flows from operating activities	36,724	94,713
Other adjustments		
(+/-) (Increase) / Decrease in working capital		
a) (Increase) / Decrease in inventories	56,812	20,898
b) (Increase) / Decrease in debtors and other receivables	52,398	89,600
c) (Increase) / decrease in other current assets	(137)	1,351
d) (Increase) / Decrease in trade payables	(21,428)	(73,945)
e) (Increase) / decrease in other current liabilities	(3,268)	(12,983)
(+/-) Other collections / (payments) due to operating activities	(2,000)	10,696
1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	119,101	130,331
Investments:		
(-) Property, plant and equipment and investment property	(3,083)	(3,570)
(-) Intangible assets	(163)	(816)
(-) Shares and other financial assets	(79,750)	(68,153)
Total Investments	(82,996)	(72,539)
Dividends received	1,150	1,598
Disposals:		
(+) Property, plant and equipment and investment property	21,982	7,041
(+) Intangible assets	-	2,417
Total Disposals	21,982	9,458
Other collections / (payments) due to financing activities	91,064	(41,740)
2. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES	31,200	(103,223)
Other collections / (payments) due to treasury share transactions	(462)	(2,010)
Increase / (decrease) in borrowings	(118,942)	60,918
Non current	(164,894)	57,825
Current	45,952	3,093
Net interests:	(58,145)	(53,944)
Received	8,514	14,275
Paid	(66,659)	(68,219)
Other collections / (payments) due to financial activities	(10,569)	(2,760)
3. TOTAL NET CASH FLOWS FROM FINANCIAL ACTIVITIES	(188,118)	2,204
TOTAL CASH FLOWS FOR THE YEAR	(37,817)	29,312

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	197,398	168,086
Changes in the year	(37,817)	29,312
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	159,581	197,398

(*) Re-expression data (see Note 2.1)

Accompanying notes 1 to 26 to the Annual Report and Annex I, II and III form an integral part of the Consolidated Cash Flow Statement for year 2013

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Grupo Empresarial San José, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

1. Activities of the Group

Incorporation

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

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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 Jose, 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 Jose, S.A. is the Parent of the San Jose 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 Jose Group's activities are led by Grupo Empresarial San Jose, S.A. (a holding and real estate company), which in turns mainly participates in: Constructora San Jose, S.A. (construction), San Jose Desarrollos Inmobiliarios, S.A. (formerly Inmobiliaria Udra, S.A.) (Real estate), Sanjose Concesiones y Servicios, S.A.U. (maintenance services), San Jose Energia y Medio Ambiente, S.A. (energy), and Desarrollos Urbansticos 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 "Sanjose Tecnologias, S.A.U." in favour of "Constructora San Jose, S.A.", "Sanjose Energia y Medio Ambiente, S.A." and "Sanjose Concesiones y Servicios, S.A.U."

On 28 June 2010 the Board of Directors of San Jose Tecnologias, S.A.U., Constructora San Jose, S.A., Sanjose Energia y Medio Ambiente, S.A. and Sanjose Concesiones y Servicios, S.A.U., have agreed on the spin-off of the company San Jose Tecnologias, 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 Jose, 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 "San Jose Concesiones y Servicios, S.A.". Net value of the business activity branch amounts to EUR 2,386 thousand.
- Promotion, generation and energy production activity: the beneficiary company of this business activity is "San Jose Energia y Medio Ambiente, S.A.". Net value of the business activity branch amounts to EUR 3,978 thousand.

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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 Jose, S.A. (formerly, Udra, S.A.) in favour of "San Jose 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 the 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 Gestion, 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 Gestion, 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, Parquesol Inmobiliaria y Proyectos, S.A. (currently and by virtue of the aforementioned merger, Grupo Empresarial San Jose S.A.) now occupies the legal position of the absorbed companies and will be the sole legal person in terms of the ownership, management and disposal of the assets of the absorbed companies

Transactions executed by absorbed companies are taken into consideration by Parquesol Inmobiliaria y Proyectos, S.A for accounting purposes as on 1 January 2008.

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

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

Merger of "Udra, S.A." (Currently GRUPO EMPRESARIAL SAN JOSÉ, S.A.) and "Grupo Empresarial San Jose 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 JOS, 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.

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 JOS, S.A. (formerly, Udra, S.A.) now occupies the legal position of the absorbed companies and will be the sole legal person in terms of the ownership, management and disposal of the assets of the absorbed companies

The aforementioned merger entails proportionally consolidating 100% of the balances and transactions of the Company Lhotse Desarrollos Inmobiliarios, S.L, in the Group'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. Further, completion of said merger entails that certain effects on Equity, such as adjustments to equity, which at 31 December 2008 were attributed to minority interests, may now directly affect the Parent's shareholders.

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

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

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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 increase 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 "Sanjose 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 Sanjose 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 Sanjose Tecnologías, S.A.U. The merger balance sheets approved are those at 31 December 2007, which were included in the audited annual financial statements of that year.

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

Pursuant to Article 250 of the Consolidated Spanish Companies Law, since Sanjose Tecnologías, S.A.U. owns all the shares of Artel Ingenieros S.L.U., 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 Sanjose Tecnologías, S.A. at the same amounts as those at which they had been carried in the accounting records of the absorbed companies.

Transactions executed by absorbed companies are taken into consideration by San Jose 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, on 4 March, approving the Spanish Companies Tax Act.

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

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 Jose 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 Jose 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 deeds dated 28

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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, on 4 March, approving the Spanish Companies Tax Act.

No tax benefits were enjoyed by Tecnocontrol S.A.U. in respect of which Tecnocontrol Servicios S.A.U and San Jose Tecnologias S.A.U must comply with certain requirements pursuant to sections 1 and 2 of Article 90.1 and 90.2 of said Royal Decree 4/2004.

Merger of "Sanjose Tecnologías, S.A.U." and the investees: "Tecnocontrol, S.A.U."

Sanjose Tecnologias S.A.U., and Tecnocontrol S.A.U. Annual General Meetings, held on 30 June 2009, approved the joint spin-off of business branch and merger by absorption project of Tecnocontrol S.A.U. as the absorbed company by Sanjose 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 Jose 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 Sanjose Tecnologias, 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 Sanjose Tecnologias, 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 San Jose Tecnologias, S.A. for accounting purposes as on 1 January 2009. These transactions were reflected in the accounts upon completion of the merger through its registration at the Mercantile Registry.

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

No tax benefits were enjoyed by Tecnocontrol S.A.U. in respect of which Tecnocontrol Servicios S.A.U and San Jose Tecnologias S.A.U must comply with certain requirements pursuant to sections 1 and 2 of Article 90.1 and 90.2 of said Royal Decree 4/2004.

Merger of "SanJosé Tecnologías, S.A.U." and the investees: Alcava Mediterrnea, S.AU., 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 Mediterrnea, S.AU., 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.AU., 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

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absorbed companies, which were dissolved without liquidation once the merger plan had been executed in a public deed and registered at the Mercantile Registry on 17 February 2009.

Pursuant to Article 250 of the Consolidated Spanish Companies Law, since Constructora San José, S.A. owns all the shares of Alcava Mediterránea, S.A.U., Constructora Avalos, S.A.U., Baltagi 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, on 4 March, approving the Spanish Companies Tax Act.

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

2.1 Accounting principles

These consolidated financial statements for year 2013 of Grupo Empresarial San Jose, S.A. and Subsidiaries ("Grupo San Jose " or "the Group") are formally prepared by the Parent's directors, in accordance with International Financial Reporting Standards as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council ("EU-IFRSs"), taking into account all the mandatory accounting principles and rules and measurement bases in IFRSs, and, accordingly, they present fairly the Grupo San Jose's consolidated equity and financial position at 31 December 2013 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

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

The consolidated financial statements of Grupo San Jose and Subsidiaries for 2012, prepared in accordance with EU-IFRSs, were approved by the shareholders at the Annual General Meeting of Grupo Empresarial San Joes, S.A. (formerly named Udra, S.A.) held on 28 June 2013. Also, 2013 consolidated financial statements of the Group and the individual financial statements of the Group companies for year 2013 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.

Standards and interpretations applicable for the year

During year 2013 the following standards and interpretations, compulsory as from year 2013 onwards and adopted by the European Union, became in force and have been applied by the Group for the elaboration of the accompanying consolidated financial statements for the year ended at 31 December 2013:

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New standards and amendments:		Compulsory application
Adopted for use within the EU		
Amendment of IAS 12 – Income Tax - deferred taxes on real estate	Calculation of deferred taxes on real estate assets according to fair value model provided for by IAS 40.	Annual terms starting as of 1 January 2013.
IFRS 13 Measurement of fair value	Framework for measurement of fair value	Annual terms starting as of 1 January 2013.
Amendment of IAS 1 – Other comprehensive income (released in June 2011)	Minor alterations regarding the disclosure of other comprehensive income.	Annual terms starting as of 01 January 2012.
Amendment of IAS 19 – Employee withholdings	Amendments affect mainly profit plans due to the elimination of "fluctuation bands"	Annual terms starting as of 1 January 2013.
Amendment of IFRS 7 Financial instruments: public information. Offset of financial assets with financial liabilities	New breakdown regarding the compensation of financial assets and liabilities pursuant to IAC 32	Annual terms starting as of 1 January 2013.
Improvement IFRS 2009-2011	Minor amendments of a series of standards	Annual terms starting as of 1 January 2013.
Understanding IFRIC 20 Cost of production stage of a open-cast mine	IFRS committee deals with the accounting treatment of elimination costs of open-cast mine materials.	Annual terms starting as of 1 January 2013.

The enforcement date approved by the IASB is 1 January 2013.

The aforementioned standards have not had a significant impact on the consolidated financial statements of the Group. Only IAS13 on the definition of fair value of financial assets and liabilities has had a considerable impact since from now on fair value is based on sale price of financial assets and liabilities to third parties and, therefore, it takes into consideration credit risk involved in financial liabilities assessment or the counterpart risk of the financial asset.

Thus, entities that had not considered credit risk in the measurement of fair value of financial liabilities shall record the impact of the same in the first year of application of IAS 13 prospectively together with the fair value of all other derivatives. The Group has measured the credit risk of derivative financial instruments recording a total net value at 31 December 2013 amounting to EUR 30,212 thousand. The impact of taking into consideration credit risk of derivative instruments at 31 December 2013 involves a total of EUR 1,728 thousand recorded as equity for being associated to cash flow hedges qualified as efficient accounting hedges for a total value of EUR 879 thousand and EUR 849 thousand recorded under "Changes in the measurement of fair value of financial instruments" in the consolidated income statement for year 2013 associated to financial instruments non qualifies as efficient accounting hedges. The difference at the beginning of the period is not significant (see Note 17).

Additionally, the UE adopted standards and amendments on the new consolidation method (IFRS 10, 11, 12 and those associated to IAS 27 and IAS 28) as compulsory as of 1 January 2014 and voluntary as of 1 January 2013. On 1 January 2013, Grupo SANJOSE pursuant to powers granted by IAS 31 on the integration of "Join venture

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stakes" integrated the same through the equity method being recorded under "Investments in associated and joint ventures" in the accompanying consolidated balance sheet. The participation in the profit/loss of these companies is recorded under "Profit/(Loss) of companies accounting for using the equity method" in the accompanying consolidated income statement.

Consequently, financial information for year 2012 includes the process of the re-expression pursuant to new applicable standards. Main changes are as follows:

	Thousands of Euros
	31/12/2012
Property, plant and equipment	-6,790
Investment in associates and joint ventures	+38,260
Inventories	-25,747
Other assets	-1,431
Total Assets	+4,292
Non-current provisions	+12,619
Current liabilities	-7,259
Other liabilities	-1,068
Total Liabilities	+4,292
Net Revenue	-2,684
Impairment losses on inventories	+6,776
Other operating expense	+3,078
Financial profit/(loss)	+1,082
Profit/(Loss) of companies accounting for using the equity method	-8,252
Total profit/(loss) for the year	-

Since change in criteria does not involve significant changes in the consolidated equity of the Group, financial information for the period prior to comparison has not been included in the accompanying consolidated balance sheet.

New standards, amendments and interpretations compulsory for years starting after year starting on 1 January 2013: (applicable from 2014 onwards):

As of the date of issue of these consolidated financial statements, the following standards had been published by the IASB, yet their application was not compulsory either because the effective date is subsequent to the date of issue of these statements or because they had not been adopted by the EU.:

New standards and amendments:	Compulsory application as from:
Adopted for use within the EU	

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IFRS 10 Consolidated financial statements (released in May 2011)	It replaces current consolidation requirements set out IAS 27.	Annual terms starting as of 1 January 2014 (1)
IFRS 11 Joint agreements (released in May 2011)	It replaces IAS 31 on joint ventures.	Annual terms starting as of 1 January 2014 (1)
IFRS 12 Breakdown on stakes in other entities (released in May 2011)	Standard on the breakdown of stakes in subsidiaries, associates, joint ventures and non consolidated entities.	Annual terms starting as of 1 January 2014 (1)
Transitional rules: Amendment IFRS 10, 11 and 12 (released in May 2012)	Clarification of transitional rules.	Annual terms starting as of 1 January 2014 (1)
IFRS 27 (reviewed) on Individual Financial Statements (released in May 2011)	Standard is reviewed; IFRS 10 involves only the submission of individual financial statements.	Annual terms starting as of 1 January 2014 (1)
IFRS 28 (reviewed) on Investments in associates and joint ventures (released in May 2011)	Parallel revision in compliance with IFRS 11 on joint ventures	Annual terms starting as of 1 January 2014 (1)
Investment companies: Amendment IFRS 10 and 12 and IAS 27 (released in October 2012)	Consolidation of the Parent in order to meet the definition of investment company.	Annual terms starting as of 1 January 2014.
Amendment IAS 32 Offset of financial assets and liabilities (released in December 2011)	Additional clarifications regarding the compensation of financial assets and liabilities pursuant to IAC 32	Annual terms starting as of 1 January 2014.

New standards and amendments:		Compulsory application as from:
Non adopted for use within the EU		
IFRS 9 Financial Instruments: Classification and evaluation (released in November 2009 and October 2010) and subsequent amendments of IFRS 9 and IFRS 7 on the effective date and breakdown of transitions (released in December 2011) and accounting hedges and other amendments (released in November 2013)	It replaces former classification requirements, evaluation of assets and liabilities, accounting hedges of IAS 39.	Non defined (2)
Amendment of IAS 39 - Reassessment of derivatives and accounting of hedges (released in June 2013)	Amendments determine whether the reassessment of derivatives does not involve the interruption of accounting of hedges.	Annual terms starting as of 1 January 2014.
Amendment of IAS 19 – Employees' contributions to funds (released in June 2013)	The amendment facilitates the deduction of these costs provided certain criteria are fulfilled.	Annual terms starting as of 1 January 2014.
Improvement of IFRS years 2012-2012 and years 2011-2011 (released in December 2013)	Minor amendments of a series of standards	Annual terms starting as of 01 January 2014.
IFRIC 21 Taxes and charges (released in May 2013)	To identify liabilities as taxes or encumbrances arising from the participation of the company in a particular activity at a specified date.	Annual terms starting as of 01 January 2014.

(1) Compulsory application was postponed by the European Union for at least a year. Initially, application date set out by the IASB was 1 January 2013.

(2) In November 2013, IASB postponed the compulsory application date of IFRS 9 without establishing the new effective date. New effective date is not expected to be prior to 1 January 2017.

The Group is analysing the impact of these standards, yet there are not expected to cause significant changes.

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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 Note 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 Notes 2.4 and 9).
8. The probability of recovery of financial loans (see Note 4.16).
9. Finance leases (Note 19)

Although these estimates were made on the basis of the best information available at 31 December 2013 on the events analysed, events that might take place in the future might make it necessary to significantly change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the consolidated income statements for the years affected.

2.3 Currency

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

The breakdown of the closing and average exchange rates of the period used to prepare the consolidated financial statements for 2013 is as follows:

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Country	Currency	Year-end exchange rate at 31/12/2013	Average exchange rate 2013
The United States	US Dollar (USD)	1.3766	1.3297
Mexico	Mexican Peso	17.9850	17.0753
Argentina	Argentine Peso (ARS)	8.9397	7.2938
Cape Verde	Cape Verde Escudo	110.265	110.265
Panama	Panamanian Balboa	1.3471	1.305
Uruguay	Uruguayan Peso	28.6771	26.5381
Paraguay	Guaraní	6,211.91	5,617.0938
Peru	Peruvian Sol	3.8011	3.5387
Chile	Chilean Peso (CLP)	772.909	660.75281
Brazil	Brazilian Real	3.2328	2.8734
Romania	Romanian Leu	4.4594	4.4134
India	Indian Rupee	85.0386	77.9067
Nepal	Nepalian Rupee	134.809	123.590
Abu Dhabi	UAE Dirham	5.0555	4.8853
Republic of Congo	Congo Franco	655.957	655.957
Colombia	Colombian Peso	2,650.78	2,613.85
Morocco	Morocco Dirham	11.0939	11.0569

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 executed in Chile, Peru, Argentina, Cape Verde, Abu Dhabi, Nepal and Congo. 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 value of the identifiable net assets acquired is recognised as goodwill. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised at 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. 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..

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2. Differences are recorded under "Exchange rate differences" 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 multi-group entities are fully consolidated with those of the Parent in compliance with the participation method according to IAS 31(see Note 2.1).

The Group develops its activity through its participation in joint ventures in Spain and overseas (different types of joint ventures), which are unincorporated entities without independent legal status, through which a partnership relationship is incorporated in order to develop a concrete service or project. In these cases, in which an individualised control of assets and liabilities is executed, as well as 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.

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.

Financial information provided by consolidated financial statements of the Group by multi-group companies, in aggregate, at 31 December 2013 and 2012 is as follows:

	Millions of Euros	
	31/12/2013	31/12/2012 (*)
Current assets	35.3	39.7
Non-current assets	10.6	21.3
Current liabilities	48.1	56.4
Non-current liabilities	15.1	16.3
Total income	1.1	7.7
Total expense	5.2	15.8

(*) Re-expression data (see Note 2.1)

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

c) Associates

Associates are companies over which the Parent is in a position to exercise significant influence, but not effective control or joint management. 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 value of the identifiable net assets acquired is recognised at acquisition date as goodwill. Any defect of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised at acquisition date as profit or loss.

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.

The financial statements of multi-group entities are accounted through the equity method, SANJOSE Group has followed the consolidation method for "Stakes in joint ventures" established by IAS 31 including the same under "Investments in associates and joint ventures" in the accompanying consolidated balance sheet (see Note 2.1).

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

d) Changes in the scope of consolidation

The main changes in the scope of consolidation in 2013 were as follows:

1. On 1 January 2013, the companies "Pinar de Villanueva, S.L.", "Desarrollos Inmobiliarios Makalu, S.L.", "Kantega Desarrollos Inmobiliarios, S.A." and "Cresca, S.A.", where the Group holds a 50% of its share capital, joined into the equity method under IAS 31 on the integration of "Joint Venture Shares" (see Note 2.1).
2. On 1 November 2013, "SCI Parquesol Rue de La Bienfaisance" has been settled.
3. On 21 January 2013 the Company has incorporated in Santiago de Chile (Chile) the company "San Jose Tecnologias Chile Limitada" and "Tecnocontrol Chile Limitada", with a total share capital amounting to CLP 700,000 (EUR 1.114 thousand), fully paid up by the Companies of the Group "Constructora San Jose, A.A." and "Inversiones SANJOSE Chile Limitada" having subscribed CLP 699,930 and CLP 70, respectively, amounting their ownership % to 99.99 % for "Constructora San Jose, S.A" and 0.01% for "Inversiones SANJOSE Chile Limitada".
4. During year 2013, the Company "Constructora San Jose Brasil Limitada" attended a capital increase for a total amount of BRL 363,855 (nearly EUR 135 thousand), being fully subscribed by "Constructora San Jose, S.A."
5. On 6 February 2013 the Company incorporated "San José Tecnologías Perú, S.A.C." with a total share capital amounting to PNS 1,000 (EUR 281), fully paid up and subscribed by the Group Companies "San José Inmobiliaria Perú, S.A.C." and Mr. Sandro Gustavo Fuentes", having subscribed PNS 999 and PNS 1, respectively, amounting the ownership % of "San José Inmobiliaria Perú, S.A.C." to 99.99 % and to 0.01% that of Mr. Sandro Gustavo Fuentes.
6. During year 2013, the Company of the Group "Udra Mexico, S.A." attended a capital increase through the partial capitalisation of the loan granted by "Constructora San José, S.A." and amounting to USD 4,613 thousand (nearly EUR 3,496 thousand).

7. On 19 July 2013 the Company of the Group "Constructora San José, S.A." incorporated the associate "Constructora San José Timor, Unipersonal Lda", with a total share capital amounting to USD 5,000 USD (nearly EUR 3,837). At 31 December 2013, the Group holds an ownership interest of 75% of the company's share capital.
8. On 25 July 2013 the Group Company "Constructora San José, S.A." incorporated the associate "San José Colombia, S.A.S", with a total share capital of COP 2,000 million (nearly EUR 803,072), subscribed and paid up in a 50%.
9. On 26 August 2013, "Constructora Udra Limitada" incorporated a branch office in Timor-Leste in order to develop its main business activity (construction) in said country.
10. During year 2013 the Group company "San Jose India Infrastructure & Construction Private Limited" has increased its share capital by INR 31,730 thousand (nearly EUR 455 thousand), fully subscribed and paid up by "Constructora San José, S.A.".
11. On 27 November 2013 the company "Constructora San José, S.A." has acquired 428 shares to the associate "San José Construction Group, Inc.", for a total amount of USD 603,934 (nearly EUR 444,200), becoming the owner of the 100% of its share capital.
12. During year 2013, the Company of the Group "Constructora San Jose, S.A." attended a capital increase of its associate "Eskonel Company, S,A," for a total amount of URU 27,058 thousand (nearly EUR 1,051 thousand).

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

1. On 10 December 2012 the Company of the Group "Constructora San Jose, S.A." 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 the Company 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 (EUR 1,448 thousand), fully subscribed and paid up at 31 December 2012. Minority shareholder did not attend capital increase, increasing ownership % 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 MXN USD 4 million, fully subscribed and paid up by "Constructora San José, S.A." with a total ownership % 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 Group incorporated a branch office of "Constructora San Jose, S.A." in Abu-Dhabi. During 2013, the Group developed 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 the Group started the remodelling works of the International Airport of Kathmandu.

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 (approximately EUR 1.1 thousand), fully paid up by the Companies of the Group "Inversiones SANJOSE Andina Limitada" and "Inversiones SANJOSE Chile Limitada" for amounts of CLP 70 and CLP 699,930, respectively, being their ownership participation of 0.01% for "Inversiones SANJOSE Andina Limitada" and 99.99 % for "Inversiones SANJOSE 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 Viales Andina Limitada", with a total share capital amounting to CLP 700,000 (approximately EUR 1.1 thousand), fully paid up by the Companies of the Group "Inversiones SANJOSE Andina Limitada" and "Inversiones SANJOSE Chile Limitada" for amounts of CLP 70 and CLP 699,930, respectively, being their ownership participation of 0.01% for "Inversiones SANJOSE Andina Limitada" and 99.99 % for "Inversiones SANJOSE 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.
11. On 9 May 2012, "Constructora Udra Limitada" has incorporated a permanent establishment (branch) in Paria, Cape Verde, in order to develop business (construction activity) in said country.
12. During October 2012, the Company has incorporated "SanJose Supreme Tollways Development Private Limited" in New Delhi (India), where Grupo SANJOSE 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) for accounting purposes as on 01 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, 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 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 Comparison of information

Information recorded on the consolidated financial statements for year 2012 is provided for comparison purposes only with that provided as of the year ended 31 December 2013.

2.6 Changes in the accounting criteria

Accounting criteria applied during year 2013 is the same as that implemented in year 2012.

During year 2013 no significant accounting criteria changes have taken been applied regarding those in year 2013, with the exception of the integration of joint ventures as of 1 January 2013 pursuant to IAS 31 on the integration of "Investments in Joint Ventures" (see Note 2.1).

3. Distribution of the Parent's profit

Parent Company Directors will propose to the General Shareholders' Meeting the recognition of 2013 losses, EUR 92,924 thousand, with a charge to "Prior years' losses", to offset the profits the Parent Company generates in the future.

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 2013 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 2013 and 2012 the Group does not hold non-current assets classified as 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.

See Note 9 for details on the allotment of gains on from business of the Group.

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

4.3 Other intangible assets

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

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

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

Administrative concessions and patents

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

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

Main features to be taken into consideration are as follows:

- Assets object of concession regime are usually property of the Grantor.
- The Grantor controls or monitors the Concessionaire, as well as funding conditions and terms.
- Concessional Rights imply the monopoly exploitation of a service for a period of time 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 Percentage
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.

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, are 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.

Investments 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 2013, 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 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.

Borrowing Costs

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

In 2013 and 2012, 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.

The fair value of assets and liabilities resulting from business combinations (see Note 8 and 12).

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 Operative Leases

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

When the consolidated companies act as the lessor, they present the acquisition cost of the leased asset under "Property, Plant and Equipment". These assets are depreciated using a policy consistent with the lessor's

normal depreciation policy for similar items and lease income is recognised in the income statement on a straight-line basis.

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

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, direct labour costs and production overheads, including the costs that have been incurred in bringing the inventories to their present location and condition at the point of sale. Trade discounts, rebates and other similar items are deducted in determining the cost of purchase.

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

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

"Developments under construction" includes the land development costs incurred up to year-end and the costs of construction or acquisition of real estate developments, increased by the expenses directly allocable to them (costs of construction subcontracted to third parties, fees inherent to construction and project management fees), in addition to the reasonable portion of the costs indirectly allocable to the related assets, to the extent that these costs correspond to the development period, and the borrowing costs incurred during the construction period. The borrowing costs capitalised to "Inventories" in 2013 and 2012 amounted to EUR 296 thousand and EUR 376 thousand, respectively (see Note 12).

The Group 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 2013 and 2012, "Inventories" includes advances to suppliers for the purchase of inventories amounting to EUR 40,875 thousand and EUR 31,794 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 Notes 12.6 and 18.3).

4.9 Financial Instruments

Definitions

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

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").

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

Amortised cost of financial instruments

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

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

Classification and measurement of financial assets and liabilities

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

Financial Assets

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

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

Financial Liabilities

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

Interest-bearing bank loans and credit facilities are recognised at the proceeds received, net of direct issue costs. Borrowing costs, including premiums payable on settlement or redemption and direct issue costs, are recognised in 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 derecognition of financial assets when they expire or whenever cash flow rights over the financial assets have been transferred together with the inherent risks and profits through sale of assets, factoring credit transfers, sale of assets with put option at fair value.

On the other hand, Grupo San Jose will not recognise the derecognition 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 SANJOSE did not hold any treasury shares at 31 December 2013 and 2012.

In year 2013, 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 2013 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.

IFRS 13, Measurement of Fair Value, became into force on 1 January 2013 and shall be mandatory for financial years commencing upon said date. Its applicability was approved by UE Regulation 1255/2012 as of 11 December, applicable to the Group because the Parent is a listed company.

The new accounting standard IFRS 13 considers credit risk in the measurement of fair value. Pursuant to IFRS 13, fair value is defined as the price to be charged for selling an assets or to be paid for transferring a liability at a market transaction at measurement date (for example, starting price) regardless said price has been estimated or corresponds to market conditions.

IFRS 13 indicates that fair value of assets and liabilities shall include credit risk of the entity itself and of its counterparty. This principle affects derivative financial instruments of Grupo SANJOSE.

For calculating fair value of derivative financial instruments, the Group has applied several methods which include current and future exposure, possibility of default and potential loss in the event of default. Consequently, CVA (Credit Value Adjustment) or credit risk of the counterparty and DVA (Debt Value Adjustment) or its own credit risk are defined.

Total exposure of derivatives is determined by the market, taking into consideration interest rate changes, exchange rate changes and any other changes subject to market conditions.

Possibility of default has been based on credit spread of financing of the Company, verifying it is similar to that of similar companies.

Further, for the adjustment of credit risk, total exposure of the Company to counterparties has been taken into consideration. In the event of counterparties with credit information credit spreads are provided by CDS (Credit Default Swaps) listed on the stock exchange; companies lacking credit information use reference information available. At 31 December 2013 and 2012, the Group held interest rate swaps (IRSs and collars) for a total notional amount of EUR 468,316 thousand million and EUR 471,061 million, respectively, with maturity dates in 2017 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 2013 and 2012 was EUR 20,533 thousand and EUR 16,981 thousand, respectively. Further, the Group recognises under "Changes in Fair Value of Financial Instruments" in the accompanying consolidated income statement for years 2013 and 2012 a loss amounting to EUR 1,856 thousand and EUR 6,444 thousand, respectively, due to changes in market price for not fully qualifying as hedge accounting (see Note 17).

4.12 Revenue recognition

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

1. Sales of goods are generally recognised when the goods have been delivered and title thereto has been transferred.
2. Specifically, revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.
3. Revenue from completed work or projects (in both the construction and industrial businesses) is recognised using the percentage of completion method, whereby revenue from completed work is recognised by reference to the stage of completion of the contract at year-end. Under this method, revenue is determined on the basis of the percentage of total revenue per the main contract or approved amendments or addenda thereto. This percentage is established on the basis of the proportion that costs incurred for work performed to date bear to the total contract costs.

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.

Income and expense relating to construction services or improvement of infrastructure are recorded in the consolidated financial statements as construction margin. Likewise, interest income from concessions are recorded as sales for qualify as common activities regarding overall action. Income providing from maintenance services or operations are recorded as common income.

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.

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 disposal 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.

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2. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly.
3. Equity is translated at the historical exchange rates.
4. Any translation differences arising are classified separately in equity. Such translation differences are recognised as income or as expenses in the year in which the foreign operation is realised or disposed of.

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

Company	Address	Activity
Constructora San José Argentina, S.A.	Buenos Aires (Argentina)	Construction
CIMSA Argentina, S.A.	San Luis (Argentina)	Civil works
Tecnoartel Argentina, S.A.	Buenos Aires (Argentina)	Maintenance and facilities
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
Udra Argentina, S.A.	Buenos Aires (Argentina)	Real Estate
Carlos Casado, S.A.	Buenos Aires (Argentina)	Property holding
Branch office of Constructora San José, S.A. in Argentina	Buenos Aires (Argentina)	Construction
San José Uruguay, S.A.	Colonia Sacramento (Uruguay)	Industrialisation and Trade
Eskonel Company S.A.	Uruguay	Energy
San Jose 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
Branch office of Constructora San José, S.A. in Panama	City of Panama (Panama)	Construction
San José Panamá, S.A (former Constructora Panameña de Aeropuertos, S.A).	City of Panama (Panama)	Construction
San José Perú Inmobiliaria, S.A.C.	Lima (Peru)	Construction
Inmobiliaria 2010, S.A.	Lima (Peru)	Construction and Real Estate Development
San José Perú Constructora, S.A.	Lima (Peru)	Construction
San José Tecnologías Perú, S.A.C	Lima (Peru)	Construction and Real Estate Development
Sanjose Maroc, S.A.R.L.A.U.	Casablanca (Morocco)	Construction
Sefri Ingenieros Maroc, S.A.R.L.	Morocco	Engineering and installations
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
Constructora Sanjose Brasil Ltda.	Salvador de Bahía (Brazil)	Construction
ZIVAR – Invertimentos Imobiliários, S.A.	Lisbon (Portugal)	Real Estate Development

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Hospes Brasil Participaciones e Empreendimientos Lda.	Brazil	Construction and Real Estate Development
Aprisco Salvador Inv. Hotelceiros e Imobiliários, Ltda.	Brazil	Construction and Real Estate Development
Branch office of Constructora San José, S.A. in Nepal	Kathmandu (Nepal)	Construction
Constructora San José Argentina, S.A.	Cape Verde	Construction
Branch office of Constructora San José, S.A. in Cape Verde	Paria (Cape Verde)	Construction
San José Congo, S.A	Congo	Construction and Real Estate Development
Constructora San José Timor Unipessoal Lda	Timor	Construction
Branch office of Constructora San José, S.A. in Timor	Timor	Construction
Concesionaria San Jose Tecnocontrol, S.A.	Santiago de Chile (Chile)	Construction and Hotel Management
Branch office of Constructora San José, S.A. in Chile	Santiago de Chile (Chile)	Construction
San José Tecnologías Chile Limitada	Chile	Construction
Tecnocontrol Chile Limitada	Chile	Construction
Inversiones San José Chile, Limitada	Santiago de Chile (Chile)	Investment and real estate
Inversiones San José Andina, Limitada	Santiago de Chile (Chile)	Investment and real estate
Inversiones Hospitalarias, Limitada	Santiago de Chile (Chile)	Capital investment
Inversiones Viales Andina, Limitada	Santiago de Chile (Chile)	Capital investment
San José Colombia, S.A.S.	Colombia	Construction

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

4.15 Profit (Loss) from operations

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

4.16 Income tax

The income tax expense of the Spanish companies and the taxes of a similar nature applicable to the consolidated foreign companies are recognised in the consolidated income statement, except when they arise from a transaction whose results are recognised directly in equity, in which case the related tax is also recognised in equity.

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

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

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.

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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 2013, the following SANJOSE group companies filed consolidated tax returns, acting "Grupo Empresarial San Jose, 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.
- 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.
- Athletic King, S.A.U. (former Ewan Connection, 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).

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- 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 Jose Desarrollos Inmobiliarios, S.A.
- Udralar, S.L.U.
- Udramar Inmobiliaria, S.L.U.
- Udrasol Inmobiliaria, S.L.U.
- Udrasur Inmobiliaria, S.L.U.
- Copaga, S.L.U.
- Douro Atlantico, S.L.U.
- Poligeneraciones parc de L'Alba, S.A.
- Xornal Galinet, S.A.

4.17 Provisions

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

1. Provisions: credit balances covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the companies, which is certain as to its nature but uncertain as to its amount and/or timing; and
2. Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies.

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

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

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

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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 2013 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 2013 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.

4.20 Transactions with associates

Grupo San Jose 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 (see note 16).

4.21 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.

4.22 Consolidated cash flow statements

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

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
2. Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.
3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
4. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

5. Earnings per share

5.1 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 2013	Year 2012	Changes
Net profit/(loss) for the year attributable to the Parent (thousand of Euros)	(155,242)	(97,085)	(58,157)
Weighted average number of shares (shares)	65,026,083	65,026,083	-
Basic profit/(loss) per share (Euros/Share)	(2.39)	(1.49)	(0.90)

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 2013 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 Grupo Empresarial San José, S.A and Subsidiaries at 2013 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 2013 and 2012, Grupo Empresarial San José, S.A. and Subsidiaries engaged mainly in the following major lines of business, which were the basis for the Group's primary segment reporting:

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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".

Secondary business segments

The Group's operations are located in Spain, the United States, Latin America (Argentina, Uruguay, Peru, Panama, Paraguay, Chile, Brazil, Mexico and Colombia), Africa (Cape Verde, Morocco and Congo), Asia (India, UAE, East Timor 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:

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Year 2013:

	Millions of Euros					
	Construction	Real estate and property development	Energy	Concessions and Services.	Adjustments and other	TOTAL
Income:						
Net Revenues:						
External sales	344,076	85,423	11,586	107,831	18,531	567,447
Inter-segment sales	83,050	314	-	453	(83,817)	-
	427,126	85,737	11,586	108,284	(65,286)	567,447
Profit/(Loss):						
Profit (Loss) from operations	876	(167,396)	1,100	6,856	(2,854)	(161,418)
EBITDA	11,034	18,171	2,630	8,368	(2,433)	37,770
Profit/(loss) from associates	(620)	(11,114)	-	-	-	(11,734)
Financial income	10,363	938	-	2,289	(3,443)	10,147
Financial costs and similar expenses	(7,792)	(32,019)	(921)	(22,030)	6,146	(56,616)
Profit/(Loss) before tax	2,827	(209,591)	179	(12,885)	(151)	(219,621)

Year 2012:

	Thousands of Euros (*)					
	Construction	Real estate and property development	Energy	Concessions and Services.	Adjustments and other	TOTAL
Income:						
Net Revenues:						
External sales	407,727	91,167	11,293	128,297	17,221	655,705
Inter-segment sales	93,365	460	-	2,334	(96,159)	-
	501,092	91,627	11,293	130,631	(78,938)	655,705
Profit/(Loss):						
Profit (Loss) from operations	16,380	(125,663)	912	26,753	2,434	(79,184)
EBITDA	30,023	29,517	2,360	27,209	(1,170)	87,939
Profit/(loss) from associates	(10)	(9,388)	-	-	(1,039)	(10,437)
Financial income	16,400	602	1	4,464	(5,594)	15,873
Financial costs and similar expenses	(8,512)	(33,956)	(375)	(24,168)	(1,475)	(68,486)
Profit/(Loss) before tax	24,258	(168,405)	538	7,049	(5,674)	(142,234)

(*) Re-expression data (see Note 2.1)

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:

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	Thousands of Euros											
	Construction		Property and real estate development		Energy		Concessions and Services		Adjustments and other		TOTAL	
	2013	2012 (*)	2013	2012 (*)	2013	2012 (*)	2013	2012 (*)	2013	2012 (*)	2013	2012 (*)
Other disclosure:												
Additions to fixed assets												
In Spain	74	38	90	1,014	161	816	19	131	49	900	393	2,899
In foreign countries	2,706	653	140	100	-	-	4	24	-	711	2,850	1,488
	2,780	691	230	1,114	161	816	23	155	49	1,611	3,243	4,387
Amortisation charge	1,324	1,420	9,707	9,117	1,659	1,803	642	470	66	957	13,398	13,767
Balance sheet:												
Assets-												
Asset segment assets-												
In Spain	506,110	556,549	1,395,176	1,565,113	24,719	29,638	15,391	13,385	(199,282)	(195,667)	1,742,114	1,969,018
In foreign countries	201,592	209,365	225,101	265,548	-	-	238,251	275,020	58,187	76,185	723,131	826,118
	707,702	765,914	1,620,277	1,830,661	24,719	29,638	253,642	288,405	(141,095)	(119,482)	2,465,245	2,795,136
Liabilities-												
Segment liabilities-												
segmentos	489,512	515,179	1,842,777	1,877,826	21,525	25,185	254,581	274,587	(209,329)	(144,686)	2,399,066	2,548,091

(*) Re-expression data (see Note 2.1)

There are no significant non-operating assets

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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	
	2013	2012 (*)	2013	2012 (*)	2013	2012 (*)
Spain	305,567	423,972	1,742,114	1,973,311	393	2,899
Portugal	46,207	51,009	191,340	226,321	24	13
Cape Verde	15,737	19,441	35,721	16,511	-	284
The United States	6,085	50	21	5,050	-	-
Argentina	6,021	7,374	104,511	116,960	17	800
Uruguay	369	-	153	153	-	-
Peru	67,171	47,548	82,830	74,304	128	240
Panama	-	-	161	185	-	-
France	-	1,305	1,274	19,784	-	-
Germany	-	-	164	164	-	-
Brazil	6	-	9,820	10,525	-	51
India	732	331	327	366	70	17
Chile	87,078	104,675	246,076	351,441	17	83
Morocco	-	-	61	61	-	-
Abu Dhabi	27,388	-	28,944	-	108	-
Nepal	1,659	-	6,701	-	484	-
Timor	-	-	1,583	-	960	-
Republic of Congo	3,427	-	13,444	-	1,042	-
Other	-	-	-	-	-	-
TOTAL	567,447	655,705	2,465,245	2,795,136	3,243	4,387

(*) Re-expression data (see Note 2.1)

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 at 31 December 2013 and 2012, EUR 530,353 thousand and EUR 575,556 thousand, respectively, correspond to assets in foreign currency. Likewise, from total revenue for years 2013 and 2012 the activity developed in said countries amounts to EUR 215,672 thousand and EUR 179,419 thousand, respectively.

7. Property, plant and equipment

Changes in 2013 and 2012 under "Property, Plant and Equipment" in the consolidated balance sheet were as follows:

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Year 2013:

	Thousands of Euros			
	Land and Buildings	Technical facilities and Machinery	Other Property, plant and machinery	TOTAL
Cost:				
Balance at 31 December 2012	51,800	13,276	30,255	95,331
Additions	95	2,057	821	2,973
Disposals	-	(340)	(579)	(919)
Translation differences	(977)	(325)	(237)	(1,539)
Transfers and other (Note 8.1)	1,698	(22)	22	1,698
Balance at 31 December 2013	52,616	14,646	30,282	97,544
Accumulated amortisation:				
Balance at 31 December 2012	(3,752)	(11,314)	(26,260)	(41,326)
Provisions	(560)	(452)	(1,385)	(2,397)
Disposals	-	409	475	884
Translation differences	-	317	(1)	316
Transfers and other	(16)	20	(4)	-
Balance at 31 December 2013	(4,328)	(11,020)	(27,175)	(42,523)
Impairment losses:				
Balance at 31 December 2012	(24)	-	-	(24)
Derivatives (Note 22.9)	19	-	-	19
Transfers and other (Note 8.1)	(168)	-	-	(168)
Balance at 31 December 2013	(173)	-	-	(173)
Total net property, plant and equipment	48,115	3,626	3,107	54,848

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	59,623	12,343	41,070	-	113,036
Additions	-	1,344	555	-	1,899
Disposals	(6,715)	(310)	(1,317)	-	(8,342)
Translation differences	(1,321)	(101)	(59)	-	(1,481)
Transfers and other (Notes 8.1 and 10)	213	-	(9,994)	-	(9,781)
Balance at 31 December 2012	51,800	13,276	30,255	-	95,331
Accumulated amortisation:					
Balance at 31 December 2011	(3,291)	(11,221)	(29,595)	-	(44,107)
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)	(11,314)	(26,260)	-	(41,326)
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	48,024	1,962	3,995	-	53,980

(*) Re-expression data (see Note 2.1)

Year 2013:

Additions occurred in year 2013 correspond mainly to investment in machinery and technical facilities incurred into by the Group when beginning construction activity in Nepal, Republic of Congo and Timor-Leste.

Year 2012:

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.

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- Likewise, on 13 April 2012, a total of 7,271 ha were sold out by the Group in 2011 in favour of "Cooperativa Colonia Multiactiva Fernheim Ltda.", charging partial collection in cash and scheduling the outstanding amount in seven semi-annual payments recorded under "Other non-current financial assets" and "Other current financial assets" in the accompanying balance sheet.

Sold assets are located by the so-called "Picada 500" area, within the Paraguayan Chaco, where Grupo SANJOSE, 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).

At 31 December 2013 and 2012, investment hold in foreign countries, by associate, is as follows:

	Thousands of Euros			
	31/12/2013		31/12/2012 (*)	
	Cost	Accum. Amort.	Cost	Accum. Amort.
Udra Argentina, S.A.	137	(76)	165	(74)
Parquesoles Portugal SGPS, S.A.	23	(22)	23	(22)
Douro Atlántico, S.A.	173	(166)	173	(157)
Argentimo, S.A.	123	(101)	154	(125)
Branch office Constructora San José, S.A. Portugal,	2,078	(2,067)	2,073	(2,054)
Branch office of Constructora San José, S.A. in Argentina	169	(169)	233	(233)
Ute Ruta-20	19	(19)	45	(45)
Ute San Juan	11	(11)	26	(26)
Constructora Udra Limitada	138	(119)	120	(115)
Constructora San José Cabo Verde, S.A.	1,114	(683)	1,144	(498)
Sociedad Concesionaria San José – Tecnocontrol, S.A.	57	(31)	62	(22)
Constructora Sanjose Chile Ltda.	141	(78)	150	(52)
San Jose India Infrastr. & Construction Private Limited	88	(23)	45	(11)
Constructora San José Argentina, S.A.	126	(125)	153	(150)
San José Perú Inmobiliaria, S.A.C.	856	(568)	1,039	(717)
San José Constructora Perú, S.A.	670	(406)	737	(295)
Inmobiliaria 2010, S.A.	10	(10)	11	(11)
San Jose Construction Group, Inc	3	(39)	8	(7)
Grupo Carlos Casado	34,055	(186)	35,198	(123)
Tecnoartel, S.A.	2	(2)	2	(2)
Constructora San José Congo, S.A.	1,047	(63)	-	-
Constructora San José Timor, Unipessoal Lda.	757	-	-	-
Branch office Constructora San José, S.A. Abu Dhabi	104	(2)	-	-
Branch office Constructora San José, S.A. Timor	171	(4)	-	-
Branch office Constructora San José, S.A. Nepal	444	(43)	-	-
TOTAL	42,516	(5,013)	41,561	(4,739)

(*) Re-expression data (see Note 2.1)

As stated on Note 16.1, at 2013 and 2012 the Group had many leasing operations in course. Breakdown at 31 December 2013 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	4
Current	54

Finance leasing agreements held by the Company at year-end 2013 and 2012 is as follows:

- Two tower cranes for the urban development "Condominio Parques de la Huaca". The lease term commenced in June 2008 and ends in May 2014, with a total term of 5 years. The nominal amounts of purchase option amounts to 1 Euro. The rent paid in 2013 amounted to EUR 45 thousand, which included a finance charge of EUR 3 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 2013 amounted to EUR 27 thousand, which included a finance charge of EUR 3 thousand.

At year-end 2013 total items pending amortisation corresponding to finance leases amounted to EUR 2,729 thousand (see Note 16.1).

At 31 December 2013 and 2012, the cost of the land upon which property for own use is located amounted to EUR 41.4 and EUR 53.2 million, respectively (including items provided by Carlos Casado).

At 31 December 2013 and 2012 there are specific property acting, with a carrying amount of approximately EUR 11,899 thousand and EUR 11,282 thousand, respectively, as collateral for part of the loan syndicated by the Group which amounted to EUR 41.1 and 36.9 million, respectively (see Note 16.3).

Fair value of own use buildings at 31 December 2013 and 2012 amounts to EUR 18.3 million and EUR 23.7 million, respectively, according to estimates carried by independent valuers (at 31 December 2013 and 2012 said studies were carried out by "Instituto de Valoraciones, S.A." and "Savills España, S.A.", respectively). Carrying net cost at 31 December 2013 and 2012 amounts to EUR 9.0 million and EUR 9.1 million, respectively.

At year-end 2013 and 2012 there were fully amortised assets amounting to EUR 22.1 million and EUR 30.9 million, respectively.

At year-end 2013 the Group does not hold significant investment commitments in property, plant and equipment.

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 Jose 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 2013 and 2012 is as follows:

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Year 2013:

	Thousands of Euros			
	Cost (*)	Amortisation	Impairment (Note 22.9)	Net
Balance at 31 December 2012	658,755	(75,587)	(83,239)	499,929
Additions	108	(9,199)	(4,279)	(13,370)
Disposals	(21,732)	4,532	21,778	4,578
Translation differences	(2,850)	1,571	(979)	(2,258)
Transfers and other (Note 7)	(1,698)	-	168	(1,530)
Balance at 31 December 2013	632,583	(78,683)	(66,551)	487,349

(*) At 31 December 2013 and 2012, real estate investments under development amounted for a total cost of EUR 37,059 thousand with a total recorded impairment loss amounting to EUR 10,961 thousand and EUR 9,458 thousand at 31 December 2013 and 2012, respectively (see Note 8.2).

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 thousand and EUR 37,059 thousand, respectively, with a total recorded impairment loss amounting to EUR 9,458 thousand and EUR 7,439 thousand at 31 December 2012 and 2011, respectively (see Note 8.2).

The cost of the investment property at 31 December 2013 and 2012 includes approximately EUR 273.9 million and EUR 280.4 million, relating to the carrying amount of the land relating thereto.

During year 2013, pursuant to the assessment of investment assets committed by Grupo SANJOSE to independent valuers, the reduction in value of certain investment property recorded total impairment amounting to EUR 4,279 thousand. Further, during the year 2013 there have been increases in value or sale to third parties of other items recorded under "Investment Property", which were partially provisioned at 31 December 2012, arising the need to reverse this provision in EUR 21,778 thousand (see Note 8.3).

In year 2013 the Group sold the building located in Rue de la Bienfaisance 41, in Paris, owned by the Group company "SCI Parquesol Rue La Bienfaisance" a profit amounting to EUR 6,037 thousand was recorded under "Gains on disposal of investment properties" in the accompanying consolidated income at 31 December 2013.

Additions carried out in year 2013 refer mainly to the preparation and implementation costs of premises at shopping centres property of the Group. In year 2012, within this item has been included premises in Vigo for a total amount of EUR 600 thousand, received as compensation.

Transfers in years 2013 and 2012 refer mainly to the change of use of premises, recorded previously as "Real estate investments" and currently as "Property, plant and equipment".

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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 2013 and 2012 is as follows:

Lease purpose	2013		2012	
	Surface For lease (m2)	Percentage	Surface For lease (m2)	Percentage
Administrative building	108,083	30%	110,666	30%
Hotels	48,163	13%	48,163	13%
Shopping Centres	160,307	44%	160,307	44%
Other	44,659	13%	45,405	13%
	361,212	100%	364,541	100%

Mortgaged investment property

At 31 December 2013 and 2012 certain investment property with a carrying amount of approximately EUR 178,163 thousand and EUR 167,988 thousand, respectively, had been mortgaged as security for mortgaged loans (see Note 16.2) which amounted at year-end to EUR 84,520 thousand and EUR 90,595 thousand. In addition to this, certain investment property recorded for a total net cost amounting at 31 December 2013 and 2012 to EUR 404,225 thousand and EUR 359,245 thousand, respectively, act as security of the loan syndicated by the Group for EUR 469,136 thousand and EUR 481,018 thousand (see Note 16.3).

Income and expenses from rental of investment property

At 31 December 2013 and 2012, 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 2013 and 2012, the occupancy rate of the so-considered strategic buildings was approximately 69.8% and 94.5%, respectively.

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 2013 and 2012 is as follows:

Term	Thousands of Euros	
	2013	2012
Up to a year	20,838	23,433
From one to five years	48,644	50,081
More than five years	64,783	69,408
	134,265	142,922

Calculation has not taken into consideration increase of CPI and, regarding variable rate contracts, amount for year 2013 has been considered.

Total investment property rental income of the Group for years 2013 and 2012 amounts to EUR 24,160 thousand and EUR 31,703 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

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At 31 December 2012 and 2012 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	
	31/12/2013	31/12/2012
Apartment in Pozuelo de Alarcón (Madrid)	13,583	13,583
San Pablo Shopping Centre (Seville)	23,476	23,476
	37,059	37,059

At 31 December 2013 and 2012, the Group has recorded impairment for a total value of EUR 10,961 thousand and EUR 9,458 thousand, respectively.

At 31 December 2013 and 2012 there are specific properties in progress recorded for a total net cost amounting to EUR 26,097 thousand and EUR 27,601 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 investment property

Each year the Group commissions studies from independent valuers to determine the fair value of its investment property at year-end. At 31 December 2013 and 2012, said studies were conducted by "Instituto de Valoraciones, S.A." and "Savills España, S.A.", respectively. 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.

Consequently, a net impairment loss of EUR 17,499 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 2013, in order to adjust the carrying amount of certain properties to their estimated realisable value, determined on the basis of the aforementioned appraisals (see Notes 8.1 and 22.9).

At 31 December 2013 and 2012, the fair value of the Company's inventories based on the aforementioned study amounted to EUR 588 thousand and EUR 572 thousand, respectively. From said amount, at 31 December 2013 and 2012, EUR 31.7 million and EUR 32.1 million, respectively, correspond to value of investment property of associates, amounting the carrying value recorded in books under this item to EUR 13.2 million and EUR 15.3 million, respectively. Said companies were consolidated according to the equity method (see Note 2.1).

9. Goodwill

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	
	31/12/2013	31/12/2012
Cartuja Inmobiliaria, S.A.U.	600	600
San José Perú Inmobiliaria, S.A. (former, San José Perú, S.A.)	1,601	1,601
Constructora San José, S.A.	8,401	8,401
San José Desarrollos Inmobiliarios Subgroup	2,117	2,117
Other	488	488
Total net	13,207	13,207

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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. Likewise, the sensitivity of executed impairment tests allows deviations of key hypothesis (increase of sales, operating margin and discount rates) within standardised margin, without identifying impairment. In the event of goodwill on consolidation allocated to San José Desarrollos Inmobiliarios, at 31 December 2013 it records gains of real estate assets.

During year 2012, due to the reduction of activity in investees San José Constructora Perú, S.A." and "Inmobiliaria 2010, S.A.", the Group has recorded an impairment for goodwill which at 31 December 2011 was recorded under the item "Impairment and profit/(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 SANJOSE Group made another allocation of the excess amount paid in the takeover of Parquesol Inmobiliaria y Proyectos, S.A. in 2007 based on the best information of the assets and liabilities acquired in the aforementioned business combination, as follows:

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

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	Thousands of Euros
Gross asset revaluation	672,171
Recognition up to 31/12/2012	
- Higher cost of sales	(84,280)
-Amortisations	(7,930)
-Impairment on inventories	(166,689)
	(258,899)
Recognition for the year ended 31 December 2013	
- Higher cost of sales	(7,009)
-Amortisations	(1,125)
-Impairment on inventories	(136,997)
	(145,131)
Total carried forward at 31/12/13	(404,030)
Net revaluation at 31/12/13	268,141

10. 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 2012 is as follows:

Year 2013:

	Thousands of Euros
<u>Cost:</u>	
Balance at 31 December 2012	30,186
Additions	162
Disposals	(391)
Translation differences	(1)
Transfers and other	-
Balance at 31 December 2013	29,956
<u>Accumulated amortisation:</u>	
Balance at 31 December 2012	(8,545)
Provisions	(1,802)
Disposals	-
Balance at 31 December 2013	(10,347)
<u>Impairment losses:</u>	
Balance at 31 December 2012	(951)
Provisions (Note 22.9)	(94)
Balance at 31 December 2013	(1,045)
Net intangible assets	18,564

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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
Transfers (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)
Net intangible assets	20,690

Main additions under this item of the consolidated balance sheet for year 2013 arise from issuance rights for said year of the Group company "Poligeneracin Parc de l'Alba ST-4, S.A." amounting to EUR 21 thousand recorded under "Received grants".

Further, due to the procurement of new clients in year 2013, the company of the Group "Poligeneración Parc de l'Alba ST-4, S.A." has recorded as cost the expenses arising from the development of the necessary supply network so as to provide energy to new clients amounting to EUR 140 thousand in 2013.

In year 2013, the Group has satisfied the emission right for the emission of CO₂ in year 2012, which had been provided under "Short-term provisions" as current liabilities in the consolidated balance sheet for year 2012, amounting to EUR 111 thousands.

At 31 December 2013 there are not significant investment commitments on intangible assets.

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 Cárdenas (Almería), Puerto Real (Cádiz) and Jaén, 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 2013 and 2012 there are no intangible assets developed internally by the Group nor intangible assets with indetermined life.

As stated on Note 16.1, at 2013 and 2012 the Group had many finance leasing operations in course on technical facilities recorded under intangible assets. Breakdown at 31 December 2013 is as follows:

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	Thousands of Euros
Term of contract (years)	8
Value in cash	4,340
Outstanding instalments (Note 16.1)	
Non-current	1,601
Current	1,070

Finance leasing agreements held by the Company at year-end 2013 and 2012 is as follows:

- Thermal Power Installation at Puerto Real Hospital (Cadiz). The lease term commenced on 20 December 2005 and lasts for 114 months. The nominal amounts of purchase option amounts to EUR 65 thousand. Rent paid in 2013 amounted to EUR 749 thousand, which included a finance charge of EUR 16 thousand.
- Thermal Power Plant for Torrecardenas Hospital (Almeria). The lease term commenced on 22 May 2008 and lasts for 10 years. The nominal amounts of purchase option amounts to EUR 33 thousand. Rent paid in 2013 amounted to EUR 294 thousand, which included a finance charge of EUR 99 thousand.

11. Investments accounted for using the equity method

The Group's most significant investments in associates at 31 December 2013 and 2012 were as follows:

	Thousands of Euros	
	31/12/2013	31/12/2012 (*)
Desarrollo Urbanístico Chamartín, S.A.	21,616	21,933
Panamerican Mall, S.A.	16,002	18,668
Pontegrán, S.L.	8,923	9,446
Antigua Rehabitalia, S.A.	-	-
Desarrollos Inmobiliarios Makalu, S.L.	-	-
Fingano, S.A.	543	721
Vengano, S.A.	67	-
Corporación San Bernat, S.L. (Corsabe)	4,204	4,793
Cresca, S.A.	3,391	3,391
Pinar de Villanueva, S.L.	4,600	5,826
Kantega, Desarrollos Inmobiliarios, S.A.	3,790	4,649
Other	29	28
Total net	63,165	69,455

(*) Re-expression data (see Note 2.1)

The associate "Desarrollos Urbanísticos Chamartín, S.A." has as main business activity the urban development of the plat of land comprising the area of the "Extension of the Castellana" in Madrid. At 31 December 2013 said urban development has been temporally paralysed due to changes in the Partial internal reform plan passed in 2011. The company is currently modifying the project according to current market conditions and building restrictions, what leads to market value uncertainty. However, different potential future scenarios contemplate the feasibility of the project, so that the Group does not have doubts regarding recovering the investment made.

Changes during years 2013 and 2012 under this item in the consolidated balance sheet were as follows:

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	Thousands of Euros	
	31/12/2013	31/12/2012 (*)
Opening balance	69,455	71,193
Profit/(Loss) for the year	(1,041)	(1,566)
Changes in the scope of consolidation (Note 2.4)	-	556
Additions (Note 2.4)	96	3,208
Paid-up dividends	(1,150)	(1,598)
Translation differences	(4,195)	(2,490)
Other	-	152
Closing balance	63,165	69,455

(*) Re-expression data (see Note 2.1)

The item "Long-term provisions" under the non-current liabilities of the accompanying consolidated balance sheet includes a provision for the stake of the Group in "Antigua Rehabitalia, S.A." and "Desarrollos Inmobiliarios Makalu, S.L.", due to the depreciation of real estate assets pursuant to independent experts' assessment (see Note 12), for a total amount of EUR 27,174 and 13,928 thousand at 31 December 2013, respectively. At 31 December 2012 said item included also the provisions for the stake of the Group in said companies, amounting to EUR 19,244 and EUR 12,619 thousand, respectively.

The impairment amount recorded for year 2013 regarding the previous provisions amounts to EUR 9,384 and EUR 1,309 thousand for the stake of the Group in "Antigua Rehabitalia, S.A." and "Desarrollos Inmobiliarios Makalu, S.L.", respectively, recorded under "Profit/(Loss) for entities accounted for using the equity method" in the accompanying consolidated income statement. In year 2012, impairment related to the participation of the Group in said stakes amounted to EUR 3,348 thousand and EUR 3,338 thousand, respectively.

Dividends received in year 2013 correspond to those received by the company of the group "San José Desarrollos Inmobiliarios, S.A." for its stake in "Pontegrán, S.L." and "Centro Comercial Panamericano, S.A.", for its stake in "Panamerican Mall, S.A."

Appendix II includes a list of the main ownership interests in associates, detailing name, country and participation percentage. Total aggregate for main items in the financial statements at 31 December 2012 and 2013 are as follows:

	Millions of Euros	
	31/12/2013	31/12/2012 (*)
Total Assets	365.8	380.6
Total Liabilities	278.2	236.1
Net Revenue	39.3	41.1
Profit/(Loss) for the year	(22.7)	(8.6)

(*) Re-expression data (see Note 2.1)

12. Inventories

Breakdown of this item at 31 December 2013 and 31 December 2012 is as follows:

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	Thousands of Euros	
	31/12/2013	31/12/2012 (*)
Acquired property	17,538	17,735
Land and plots of land	884,835	895,605
Raw materials and other supplies	2,936	9,278
Developments under construction		
- Long-cycle developments under construction	195,901	188,849
- Short-cycle developments under construction	6,070	32,970
Completed construction works	118,898	145,658
Advances to suppliers	40,875	31,734
Impairment losses on inventories	(402,829)	(214,859)
	864,224	1,106,971

(*) Re-expression data (see Note 2.1)

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 2013 and 2012 has risen to EUR 296 thousand and 376 thousand, respectively.

During year 2013, and according to the assessment of real estate assets carried out by independent experts (see Note 12.8), the Group has recorded total impairment amounting to EUR 190,942 thousand (see Notes 22.2 and 22.11), including the impairment related to potential contingencies arising from land purchase commitments for a total value of EUR 9,847 thousand (see Note 12.3).

12.1 Acquired property

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

- Car park spaces, premises and housing units located in Legazpi, Madrid, and valued at EUR 2,116 thousand, acting as mortgage collateral for a mortgage loan pending EUR 1,185 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 Atlántico, S.A", the Group in Portugal, such as an urban development, a housing units and two junk rooms valued at EUR 1,260 thousand and housing units, car park spaces and junk rooms in Marina Village valued at EUR 5,255 thousand
- Housing units and car park spaces at the urban development in "Puertollano" (Ciudad Real), for a total amount of EUR 1,285 thousand.
- Car park spaces at the urban development Metro-Sol SPA in "Mairena de Aljarafe" (Seville), for a total amount of EUR 1,078 thousand.
- Housing units and car park spaces at "Apartahotel Doña Leonor" in Valladolid for a total amount of EUR 1,055 thousand.

During year 2013, 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 2013 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 2013 and 2012, the Company owned inventories amounting to EUR 91,102 thousand and EUR 115,509 thousand, respectively, which had been used as collaterals for mortgage loans or developer loans granted

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by banks totalling EUR 68,070 thousand and EUR 77,155 thousand (see Note 16.2). In addition, several assets recorded under this item at 31 December 2013 and 2012 for a total net cost amounting to EUR 439,092 thousand and EUR 610,432 thousand act as collateral for part of the loan syndicated by the Group (see Note 16.3) for EUR 654,314 thousand and EUR 650,926 thousand in 2012 and 2011, respectively.

At 2013 and 2012 year-end the Group owned land with a total area of 2,808,030 m² and 2,866,951 m², respectively, of which 88% and 90.3% amounting to 1,571,498 m² and 1,591,279 m² qualified as buildable land at 31 December 2013 and 2012, respectively. The detail, by location, of the Group's land is as follows:

	Total m ²	
	31/12/2013	31/12/2012 (*)
Spain	1,225,723	1,219,853
The United States	-	2,085
Portugal	99,543	99,543
Argentina	1,448,381	1,448,381
Brazil	34,383	34,383
TOTAL	2,808,030	1,804,245

(*) Re-expression data (see Note 2.1)

During year 2013, several plots of land have been recorded. These correspond mainly to the acknowledgement of the plot of land formed by the Fincas de San Martí de Provençals upon legal resolution in favour of "San José Desarrollos Inmobiliarios, S.A." amounting to EUR 2,716 thousand.

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 Córdoba with a total surface amounting to 301 m² and total net cost amounting to EUR 288 thousand,.
- A rural property in the municipality of Badajoz with a total surface amounting to 39.844 m² and total net cost amounting to EUR 543 thousand,.

12.3 Land purchase commitments

At 31 December 2013 and 2012, the Group had entered into various memorandums of understanding or agreements with purchase options for land totalling approximately EUR 56.5 million and EUR 56.8 million, respectively, of which the Group had paid EUR 33,190 thousand, amount recognised under "Advance payments to suppliers" in the accompanying consolidated balance sheet. Details of land purchase commitments are as follows:

- Land located in Pozuelo de Alarcón, with a total surface amounting to 20,000 m². Compliance with said commitment depends upon certain urban challenges.
- Land located in Oieras (Portugal), with a total buildable 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.

Regarding the advances to purchase and sale commitments, the Group does not hold any purchase commitment and may dismiss the same.

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During year 2013, the Group has recorded a provision amounting to provision for EUR 9,847 thousand under "Impairment of goods, raw materials and other procurement" in the accompanying income statement for year 2013 in order to cover any potential contingencies.

Further, at 31 December 2013, the Group had paid in advance EUR 4,078 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 2013 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 2013 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, Parquesur stage II and Paseo de Jain stage II (Valladolid) of "San Jose Desarrollos Inmobiliarios, S.A."
- International Fair of the Pacific, Lima, Peru. Development started in year 2008 by the subsidiary "San Jose 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 2013 and 2012, 1,252 and 692 housing units have been completed and delivered for a total amount of EUR 34,231 thousand and EUR 34,651 thousand.

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 2013, impairment amounting to EUR 678 thousand was recorded.

At 31 December 2013 and 2012, several property developments in progress valued at EUR 135,816 thousand and EUR 151,923 thousand are mortgaged as collaterals for developer loans jointly amounting at said date to EUR 59,766 thousand and EUR 78,342 thousand (see Note 16.2). In addition to this, certain investment property recorded for a total net cost amounting at 31 December 2013 and 2012 to EUR 13,361 thousand and EUR 13,179 thousand, respectively, act as security of the loan syndicated (see Note 16.3) by the Group for EUR 16,651 thousand for both years (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

Malaga

- Urban Development Mirabella in Casares
- Urban Development Baco in Churriana

Valladolid

- Residential development Jardines de Zorrilla.

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- Urban Development Paseo de Jalón Stage I
- Urban Development La Joya 108
- Urban Development La Joya 109
- Urban Development Parquesur Stage I
- Urban Development Parquesur Stage II
- Residential development Jardines de Jalon
- 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 Plaza de Compostela (Vigo)
- Urban development Guadalmarina, Cadiz
- Urban development Camposoto, Cadiz
- Urban Development Galeras (A Coruña)

Portugal

- Building Maia
- Building Casas Brancas

Recorded decreases in 2013 correspond to sale costs of handed over property and mainly refer to: Estudio Marques de Monteagudo (Madrid), Promoción Pinar del Parque (Madrid), Reserva de Guadarrama (Madrid), Jardines de Zorrilla (Valladolid), Parquesur 2ª Fase (Valladolid), Promoción Mirabella (Málaga), Promoción la Joya 109 (Valladolid), Promoción Guadalmarina II (Cádiz), Promoción Sotoparque (Madrid), Promoción Juan de Austria (Valladolid), and Promoción Larrein (Vitoria), for a total value of EUR 26,822 thousand.

The sale of said urban developments has involved the derecognition of financial debt whenever applicable. This transaction involved the derecognition of EUR 24,864 thousand recorded as financial debt recording a profit amounting to EUR 10,139 thousand recorded under the caption "Impairment and disposal of financial instruments" in the accompanying profit and loss account (see Note 22.12).

At 31 December 2013 and 2012, certain real estate assets are recorded under "Completed Construction Work" in the accompany consolidated balance sheet for a total net cost amounting to EUR 78,710 thousand and EUR 90,533 thousand, respectively, which act as mortgage hedge for banking borrowings amounting to EUR 57,022 thousand and EUR 70,681 thousand (see Note 16.2). In addition to this, certain investment property recorded for a total net cost amounting at 31 December 2013 and 2012 to EUR 6,363 thousand and EUR 6,201 thousand, respectively, act as security of the loan syndicated (see Note 16.3) by the Group for EUR 5,003 thousand and EUR 4,933 thousand, respectively (see Note 16.3).

12.6 Commitments to sell property developments in progress and completed buildings

At 31 December 2013 and 2012, 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 33,276 thousand and EUR 58,334 thousand, for which the Group had received advances from the related customers totalling EUR 11,131 thousand and EUR 31,553 thousand, respectively (see Note 18.3).

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12.7 Inventories subject to litigation

At 31 December 2013 and 2010¹ "Inventories" included EUR 17,043 thousand and 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. Further, in the identification of the recoverable amount of said asset, its situation, future costs and well as time for its completion have been taken into consideration. The cost is recorded at recoverable value at 31 December 2013.

12.8 Impairment losses on inventories

Each year the Group commissions studies from independent valuers to determine the fair value of its investment property at year-end. At 31 December 2013 and 2012, said studies were conducted by "Instituto de Valoraciones, S.A." and "Savills España, S.A.", respectively. 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 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, construction period and investment required) to the risk-free interest rate. When the determination of the cash flows takes into account borrowings, the aforementioned risk premium is increased in proportion to the percentage of the borrowings (degree of leverage) attributed to the project and the habitual interest rates in the mortgage market.

At 31 December 2013 and 2012, the fair value of the Company's inventories based on the aforementioned study amounted to EUR 1,147 thousand and EUR 1,468 million, respectively. From said amount, at 31 December 2013 and 2012, EUR 119 million and EUR 110 million, respectively, correspond to value of investment property of associates, amounting the carrying value recorded in books under this item amounts to EUR 51 million and EUR 46 million at 31 December 2013 and 2012, respectively. Attributed value is higher than accounting value.

12.9 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.

13. Financial Assets

13.1 Trade receivables and customer advances

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 2013 and 2012 is as follows:

	Thousands of Euros	
	31/12/2013	31/12/2012 (*)
Progress billings receivable and trade receivables for sales	241,022	307,411
Amounts to be billed for works performed	54,099	47,666
Retentions	9,684	14,182
Trade receivables from real estate customers	6,227	8,996
Impairment (Note 22.10)	(28,660)	(28,832)
Total	282,372	349,423
Advances (Note 18.3)	(118,074)	(91,994)
Total net accounts receivable	164,298	257,429

(*) Re-expression data (see Note 2.1)

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 2013 and 2012 include EUR 66,678 thousand and EUR 60,411 thousand respectively, 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 2013 and 2012 relates to both trade receivables for the sale of buildings (documented in notes and bills) and to lease receivables.

In some cases, 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 9,720 thousand and EUR 10,320 thousand at 31 December 2013 and 2012, respectively. This amount is fully derived from investments from Constructora San Jose, 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 2013 and 2012 is as follows:

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	Thousands of Euros	
	31/12/2013	31/12/2012 (*)
Public Sector Customers	119,126	185,252
Private Sector Customers	163,246	164,171
	282,372	349,423

(*) Re-expression data (see Note 2.1)

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 strengthened 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 174 and 194 days for years 2013 and 2012 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 2013 and 2012 is as follows:

	Thousands of Euros	
	31/12/2013	31/12/2012 (*)
Other cash equivalents	53,469	107,005
Cash	286	345
Banks and credit entities	105,826	90,048
Total cash and cash equivalents	159,581	197,398

(*) Re-expression data (see Note 2.1)

Out of the total balance of this item, EUR 17,738 thousand and EUR 26,678 thousand correspond to joint ventures (see Appendix III) for year 2013 and 2012, 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 2013, it mainly includes amounts arising from use of syndicated loans of the Group (see Note 16.3) with severe restrictions on use. It is important to highlight those referring to "Sociedad Concesionaria San Jose-Tecnocontrol, S.A.", "Inversiones Sanjose Chile Ltda." and "Sanjose Constructora Chile Ltda", for a total value of EUR 13,806 thousand, being use restricted on technical Works regarding execution Works of the Project object of funding.

On 10 and 15 November 2013, certifications for the implementation of El Carmen Hospital and La Florida Hospital in Santiago de Chile, opened on 7 and 28 December 2013 and with a total built surface of nearly 70 thousand sqm each, were received. The company "Sociedad Concesionaria San José-Tecnocontrol, S.A." executed the design and construction of both hospitals and is responsible for their operation and maintenance under concession regime for a period of 15 years.

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Consequently, receivables amounting to EUR 34 million and EUR 169 million, recorded under "Other current financial assets" and "Other no-current financial assets", respectively, in the accompanying balance sheet for year 2013 (see Note 13.4.3) arise.

Further, at 31 December 2013 there are receivables arising from the sale of plot of land recorded under property, plant and equipment of the entity of the Group "Carlos Casado, S.A." (see Note 7).

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 2013 were as follows:

	Thousands of Euros				
	Investments available for sale	Loans to related companies	Other investments	Impairment	Total
Balance at 31 December 2011 (*)	6,535	40,125	55,033	(3,880)	97,813
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	40,616	120,665	(16,475)	154,001
Entries or provisions	-	2,842	79,219	(1,148)	80,913
Translation differences	(164)	(220)	(14,402)	2,698	(12,088)
Disposals, withdrawals or redundancies	-	-	(952)	3,000	2,048
Balance at 31 December 2013	9,031	43,238	184,530	(11,925)	224,874

(*) Re-expression data (see Note 2.1)

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 4,182 thousand and EUR 3,586 thousand refer to investment available for sale at 31 December 2013 and 2012, respectively (see Note 22.12).

Net cost at which interest ownership of the Group is recorded, by associate, at 31 December 2013 and 2012, is as follows:

Company	Thousands of Euros	
	31/12/2013	31/12/2012
Bodegas Altanza, S.A.	994	994
Unirisco S.C.R., S.A.	407	407
Filmanova, S.A.	37	37
Editorial Ecoprensa, S.A.	2,966	3,633
Other	445	538
	4,849	5,609

13.4.2 Loans and receivables

"Loans and Receivables" includes mainly participating loans granted to the associate Antigua Rehabitalia, S.A., Makalu Desarrollos Inmobiliarios, S.L., Cresca, S.A. and Pinar Villanueva, S.L. for values amounting to EUR 16,425 thousand, EUR 20,407 thousand, EUR 5,950 thousand and EUR 456 thousand, respectively, 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 169,263 thousand and EUR 110,180 thousand at 31 December 2013 and 2012, respectively, in compliance with IFRIC12 (see Note 4.3) 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 7,743 thousand and EUR 11,968 thousand at 31 December 2013 and 2012, respectively.

14. Net equity:

14.1 Share capital

At 31 December 2013 and 2012, 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 2013 and 2012 has been EUR 1.20 and EUR 1.30 for year 2013 and EUR 1.14 and 1.23 for year 2012, respectively.

At 31 December 2013, the Group holds an ownership interest of 10% of the company's share capital. 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

Breakdown at 31 December 2013 and 2012 under "Reserves" is as follows:

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	Thousands of Euros	
	31/12/2013	31/12/2012 (*)
Of the Parent	6,892	87,494
Consolidation reserves		
-From consolidated companies	136,313	103,638
-From companies considered equivalent	(36,579)	12,378
TOTAL	106,626	203,510

(*) Re-expression data (see Note 2.1)

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 by Subsidiaries

	Thousands of Euros			
	2013		2012 (*)	
	Reserves	Profit/ (Loss) for the year	Reserves	Profit/ (Loss) for the year
Grupo Empresarial San José, S.A.	131,830	778	130,186	4,331
SJB Müllroser	(5,393)	(385)	(3,753)	(1,639)
Construction subgroup	197,904	2,284	171,624	25,873
Trade subgroup	9,398	140	8,997	400
Udra Medios subgroup	(9,845)	(1,374)	(8,680)	(1,165)
San José Desarrollos Inmobiliarios Subgroup	(221,968)	(145,889)	(146,207)	(116,079)
Urban Developments subgroup	40,528	1,323	38,348	1,477
San José Concesiones y Servicios subgroup	1,062	351	796	286
San Jose Energía y Medio Ambiente subgroup	(1,978)	(736)	(1,893)	(84)
Cadena de Tiendas, S.A.U.	1,667	-	1,714	(45)
	143,205	(143,508)	191,132	(86,645)

(*) Re-expression data (see Note 2.1)

Net profit/(loss) for the year attributable to the Parent by entities accounted by using the equity method

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

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Company	Thousands of Euros			
	2013		2012 (*)	
	Reserves	Profit/ (Loss) for the year	Reserves	Profit/ (Loss) for the year
Desarrollo Urbanístico Chamartín, S.A.	(251)	(316)	(101)	(150)
Panamerican Mall, S.A.	1,542	1,924	1,665	729
Pontegrán, S.L.	133	(523)	17,407	593
Pinar de Villanueva, S.L.	(4,572)	(1,226)	(3,944)	(628)
Antigua Rehabitalia, S.A.	(29,380)	(9,383)	(6,204)	(3,348)
Makalu Desarrollos Inmobiliarios, S.L.	(5,829)	(1,309)	(678)	(5,151)
Corsabe, S.A.	587	(588)	587	-
Cresca, S.A.	1,855	-	2,893	(1,038)
Kantega, Desarrollos Inmobiliarios, S.A.	(680)	(859)	753	(1,433)
Other	16	546	-	(11)
	(36,579)	(11,734)	12,378	(10,437)

(*) Re-expression data (see Note 2.1)

14.6 Valuation adjustments

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

14.7 Shares of the Parent

At 31 December 2013 and 2012, the Group did not hold any treasury shares.

In year 2013, 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:

Company	Thousands of Euros	
	Total Minority Interests	Profit/ (Loss) for the year attributed to minority
Construction subgroup	20,223	(797)
San José Desarrollos Inmobiliarios Subgroup	(6,477)	(2,497)
Trade subgroup	7	(6)
Udra Medios subgroup	(129)	(7)
San José Concesiones y Servicios subgroup	(49)	-
San Jose Energía y Medio Ambiente subgroup	1,724	(33)
	15,299	(3,340)

Breakdown of this item for years 2013 and 2012 is as follows:

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	Thousands of Euros	
	2013	2012
Opening balance	20,635	25,355
Changes in the scope of consolidation (Note 2.4)	(825)	265
Profit/(Loss) for the year	(3,340)	(2,230)
Translation differences	(1,309)	(1,344)
Dividends	-	(2,102)
Adjustments attributable to minority interests and other	138	691
Closing balance	15,299	20,635

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 2013 and 2012, the Group was achieving this parameter, as shown below:

	Thousands of Euros	
	31/12/2013	31/12/2012 (*)
Non-current bank borrowings and other financial liabilities (Note 16)	230,531	1,566,041
Current bank borrowings and other financial liabilities (Note 16)	1,595,512	384,300
Cash and cash equivalents (Note 13.2)	(159,581)	(197,398)
Total net	1,666,462	1,752,943
Adjusted net equity	416,743	471,958
Financial debt (%)	399%	371%

(*) Re-expression data (see Note 2.1)

15. Non-current provisions

Breakdown of this item in the accompanying consolidated balance sheet for years 2013 and 2012 is as follows:

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	Thousands of Euros
Balance at 31 December 2011 (*)	37,111
Provisions	10,486
Applications	(364)
Reversals	(2,856)
Changes in the scope of consolidation (Note 2.4)	-
Transfers and other	348
Balance at 31 December 2012 (*)	44,725
Provisions	16,134
Applications	(1,198)
Reversals	(452)
Transfers and other	(422)
Balance at 31 December 2013	58,787

(*) Re-expression data (see Note 2.1)

At 31 December 2013, this item includes the accumulated impairment of the associate "Antigua Rehabitalia, S.A." and "Desarrollos Inmobiliarios Lakalu, S.L." (companies integrated through the equity method), amounting to EUR 27,174 thousand and EUR 13,928 thousand, respectively. Impairment recorded for years 2013 and 2012 amounts to EUR 10,693 thousand and EUR 10,034 thousand, respectively (see Note 11), under "Profit (Loss) from companies subject to the equity method" at the accompanying consolidated income statement for years 2013 and 2012.

Further, at 31 December 2013 "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 SANJOSE consider that present provisions are enough to deal with the current processes of litigation and claims or will not have a material effect on the consolidated financial statements.

16. Bank borrowings and debt instruments and other marketable securities

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

Year 2013:

	Thousands of Euros		
	Debts and accounts payable	Derivative financial instruments	Total
Non-current financial liabilities:			
Bank borrowings (Note 16.1)	222,320	-	222,320
Derivatives (Note 17)	-	30,137	30,137
Other financial Liabilities	8,211	-	8,211
Total non-current	230,531	30,137	260,668
Current financial liabilities:			
Bank borrowings (Note 16.1)	1,592,246	-	1,592,246
Derivatives (Note 17)	-	75	75
Other financial liabilities	3,266	-	3,266
Total current	1,595,512	75	1,595,587

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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)	1,551,559	-	1,551,559
Derivatives (Note 17)	-	34,683	34,683
Other financial liabilities	14,482	-	14,482
Total non-current	1,566,041	34,683	1,600,724
Current financial liabilities:			
Bank borrowings (Note 16.1)	380,559	-	380,559
Derivatives (Note 17)	-	58	58
Other financial liabilities	3,741	-	3,741
Total current	384,300	58	384,358

(*) Re-expression data (see Note 2.1)

"Other current financial liabilities" and "Other non-current financial liabilities" include mainly EUR 84 thousand and EUR 3,407 thousand, respectively, in relation to guarantee deposits received in relation with the property development business, and EUR 4,592 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.

At 31 December 2013, "Bank borrowings" in the current liabilities record EUR 144,601 thousand corresponding to the financial debt of the "Sociedad de Gestión de Activos inmobiliarios procedentes de la Reestructuración Bancaria-Sareb" arising from the restructuring process of the banking system in Spain. Said amount includes EUR 92,783 thousand corresponding to the syndicated credit granted to the Group by banking entities of the Sareb.

16.1 Bank borrowings

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

	Thousands of Euros	
	31/12/2013	31/12/2012 (*)
Non-current		
Financial Leasing (Notes 7 and 10)	1,605	2,472
Bank loans and credit facilities	89,272	123,848
Syndicated credit facilities (Spain) (Note 16.3)	-	1,246,814
Syndicated credit facilities (Chile) (Note 16.3)	131,443	178,425
Total non-current	222,320	1,551,559
Current		
Financial Leasing (Notes 7 and 10)	1,124	1,401
Syndicated credit facilities (Spain) (Note 16.3)	1,311,805	77,236
Syndicated credit facilities (Chile) (Note 16.3)	16,745	-
Payables from discounted notes and bills	46,797	55,764
Bank loans and credit facilities	30,917	27,236
Mortgage loans secured by inventories (Note 12 and 16.2)	184,858	218,922
Total current	1,592,246	380,559
TOTAL	1,814,566	1,932,118

(*) Re-expression data (see Note 2.1)

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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 2013 the following:

- A balance for EUR 9,699 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 LAIba ST-4, S.A.'s Policy Project (see Notes 10 and 2.6).
- A balance of EUR 79,573 thousand corresponding to mortgage loans over real estate investment of the companies of the Group (see Note 16.2).

At 31 December 2012 "Loans and bank credits" under the non-current liabilities included EUR 21,916 thousand corresponding to two nominated loans in Chilean Pesos granted to the associate "Inversiones San José Chile Ltda." For a total amount of EUR 20,542 thousand. Said funding has been granted by the BICE Bank. Said loan has been fully amortised during year 2013.

"Bank loans and credit facilities" from current liabilities of the attached consolidated balance sheet at 31 December 2013 and 2012 includes EUR 15,127 thousand and EUR 14,043 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 2013, net cost of secured assets amounts to EUR 483,792 thousand.

Mortgage loans secured by investment property

The Group has been granted certain loans by banks, amounting to EUR 84,520 thousand (registered as non current liabilities an amount of EUR 79,573 thousand), that are secured by mortgages on certain properties owned by the Group recognised under "Investment Property" in the accompanying consolidated balance sheet at 31 December 2013 (see Note 8). These loans are repaid in instalments consisting of principal and interest, maturing between 2016 and 2025.

These mortgage loans bear annual floating interest at a market rate, which in 2012 ranged from 1% to 6.77%.

Mortgage loans secured by inventories

As indicated in Note 4.19, all the bank borrowings associated with "Inventories" (regardless of the maturity thereof) are presented in the consolidated balance sheet under "Current Liabilities". The detail, by effective maturity, of the mortgage loans secured by inventories at 31 December 2013 is as follows:

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	Thousands of Euros		
	Maturity		Total
	Short-term	Long-term	
Mortgage loans secured by investment property in progress			
Of the Parent	-	-	-
Of Subsidiaries	3,485	56,281	59,766
Of joint ventures	-	-	-
	3,485	56,281	59,766
Mortgage loans secured by completed investment property:			
Of the Parent	-	-	-
Of Subsidiaries	12,525	44,497	57,022
Of joint ventures	-	-	-
	12,525	44,497	57,022
Mortgage loans secured by land and buildable plots of land:			
Of the Parent	-	-	-
Of Subsidiaries	28,979	39,091	68,070
Of joint ventures	-	-	-
	28,979	39,091	68,070
Total mortgage loans secured by inventories (Note 12)	44,989	139,869	184,858

These mortgage loans bear annual floating interest at a market rate, which in 2013 ranged from 0.96% to 4.00%.

The outstanding principal of these loans at 31 December 2013 matures approximately as follows:

Thousands of Euros				
Year 2014	Year 2015	Year 2016	Year 2017 and following	TOTAL
44,989	69,859	9,921	60,059	184,858

16.3 Syndicated credit facilities

Syndicated credit facilities un Spain

The SANJOSE 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:

- Credits and loans amounting to EUR 1,129 million
- Trade and financial discount tranche amounting to EUR 244 million

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- "Confirming" 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 certain San Jose Group companies, and mortgages on certain of the property assets.

On 19 July 2013 the Group extended the maturity date of the syndicated debt, having amortised EUR 20 million and postponing the outstanding amount for year 2013 to year 2014 with a total outstanding amount of EUR 139,149 thousand.

Further, in order to adapt cash flows of the Group to financial commitments of the syndicated credit debt, Turing last term of 2013 Grupo SANJOSE has started negotiation with financial entities involved in the syndicated credit.

In 2009-2013 the SAN JOSE 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 31 December 2013, forecasting the difficulties in order to meet all financial commitments, Grupo SANJOSE started negotiations in order to extend maturity date. The Group received the approval after 31 December 2013. Thus, it has recorded under "Current financial liabilities" in the accompanying consolidated balance sheet the totality of the outstanding amount. This involved the reclassification as current liabilities of EUR 1,172,656 thousand which, if approved prior to 31 December 2013, had been recorded as non current borrowings.

As of the date of drafting these consolidated financial statements, negotiations with banking entities continue to be open. The Group expects to reach an agreement during the first term of year 2014 in order to strengthen the financial situation of the Group and adapt maturity dates to cash flow generated by the group according to market conditions.

The outstanding principal of these loans at 31 December 2013 matures approximately as follows:

Thousands of Euros (*)		
Year 2014	Year 2015	Total
139,149	1,181,049	1,320,198

(*) Gross amounts prior to deducting borrowing costs, amounting to EUR 8,393 thousand at 31 December 2013.

Syndicated credit facilities in Chile

At 10 February 2011, the group company "Concesionaria San Jose-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 Maipu, Hospital de la Florida", awarded to Grupo SANJOSE by the Ministry of Public Works of Chile. Loan shall be provided as works take place. At 31 December 2013, disbursed amount amounts to EUR 152,022 thousand. The group keeps EUR 13,806 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 2013 matures approximately as follows:

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Thousands of Euros (*)					
Year 2014	Year 2015	Year 2016	Year 2017	Remaining payments	Total
16,745	17,150	17,958	18,688	81,481	152,022

(*) Gross amounts prior to deducting borrowing costs, amounting to EUR 3,834 thousand at 31 December 2013.

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.

At 31 December 2013, derivative financial instruments of Grupo SANJOSE are mainly Interest Rate Swaps and cross-currency swaps.

For determining the fair value of interest rate derivatives and currency swaps, the Group applies an assessment method based on the discount of flows under implicit forward curve rates.

Upon the enforcement of IFRS 13 on 1 January 2013, an adjustment due to credit risk is required for the measurement of fair value of derivatives; thus, counterparty credit risk shall be adjusted (CVA) with the credit risk of the concessionaire (DVA). Said adjustment is executed according to simulation techniques on future scenarios which intend to value the effect of both risks on fair value (see note 4.11).

The Group records both, its own credit risk and the counterparty's risk. The consideration of credit risk for the first time in the valuation of derivatives at fair value, in order to meet the requirement set out by IFRS 13, involves a total impact for year 2013 amounting to EUR 1,728 thousand, having been partially registered in equity for being associated to cash flow hedges classified for accounting purposes as efficient and amounting to EUR 879 thousand and recorded under "Change in fair value of financial instruments" for a total amount of EUR 849 thousand for being associated with derivatives that are not classified as effective hedges for accounting purposes in accordance with provisions established by IAS 8 on accounting policies, changes in accounting estimates and errors

Interest rate derivatives contracted by the Group and effective at 31 December 2013 and 2012, together with their fair values at said date, are the following:

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Year 2013:

Company	Financial Instrum.	Maturity	Thousands of Euros	
			Initial par value	Balance at 31/12/2013 (Note 13.1)
Efficient Hedges:				
Sociedad Concesionaria San José – Tecnocontrol, S.A.	CCS-uf	30/06/2021	169,621	(13,256)
Trade subgroup	CCS-usd	Year 2014	774	(75)
Poligeneració Parc de l'Alba, S.A.	Swap	15/12/2021	15,451	(1,528)
Sociedad Concesionaria San José – Tecnocontrol, S.A.	Swap	30/06/2021	163,470	(6,797)
			349,316	(21,656)
Non-efficient Hedges:				
SJ D.Inmob., S.A.	Swap	31/10/2019	9,676	(369)
SJ D.Inmob., S.A.	Swap	31/07/2023	10,000	(737)
SJ D.Inmob., S.A.	Swap	31/12/2023	25,000	(1,974)
SJ D.Inmob., S.A.	Swap	02/01/2024	10,000	(474)
SJ D.Inmob., S.A.	Swap	09/10/2017	20,000	(1,051)
SJ D.Inmob., S.A.	Swap	19/01/2023	20,098	(1,324)
SJ D.Inmob., S.A.	Swap	29/03/2024	25,000	(2,627)
			119,774	(8,529)
TOTAL			349,316	(30,212)

Year 2012:

Company	Financial Instrum.	Maturity	Initial par value	Balance at 31/12/2012 (Note 16)
Efficient Hedges:				
Sociedad Concesionaria San José – Tecnocontrol, S.A.	CCS-uf	30/06/2021	169,621	(14,060)
Outdoor King, S.A.U.	CCS-usd	10/07/2013	774	(16)
Outdoor King, S.A.U.	CCS-usd	12/08/2013	889	(19)
Running King, S.A.U.	CCS-usd	10/07/2013	155	(4)
Running King, S.A.U.	CCS-usd	12/08/2013	77	(2)
Trendy King, S.A.U.	CCS-usd	10/09/2013	850	(18)
Poligeneració Parc de l'Alba, S.A.	Swap	15/12/2021	15,451	(2,273)
Sociedad Concesionaria San José – Tecnocontrol, S.A.	Swap	30/06/2021	163,470	(5,152)
			351,287	(21,544)
Non-efficient Hedges:				
SJ D.Inmob., S.A.	Swap	31/10/2019	9,676	(645)
SJ D.Inmob., S.A.	Swap	31/07/2023	10,000	(1,208)
SJ D.Inmob., S.A.	Swap	31/12/2023	25,000	(3,239)
SJ D.Inmob., S.A.	Swap	02/01/2024	10,000	(1,534)
SJ D.Inmob., S.A.	Swap	09/10/2017	20,000	(817)
SJ D.Inmob., S.A.	Swap	19/01/2023	20,098	(2,072)
SJ D.Inmob., S.A.	Swap	29/03/2024	25,000	(3,682)
			119,774	(13,197)
TOTAL			471,061	(34,741)

Assets and liabilities as hedge financial instruments include the changes in the measurement of fair value of hedge financial instruments. At 31 December 2013, instruments hold by the Group companies "Sociedad Concesionaria San José-Tecnocontrol, S.A." and "Poligeneració Parc De L'Alba, S.A. (ST4)" are Interest Rate Swaps and cross-

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currency swaps linked to assets and liabilities of the consolidated balance sheet, as well as to potential transactions in compliance with requirements established by IAS 39 so as to be classified as hedge accounting.

Assets and liabilities as non hedge financial instruments include the measurement of fair value of non hedge financial instruments. At 31 December 2013, instruments held by the Group company "San José Desarrollos Inmobiliarios, S.A." are Interest Rate Swap which are not qualified as hedge accounting for not being linked to hedge financial instruments.

The Group records as equity the change in fair value of hedge accounting financial instruments. At 31 December 2013 and 2012 the change in fair value of Derivative Financial Instruments allocated as Hedge Elements for their effective portion accumulated in Equity amounts to EUR 20,533 thousand and EUR 16,981 thousand, respectively .

During 2013 and 2012, EUR 2,222 thousand and EUR 1,819 thousand before tax have been recycled from Equity to Interests costs as financial liabilities' interests being hedged pursuant to allocated Hedging Relationships were registered.

Measurement of efficiency of financial instruments

According to IAS 39, the Group has decided to adopt hedge accounting policy. Therefore, certain formal requirements shall be implemented and tests shall be carried out in order to ensure the efficiency of hedge accounting relationships. A hedging relationship is considered efficient as long as efficiency ratios reach 80-125% (application guide 105 of IAS 39) and meet the previous drafting requirements.

Effectiveness of financial instruments is measured according to the hypothetical derivative method. Hypothetical derivative method, risks are identified as derivatives with the same features as the risk.

This method consists of comparing the changes in fair value or cash flows of the derivative acting as collateral with the changes in fair value or cash flows of the hypothetical derivative. The hypothetical derivative method is described as "Method B" at section F5.5. of the Implementation Guide of IAS 39. A retrospective effectiveness test and a prospective test shall be executed in order to determine whether the hedging relationships shall be effective in the future.

At the date of issue of the financial statements, the hypothetical derivative and the real derivative shall be measured using the same techniques and information resources. According to section 96 of IAS 39, the surplus of the real derivative compared with the value of the hypothetical derivative shall be recorded as loss or gain, recording under the net equity the value of the lower value of the real or hypothetical - considered as change in value of hedged flows.

For the consideration of fair value, credit risk shall be included in the measurement of the real derivative while not credit risk shall be allocated to hypothetical derivative.

Classification of financial instruments

Regarding assets and liabilities measured at fair value, the Group follows hierarchy set out by IFRS 13 for their classification pursuant to input used for their measurement and market conditions:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

According to IFRS 13, the hierarchy categorises the inputs used in valuation techniques of assets and liabilities into three levels. (Level 1, Level 2, Level 3). The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs

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Derivatives of the Group are classified as Level 2.

No transfers from Level 1 to Level 2 have taken place during year 2013. Neither had taken place inputs or outputs of Level 3 at 31 December 2012.

Sensitivity analysis of interest rate and exchange rate

Changes in the fair value of interest rate derivatives arranged by the Group depend on :

- a) Changes in the long-term Euro interest rate and Swaps curve and CLP interest rate curve.
- b) Changes in currency swaps depend on the average exchange rate of Unidades de Fomento (UF) and Chilena Pesos (CLP).

Next are included the details of the sensitivity analysis of fair value of derivatives acting as accounting hedges regarding changes in average interest rate and exchange rate swaps of UF and CLP.

- Sensitivity analysis of "Poligeneraci3n Parc de L'Alba, S.A."

<u>Sensitivity analysis in thousands of euros at 31/12/2013</u>	
Basic Scenario T/i EUR + 100 bp	465
Basic Scenario T/i EUR -25 bp	121

- Sensitivity analysis of "Sociedad Concesionaria San Jos3-Tecnocontrol, S.A."

<u>Sensitivity analysis in thousands of euros at 31/12/2013</u>	
CCS	
Basic Scenario + 100 bp CLP curve	-6,164
Basic Scenario - 100 bp CLP curve	6,511
Basic Scenario + 10% TC CLF/CLP	-19,422
Basic Scenario + 10% TC CLF/CLP + 100 bp CLP curve	-25,586
Basic Scenario + 10% TC CLF/CLP - 100 bp CLP curve	-12,911
Basic Scenario - 10% TC CLF/CLP	19,422
Basic Scenario - 10% TC CLF/CLP + 100 bp CLP curve	13,258
Basic Scenario - 10% TC CLF/CLP - 100 bp CLP curve	25,933
Swap	
Basic Scenario TC + 100 bp CLP curve	5,701
Basic Scenario TC - 100 bp CLP curve	-6,037

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.

The sensitivity analysis shows that exchange rate derivatives record deductions in negative fair values due to decrease of interest rate curves of CLP or average interest and an increase of CLP regarding UF for being an instrument in which the Group receives flows in CLP and pays flows in UF. Faced with interest rate movements upwards and the depreciation of the CLP regarding UF, the negative value will increase.

Fair value of financial instruments

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Fair value of financial instruments at amortised cost:

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

Applicable pricing techniques and hypothesis to measure fair value:

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

- The fair value of financial assets and liabilities with standard terms and conditions and traded in active and liquid markets will be established tied to market quoted prices.
- 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 the interest rate derivatives (Swaps or 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.

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 2013 are classified under Level 2.

18 Trade payables 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			
	2013		2012	
	Amount	%	Amount	%
Payments executed within maximum legal payment term	354,176	98%	491,028	98%
Remaining payments	8,746	2%	10,152	2%
Total payments to suppliers for the year	362,922	100%	501,180	100%
PMPE (days) (*)	50	-	88	-
Amount of deferred payments which exceed maximum legal payment term.	5,548	2%	5,603	2%

(*) 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 60 days as from 1 January 2013.

Finance costs arising from such deferment 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 5,028 thousand and EUR 5,212 thousand, at 31 December 2013 and 2012, 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 2013 and 2011 amount to EUR 11,131 thousand and EUR 31,553 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.

At 31 December 2013 and 2012 this item includes "Amounts Billed in Advance for Construction Work" totalling EUR 66,678 thousand and EUR 60,411 thousand, respectively, which relates to progress billings issued during the year for construction work yet to be performed and 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.

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 counterpart 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

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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 counterparts 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, depending on the business sector, 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

At 31 December 2013, the Group has contracted hedging transactions for exchange rate risks in order to cover risks arising from rate fluctuations of Chilean UF regarding Chilean peso. Further, 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 a 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 table below includes the Group's liquidity analysis for 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:

Thosand of euros		Less than a		3-12		More than 5
		month	1-3 months	months	1-5 years	years
Hedging Derivates	Interest SWAP	0	0	-2,115	-4,940	37
	CCS	0	0	-2,308	-3,107	-12,973
Derivatives designated as trading	Interest SWAP	-213	-1,081	-1,529	-5,642	-939

Maturity dates of the remaining financial liabilities are listed in Note 16.

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According to Note 16.3, Grupo SANJOSE has started a joint negotiation procedure with the financial entities integrating the financial syndicate in Spain in order to allocate cash flows generated by the Group to financial commitments under the terms of the syndicated credit facilities.

This procedure is being developed with mutual agreement with the financial entities involved so that Grupo SANJOSE can conduct its business activities normally.

At 31 December 2013, according to Note 16.3, pursuant to accounting standards, the Group has recorded under "Current financial borrowings" in the accompanying consolidated balance sheet the outstanding amount of the syndicated credit loan in Spain. As to the date of issue of these financial statements, said amount should be considered as non-current.

The Group expects to end negotiations in the first half of year 2014, strengthening financial capacity of the Group and adapting maturity dates to cash flows generated by the Group in accordance to market conditions.

Treasury budget of the Group for year 2014 depends on terms of the agreement reached with financial entities. Thus, the Group cannot provide information on this issue for the time being.

20. Taxation

The Group companies file individual tax returns in accordance with the tax legislation in force in each country. With regard to Spain, the San Jose Group, composed of Grupo Empresarial San Jose, 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).

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 2013, the following SANJOSE group companies filed consolidated tax returns, acting "Grupo Empresarial San Jose, 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 José Concesiones y Sevicios, S.A.U.
- Tecnocontrol Instalaciones, S.L.U. (former, 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.
- Athletic King, S.A.U. (former Ewan Connection, S.A.U.)
- Vision King, S.A.U. (former Fashion King S.A.U.)

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- 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 Jose 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.
- San Jose Desarrollos Inmobiliarios, S.A.
- Udralar, S.L.U.
- Udramar Inmobiliaria, S.L.U.
- Udrasol Inmobiliaria, S.L.U.
- Udrasur Inmobiliaria, S.L.U.
- Copaga, S.L.U.
- Douro Atlantico, S.L.U.
- SanJosé Energía y Medioambiente, S.A.
- Poligeneraciones parc de L´Alba, 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 Jose, S.A. and the subsidiaries forming the consolidated tax group have the last four years and 2009 open for review.

During year 2013, the Department of the Treasury completed the inspections on Income Tax and VAT of the associate "San José Desarrollos Inmobiliarios S.A." for years 2008 and 2009. The outcome of the same was the consideration as non deductible of a total value of EUR 1,426 thousand, what involves a reduction of tax loss carry forwards of said year. Inspection minutes were not approved and a new inspection has been claimed.

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 2013.

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.

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20.2 Income tax

The balance of "Income Tax" in the accompanying consolidated income statement for 2013 and 2012 was determined as follows:

	Thousands of Euros	
	2013	2012 (*)
Profit/(Loss) before tax	(219,621)	(142,234)
Increases at individual companies	-	3,477
Decreases at individual companies	(3,855)	-
Elimination trade consolidation	(4,487)	(7,918)
Non recorded losses tax credit	1,724	2,817
Equity method	11,734	10,437
Offset of prior years' tax losses	(66)	-
Taxable profit	(214,571)	(133,421)
Less taxable profit of companies not resident in Spain	5,431	(15,036)
Tax loss of consolidated group resident in Spain	(209,140)	(148,457)
Gross tax payable (30%)	(62,742)	(44,537)
Plus - deductions	(188)	(239)
Accrued tax expense	(62,930)	(44,776)
Regulation of previous years	2,231	(8,886)
Non resident tax expense	(340)	10,743
Tax expense	(61,039)	(42,919)

(*) Re-expression data (see Note 2.1)

20.3 Tax loss carry forwards

At 31 December 2013 total tax loss carry forwards pending Offset amounts to EUR 582,065 thousand, The Group records under "Deferred tax assets" in the accompanying consolidated balance sheet at 31 December 2013 a tax credit arising from said tax loss carry forwards amounting to EUR 148,009 thousand.

The detail of the tax loss carry forwards of the consolidated companies at 31 December 2013 is as follows:

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Company	Year of inclusion	Thousands of Euros	Last year to offset
		Tax losses	
Grupo Empresarial San José, S.A.	From 1997 to 1999	3	From 2015 to 2017
	2000	3	2018
	2001	1	2019
	2002	391	2020
	2003	67	2021
	2004	920	2022
	2005	554	2023
	2006	696	2024
	2007	6,992	2025
	2008	71,284	2026
	2009	53,968	2027
	2010	38,209	2028
	2011	51,152	2029
	2012	57,922	2030
	2013	174,672	2031
Total consolidated tax group		456,849	
Spanish companies not included in the consolidated tax group	From 2015 to 1999	64	From 2015 to 2017
	2000	142	2018
	2001	143	2019
	2002	410	2020
	2003	382	2021
	2004	456	2022
	2005	986	2023
	2006	2,019	2024
	2007	4,839	2,025
	2008	16,706	2,026
	2009	10,867	2027
	2010	6,486	2028
	2011	5,026	2029
	2012	8,294	2030
	2013	3,674	2031
Total Spanish companies not included in consolidated tax groups		60,495	
Foreign companies	From 2015 to 1999	364	-
	2000	518	
	2001	407	
	2002	187	-
	2003	695	
	2004	5,007	
	2005	2,983	
	2006	973	
	2007	3,003	
	2008	9,515	
	2009	4,285	
	2010	3,940	
	2011	4,357	
	2012	6,441	
	2013	22,044	
TOTAL companies not resident in Spain		64,721	
TOTAL		582,065	

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.

The Directors of the Parent consider that the tax Group, pursuant to current Business Plan, and based on the success of current negotiations with financial entities comprising the bank syndicate in Spain (see Note 16.3), will be able to offset tax loss carry forwards.

20.4 Deferred tax assets and liabilities

The deferred tax assets recognised in the accompanying consolidated balance sheet at 31 December 2013 and 2012 arose as a result of the following:

	Thousands of Euros	
	31/12/2013	31/12/2012 (*)
Financial Instruments	4,292	3,843
Non deductible financial profit/(loss)	13,836	13,156
Non deductible amortisation	948	-
Impairment of financial stakes	15,960	10,659
Other items	7,929	12,023
Tax credit carry forwards	8,029	6,659
Tax loss carry forwards (Note 20.3)	148,009	99,093
	199,003	145,433

(*) Re-expression data (see Note 2.1)

The balance of "Deferred tax liabilities" at 31 December 2013 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 2013 and 2012 arose as a result of the following:

	Thousands of Euros	
	31/12/2013	31/12/2012 (*)
Net asset revaluation	40,762	49,857
Deferral for reinvestment of extraordinary gains	3,219	2,863
Backlog provisions	-	3,839
Deferred consolidation profit	-	8,417
Other adjustments	8,705	3,671
	52,686	68,647

(*) Re-expression data (see Note 2.1)

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

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1. Deferred tax relating to the participation of minority partner in the activation of assets and stocks produced by effects of the merger, as well as the revaluation of property assets held in the heart of the former Grupo Parquesol, at the time of first application of international accounting standards.
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.
3. Elimination of the outcome of intergroup transactions within the consolidable tax Group pending incorporation.

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 188 thousand as an increase in the income tax asset accrued in 2013, as follows:

Item	Year of inclusion	Thousands of Euros
Earned by the consolidated tax group Grupo Empresarial San Jose S.A.		
Double taxation tax credit	2013	184
Tax credits for donations	2013	4
		188

At 31 December 2013 the following tax credits remain outstanding:

Earned by the consolidated tax group Grupo Empresarial San Jose S.A.	Year of inclusion	Thousands of Euros
Double taxation tax credit	2013	184
Tax credits for donations	2013	4
Double taxation tax credit	2012	229
Tax credits for donations	2012	10
Double taxation tax credit	2012	14
Double taxation tax credit	2011	268
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
Double taxation tax credit	2010	368
Double taxation tax credit	2009	676
Tax credits for donations	2009	41
Tax credit for training activities	2009	1
Deferral for reinvestment of extraordinary gains	2008	104
Double taxation tax credit	2008	2,473
Double taxation tax credit	2008	329
Tax credits for donations	2008	193
Tax credit for training activities	2008	4
Tax credits for donations	2008	27
Tax credit for training activities	2007	0.2
Double taxation tax credit	2007	4
Tax credits for donations	2007	12
Tax credits for donations	2005	271
Total		7,109

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

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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 2013 within the periods established by current tax legislation

20.6 Tax receivables and payables

The detail of the Group's tax receivables and payables at 31 December 2013 is as follows:

	Thousands of Euros			
	31/12/2013		31/12/2012 (*)	
	Current	Non-current	Current	Non-current
Tax assets:				
Deferred tax assets	5,834	199,003	3,717	145,433
Tax receivables				
VAT receivables	14,354	-	13,604	-
Sundry receivables	5,437	-	2,695	-
	19,791	-	16,299	-
Total tax assets	25,625	199,003	20,016	145,433
Tax liabilities				
Deferred tax liabilities	1,170	52,686	1,748	68,647
Tax receivables				
Tax payable as a result of tax assessments	692	-	698	-
VAT payables	16,876	-	27,077	-
Personal income tax payables	1,086	-	2,360	-
Sundry payables	-	-	-	-
Social Security payables	2,466	-	3,935	-
	21,120	-	34,070	-
Total tax assets	22,290	52,686	35,818	68,647

(*) Re-expression data (see Note 2.1)

20.6 Restructuring transactions

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 and was notified to the Tax Department on 2 November 2010.

Transaction executed within 2013.

On 3 December 2013 took place the merger through absorption of the company Inmobiliaria Europea de Desarrollos Urbanísticos S.A. of the companies Inversiones Patrimoniales Guadaiza S.L, Iniciativas Galebal S.L. and San pablo Plaza S.L. Merger has accounting effects as of 1 January 2013.

Transactions executed within the previous years:

1.- The company Parquesol Inmobiliaria y proyecto S.L. was incorporated on 3 February 2000 by the absorption of several companies (Parquesol Alquileres S.I., Parquesol Inmuebles S.L., Parquesol Inmobiliaria MMM SA and Parquesol Residencial y Desarrollo S.L.) and the incorporation of two new companies, one of them Grupo Parquesol MM SL. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2000 of Grupo Parquesol MM S.L.

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2.- Merger through absorption of the company Parquesol Inmobiliaria y Proyectos S.L. (former Miralepa Cartera) as absorbing company and Parquesol Inmobiliaria y Proyectos S.L. and Miralepa Cartera S.L. as absorbed companies on 2 March 2006, with full effect as of 31 October 2005. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2006 of Parquesol Inmobiliaria y Proyectos S.L.

3.- As of 29 December 2008 Constructora San José S.A. absorbed the subsidiaries Alcava Mediterranea S.A., Constructora Avalos S.A., Balltagi Mediterriani SA and Construcción, Rehabilitación y Conservación S.A. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2008 of Constructora San José S.A.

4.- On 30 January 2009 took place the merger through absorption by Sanjose Tecnologías S.A. as absorbing company of the subsidiaries Artel Ingenieros S.L., Sefri Ingenieros S.A. Instal 8 S.A. and S.M.Klima S.A. . More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Sanjose Tecnologías S.A..

5.- On 16 June 2009 took place the merger through absorption of Parquesol Inmobiliaria y Proyectos, S.A. as absorbing company of the associates 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. . More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Grupo Empresarial Sanjose S.A..

6.- On 16 June 2009 took place the merger through absorption of "Udra, S.A." (currently GRUPO EMPRESARIAL SAN JOSÉ, S.A.) with "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." . More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Grupo Empresarial Sanjose S.A..

7.- On 28 December 2009 took place the merger through absorption of Sanjose Tecnologías S.A. as absorbing company and Tecnocontrol S.A.U. as absorbed company. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Sanjose Tecnologías S.A.

8.- On 28 December 2009 Tecnocontrol transferred its branch of activity of maintenance of mechanical facilities in favour of Tecnocontrol Servicios SA. . More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Tecnocontrol Servicios SA.

9- As of the 30 July 2010, segregation of the real estate branch of activity of Grupo Empresarial San Jose, S.A. (formerly, Udra, S.A.) in favour of "San Jose Desarrollos Inmobiliarios, S.A." (formerly, Inmobiliaria Udra, S.A.) and capital increase of the beneficiary company. *Segregation of the real estate branch of activity.* More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2010 of San José Desarrollos Inmobiliarios, S.A

10- Spin-off of "Sanjose Tecnologías, S.A.U." in favour of "Constructora San Jose, S.A.", "Sanjose Energia y Medio Ambiente, S.A." and "Sanjose Concesiones y Servicios, S.A.U." on 27 December 2010. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2010 of Constructora San José, S.A.", "Sanjosé Energía y Medio Ambiente, S.A." and "Sanjose Concesiones y Servicios, S.A.U

21. Guarantee commitments to third parties

At 31 December 2013 and 2012, the Group had received from banks and insurance companies guarantees provided to third parties amounting to EUR 242 million and EUR 236 million (mainly project and definite tender and performance bonds to public and private bodies). EUR 0.2 million and EUR 5.6 million of which correspond to the parent company and the rest to the subsidiaries at 31 December 2013 and 2012, 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

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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 2013 and 2012 is as follows (in thousands of Euros):

	Thousands of Euros	
	2013	2012 (*)
Construction:		
Civil works	55,232	116,643
- Residential	47,808	69,769
- Non Residential	313,663	297,686
- Industrial	10,423	16,994
	427,126	501,092
Real Estate	85,737	91,627
Concessions and Services	108,285	130,631
Energy	11,586	11,293
Consolidation adjustments and other	(65,287)	(78,938)
Net Revenue	567,447	655,705

(*) Re-expression data (see Note 2.1)

55.6% and 64.4% of construction revenues refer to sales to the public sector in years 2013 and 2012, respectively.

In year 2013, EUR 50 million of the more than EUR 567 million of net revenue relate to joint ventures (see Annex III).

Virtually all the work was performed as prime contractor.

Carrying net cost at 31 December 2013 and 2012 amounts to EUR 2,983.6 million and EUR 1,704.3 million, respectively.

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	Millions of Euros	
	2013	2012
Construction:		
Civil works	356.5	183.8
Residential	38.7	71.1
Non Residential	745.7	403.1
Industrial	13.3	12.5
Subtotal construction	1,154.2	670.5
Concessions and Services (**)	1,194.3	388.0
Energy (*)	635.1	645.8
Total Backlog	2,983.6	1,704.3
<u>Details by type of client:</u>		
-Public-sector	60.58%	61.15%
-Private-sector	39.42%	38.85%
<u>Details by geographical area:</u>		
-Domestic market	30.47%	58.86%
-International market	69.53%	41.14%

(*) 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.

(**) According to the financial model of economic concessions.

Further, the Group has a construction and energy backlog for a total value of EUR 180.8 million and EUR 228.5 million at 31 December 2013 and 2012, respectively, arising from its participation in companies integrated within these consolidated financial statements by the equity method.

22.2 Procurements and other external expenses

The breakdown of "Procurements" in the consolidated income statements for 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012 (*)
Procurement of raw materials and other supplies	178,094	164,508
Changes in the scope of consolidation (Note 12)	181,928	105,149
Works performed by other companies	156,766	201,050
Total procurement	516,788	470,707

(*) Re-expression data (see Note 2.1)

"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 expense" in the consolidated income statements for 2013 and 2012 is as follows:

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	Thousands of Euros	
	2013	2012 (*)
R&D expenses	516	49
Utilities	7,059	5,923
Repair and maintenance services	4,498	4,973
Transport and freight costs	788	979
Insurance premiums and banking services	4,051	3,064
Independent professional services	16,983	18,852
Leases	9,315	14,780
Advertising and publicity	2,971	2,539
Other Services	19,232	21,026
Taxes and income tax	10,426	12,430
Other operating expense	4,764	3,449
Total	80,603	88,064

(*) Re-expression data (see Note 2.1)

22.3 Staff costs

The detail of "Staff Costs" is as follows:

	Thousands of Euros	
	2013	2012 (*)
Wages and salaries	67,625	75,200
Termination benefits	2,713	5,054
Employer social security costs	14,561	16,903
Other social costs	2,847	1,871
Total	87,746	99,028

(*) Re-expression data (see Note 2.1)

The average workforce by professional category is as follows:

Category	2013		2012	
	Men	Female	Men	Female
University graduates	307	103	282	110
University three-year degree graduates	336	89	310	87
Clerical staff	107	130	71	89
Officers and technical personnel	1,230	47	1,642	113
	1,980	369	2,305	399

The average workforce at 31 December 2013 amounted to 2,070 of which 1,745 were men and 325 women

22.4 Compensation in kind

At 31 December 2013 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	
	2013	2012 (*)
Interest on receivables	10,147	15,873
Income from equity investments	-	-
Other finance income	-	-
	10,147	15,873

(*) Re-expression data (see Note 2.1)

"Interests on receivables" for year 2013 and 2012 includes approximately EUR 3 million and EUR 5.4. million corresponding to interests on short-term deposits. The remainder corresponds mainly to late interest for deferral of collection to customers and settlement of exchange rate hedge instruments.

22.8 Finance expense

Breakdown is as follows.

	Thousands of Euros	
	2013	2012 (*)
Interests on payables	47,029	52,120
Other finance expenses	20,714	22,046
	67,743	74,166

(*) Re-expression data (see Note 2.1)

"Other finance expense" for years 2013 and 2012 includes EUR 7,511 thousand and EUR 6,856 thousand, respectively, corresponding to the costs from the previous syndicated financing as well as EUR 5,537 thousand and EUR 4,901 thousand for years 2013 and 2012 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	
	2013	2012
Gains/Losses on write-offs of fixed assets (Note 7)	(141)	6,795
Impairment of fixed assets (Note 7)	19	-
Impairment on goodwill (Note 9)	-	(2,258)
Impairment of intangible assets (Note 10)	(94)	-
Impairment of investment property (Note 8.1)	17,499	(38,264)
Other	75	(224)
	17,358	(33,951)

22.10 Changes in operating provisions

Breakdown of this item in the accompanying consolidated balance sheet for years 2013 and 2012 is as follows:

Year 2013:

	Thousands of Euros		
	Operating insolvencies (Note 13)	Other operating provision	Total
Balance at 31 December 2012 (*)	28,832	29,229	58,061
Provisions	7,268	10,908	18,176
Applications	(4,822)	(1,616)	(6,438)
Reversals	(1,435)	(893)	(2,328)
Transfers and other	(574)	68	(506)
Balance at 31 December 2013	29,269	37,696	66,965

(*) Re-expression data (see Note 2.1)

Year 2012:

	Thousands of Euros (*)		
	Operating insolvencies (Note 13)	Other operating provision	Total
Balance at 31 December 2011	43,910	20,253	64,163
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	29,229	58,061

(*) Re-expression data (see Note 2.1)

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Current provisions classified under "Short-term provisions" include estimated amounts to face possible business contingencies. During 2013 and 2012, EUR 175 thousand and EUR 1,314 thousand, respectively, linked to provisions for conclusion of property developments, was reversed as they no longer apply

At 31 December 2013, "Provisions for traffic insolvencies" includes an accumulated impairment amounting to EUR 609 thousand associated to "Other receivables" under assets in the accompanying consolidated balance sheet.

22.11 Change in inventories of finished goods and in progress

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

	Thousands of Euros	
	2013	2012 (*)
Changes in inventories for recorded expenses /sales	(46,482)	(24,230)
Changes in inventories for impairment (Note 12)	(9,014)	(2,962)
In-house work on assets	159	4
Total	(58,337)	(27,188)

(*) Re-expression data (see Note 2.1)

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 2013, includes mainly EUR 10,144 corresponding to gains on financial transactions.

Further, recorded impairment for year 2013 amounts to EUR 1,148 thousand and refers mainly to financial investments recorded by the Group as "Investments hold for sale" (see Note 13.4.1).

22.13 Audit fees

In 2013 and 2012 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 2013:

Description	Thousands of Euros	
	Services provided by the main auditor	Services provided by other auditing firms
Audit services	336	72
Other verification services	59	-
Total audit services and related services	395	72
Tax and fiscal advice services	-	-
Other Services	3	-
Total	398	72

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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

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

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

	Thousands of Euros	
	Euros	
	2013	2012
Assets:		
Antigua Rehabitalia, S.A. (Note 13.4.2)	16,425	16,222
Makalu Desarrollos Inmobiliarios, S.L. (Note 13.4.2)	20,407	-
Cresca, S.A. (Note 13.4.2)	5,950	-
Pinar de Villanueva, S.L. (Note 13.4.2)	456	-
Other	11	30
Liabilities:		
Pontegrán, S.A.	9,757	10,298
Other	338	-
Transactions:		
Income:	1	-
Expenses	49	77

The item "Other" corresponds mainly to current bank accounts at financial entities subject to market interests rates (Euribor).

24. Remuneration

24.1 Remuneration of Directors

The detail of the remuneration of all kinds earned in 2013 and 2012 by the Directors of Grupo Empresarial San José, S.A., 8 men and 1 women, and of the Group company, jointly controlled entity or associated obliged to pay such remuneration are as follows:

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Type of Directors	Thousands of Euros	
	2013	2012
Executive board members	2,403	3,206
External Independent board members	268	284
Other external board members	8	16
Total	2,679	3,506

The amount for 2013 and 2012 includes Directors' remunerations for the furtherance of their duties as Senior Management for EUR 2,260 thousand and EUR 2,448 thousand, respectively.

At 31 December 2013 and 2012, no advances, loans or other types of guarantees had been granted to the former or current directors and there were no additional pension or life insurance obligations to them. In addition, the Group does not have any other kind of transactions with related parties.

Pursuant to Articles 229 to 231 of the Spanish Companies Law in order to reinforce the transparency of corporations, next a list of companies with the same, similar or supplementary business activities of "Constructora San Jose, 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	Constructora Udra Limitada	Construction	-	20%
Mr. Jacinto Rey González	Udra Argentina, S.A.	Real estate	Chairman (until April 2013)	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 (until July 2013)	3.594%
Mr. Jacinto Rey González	Pinos Altos XR, S.L.	Shareholding	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 Inmobiliaria Perú S.A.C.	Real estate and construction	Chairman	0.000003%

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Mr. Jacinto Rey González	San José Constructora Perú, S.A.	Construction company	Chairman	-
Mr. Jacinto Rey González	San José Tecnologías Perú, S.A.C	Construction and maintenance	Chairman	-
Mr. Jacinto Rey González	San José India Infrastructure & Construction Private Limited	Construction company	Chairman	-
Mr. Jacinto Rey González	Inmobiliaria 2010, S.A.	Real estate	Chairman	-
Mr. Jacinto Rey González	Constructora San José Uruguay	Construction company	Sole Director	-
Mr. Jacinto Rey González	Cimsa Argentina, S.A.	Construction company	Chairman (until April 2013)	-
Mr. Jacinto Rey González	Inmobiliaria Sudamericana de Desarrollos Urbanísticos, S.A.	Real estate	Chairman (until July 2013)	-
Mr. Jacinto Rey González	Centro Comercial Panamericano, S.A.	Real estate	Chairman (until July 2013)	-
Mr. Jacinto Rey González	Tecnoartel, S.A.	Shareholding	Chairman (until April 2013)	-
Mr. Jacinto Rey González	San Jose Construction Group Inc.	Construction company	Chairman	-
Mr. Jacinto Rey González	Sociedad Concesionaria San José – Tecnocontrol, S.A.	Concessionaire	Chairman	-
Mr. Jacinto Rey González	San José Concesiones y Servicios, S.A.U.	Concessionaire	Sole Director	-
Mr. Jacinto Rey González	Argentimo, S.A.	Real estate	Chairman (until April 2013)	-
Mr. Jacinto Rey Laredo	Constructora San José, S.A.	Construction company	Chairman and CEO	-
Mr. Jacinto Rey Laredo	Constructora San José Cabo Verde, S.A.	Construction company	Director	-
Mr. Jacinto Rey Laredo	San Jose Construction Group Inc.	Construction company	Chairman	-
D. Jacinto Rey Laredo	San José France, S.A.	Construction company	Sole Director	-
Mr. Jacinto Rey Laredo	San José Bau GMBH	Construction company	Sole Director	-
Mr. Jacinto Rey Laredo	SJB Mullroser Baugesellschaft MBH	Construction company	Sole Director	-
Mr. Jacinto Rey Laredo	Constructora Udra Limitada	Construction company	Sole Director	-
Mr. Jacinto Rey Laredo	Pinos Altos XR, S.L.	Shareholding	-	22.5%
Mr. Jacinto Rey Laredo	San José India Infrastructure & Construction Private Limited	Construction company	Director	-
Mr. Javier Rey Laredo	Constructora San José, S.A.	Construction company	Director	-
Mr. Javier Rey Laredo	San José Desarrollos Inmobiliaria 2010, S.A.	Real estate	Chairman	-
Mr. Javier Rey Laredo	Lardea, S.L.U.	Real estate	Sole Director	-
Mr. Javier Rey Laredo	Azac, S.A.U.	Real estate	Sole Director	-
Mr. Javier Rey Laredo	Ageinsa	Real estate advisory services	Sole Director	-
Mr. Javier Rey Laredo	Kantega, Desarrollos Inmobiliarios, S.A.	Real estate	Chairman	-

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Mr. Javier Rey Laredo	Parquesoles Portugal SGPS, S.A.	Subscription and purchase of shares	Chairman	-
Mr. Javier Rey Laredo	Comercial Udra, S.A.U.	Trade	Chairman and CEO	-
Mr. Javier Rey Laredo	Cadena de Tiendas, S.A.U.	Trade	Sole Director	-
Mr. Javier Rey Laredo	Top Brands, S.A.	Trade	Vicechairman	-
Mr. Javier Rey Laredo	Editorial Ecoprensa, S.A.	Mass media	Director	-
Mr. Javier Rey Laredo	Unirisco Galicia S.C.R., S.A.	Venture capital company	Director	-
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 SANJOSE Group is disclosed in the separate financial statements of the Parent.

24.2 Remuneration and other benefits of senior executives

The total remuneration of all kinds of the Parent's General Managers and persons discharging similar duties, excluding those who are simultaneously members of the Board of Directors (whose remuneration is disclosed above), is summarised in 2013 and 2012 as follows:

Number of people	Thousands of Euros
Year 2013:	
12 Executives	1,804
Year 2012:	
15 Executives	1,866

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

25. Information on the environment

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

26. Events after the reporting period

According to Note 16.3, after year-end the Group has received the formal approval by financial entities comprising the bank syndicate in Spain regarding the fulfilment of financial ratios established by the terms set out on the loan agreement. Further, the Group, involved in negotiations with the banks, has requested an extension for the payment of EUR 6.4 million, with maturity date on 21 January 2014. As of the date of today, the Group has received a positive response by 86.8% of total Banks and is expecting the response of the remaining financial entities involved.

Under the waiver received, the short-term debt would be reduced by an amount of 1,172.6 million euros, increasing no current liabilities of the consolidated balance sheet of the Group, as the maturity of the debt it is long-term.

There are no other significant events occurred after 31 December 2013 which may have impacted on the accompanying financial statements.

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Appendix I Consolidated subsidiaries

Company	Company Auditor	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)	Urban Development	-	100	-	791
Alexin XXI, S.L.U.	Not audited	Bilbao (Vizcaya).	Urban Development	-	100	-	3
Altiplano Desarrollos Inmobiliarios, S.L.	Not audited	Valladolid	Urban Development	-	100	-	2,612
Aprisco Salvador Inv. Hoteleiros e Imobiliários, Ltda.	Not audited	Brazil	Construction and Real Estate Development	-	100	-	4,090
Argentimo, S.A.	Deloitte, S.L.	Buenos Aires (Argentina)	Urban Development	-	100	-	20,932
Aserex, 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	-	7,590
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)	Urban 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)	Urban 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	City of Panama (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 Urban Development	-	100	-	397
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 San José Timor, Unipessoal Lda.	-	Timor	Construction	100	-	-	4
Constructora Udra Limitada	Deloitte, S.L.	Oporto (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.	Not audited	Pontevedra	Urban Development	100	-	-	20,200
Douro Atlantico Sociedade Imobiliaria, S.A.	Deloitte, S.L.	Oporto (Portugal)	Real estate	-	100	-	17,719
Douro Atlantico, S.L.U.	Deloitte, S.L.	Pontevedra	Real estate	-	100	-	3,579
Edifício Avenida da Liberdade,	Deloitte Portugal	Lisbon (Portugal)	Rental	-	100	-	827
Edifício Duque de Palmela	Deloitte Portugal	Lisbon (Portugal)	Rental	-	100	-	3,750
Edifício Duque de Palmela	Deloitte Portugal	Lisbon (Portugal)	Rental	-	100	-	3,425

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Company	Auditor	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
Eskonef Company	Not audited	Uruguay	Energy	-	100	-	1,552
Athletic King S.A.U. (former Ewan Connection, 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
Grupo 4	Not audited	Madrid	Urban Development Without activity	-	100	-	180
- Hotel Rey Pelayo, S.L.	Not audited	Gijón (Asturias)	Rental	-	100	-	7,508
Hospes Brasil Participaciones e Empreendimientos Lda.	-	Brazil	Construction and Urban Development	-	100	-	423
Inmobiliaria 2010, S.A.	Deloitte Perú	Lima (Peru)	Construction and Urban Development	-	100	-	1,294
Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U.	Not audited	Pontevedra	Urban Development	-	100	-	60
Inmobiliaria Europea de Desarrollos Urbanísticos, S.A.U.	Not audited	Pontevedra	Urban Development	-	100	-	9,184
Inmobiliaria Sudamericana de Desarrollos Urbanísticos, S.A.	Deloitte, S.L.	Buenos Aires (Argentina)	Urban Development	-	100	-	680
Inmoprado Laguna, S.L.	Not audited	Valladolid	Urban Development	-	100	-	4,950
Inversiones San José Chile, Limitada	Not audited	Santiago de Chile (Chile)	Investment and real estate	-	100	-	22
Inversiones San Jose 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	Urban Development	-	100	-	26,328
Otoño, S.L.	Not audited	Valladolid	Without activity	-	67	-	42
Outdoor King, S.A.U.	Not audited	Madrid	Manufacturing, storage and distribution of goods	-	100	-	60
O&M Parc de L'Alba ST-4, 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	-	100	-	98
Parquesoles Portugal SGPS, S.A.	Deloitte Portugal	Lisbon (Portugal)	Holding company	-	100	-	14,325
Parquesoles Inmobiliaria y Proyectos, S.A.	Deloitte Portugal	Lisbon (Portugal)	Urban Development	-	100	-	9,840
Parsipanny Corp. S.A.	-	Uruguay	Real estate	-	51.72	48.28	722
- Poligeneraciones parc de L'Alba, S.A.	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 (Romanía)	Production and trade of electric energy by renewable energy resources	-	75	-	8
Puerta de Segura, S.A.	-	Uruguay	Industrial, Trade	-	51.72	48.28	5,086
Rexa Constructora S.A.	Deloitte Perú	Lima (Peru)	Construction	-	100	-	484
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
Runnig 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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	Auditor	Address	Activity	companies			Thousands of Euros
				Direct	Indirect	Other	
San José Concesiones y Servicios, S.A.U.	Not audited	Pontevedra	Provisions of health care and social services	100	-	-	2,446
San Jose Construction Group, Inc.	Not audited	Washington (USA)	Construction	-	78.19	-	19,402
- San Jose Desarrollos Inmobiliarios, S.A.	Deloitte, S.L.	Pontevedra	Urban Development	98.69	-	-	123,675
San José Colombia, S.A.S.	Not audited	Le Havre (France)	Holding company	-	100	-	982
San José Maroc, S.A.R.L.A.U.	-	Rabat (Morocco)	Construction	-	100	-	5
San José Perú, S.A.C.	Deloitte, S.L.	Lima (Peru)	Construction	-	100	-	9,075
San José Congo, S.A.	-	Republic of Congo	Construction	-	70	-	10
San José Tecnologías Chile Limitada	-	Santiago de Chile (Chile)	Construction	99.9	-	-	1
San José India Infrastructure & Construction Private Limited	Not audited	New Delhi (India)	Development, construction and operation of Infrastructure	-	99.99	0.01	1,851
San Jose Mahavir Supreme Building One Private Limited	Not audited	New Delhi (India)	Construction	-	51	-	-
San José Real Estate Development, LLC	Not audited	Delaware (USA)	Urban Development	-	100	-	394
San José Uruguay, S.A.	Not audited	Colonia Sacramento (Uruguay)	Industrialisation and Trade	-	100	-	10
San Jose Energía y Medio Ambiente, S.A.	Not audited	Pontevedra	Energy production	99.99	0.01	-	4,039
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)	Infrastructure Concessions	-	100	-	15,948
San Jose Constructora Chile Ltda.	Deloitte Chile	Santiago de Chile (Chile)	Construction	-	100	-	20
SJB Müllroser	Wisbert & Partner	Müllroser (Germany)	Construction	100	-	-	730
Sofía Hoteles, S.L.U.	Not audited	Valladolid	Management of "Tryp Sofia" Hotel located in Valladolid	-	100	-	19,130
SUPRA Desarrollos Inmobiliarios, S.L.	Not audited	Seville	Urban Development	-	55	45	6
Constructora San José Timor, Unipessoal Lda.	-	Timor	Construction	100	-	-	4
Tecnoartel Argentina, S.A.	Deloitte Argentina	Buenos Aires (Argentina)	Maintenance and facilities	-	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)	Audit services	-	100	-	T
Tecnocontrol Sistemas de Seguridad, S.A.U.	Not audited	Tres Cantos (Madrid)	Maintenance of security systems	-	100	-	120
Tecnocontrol Chile Ltda.	-	Santiago de Chile (Chile)	Construction	99.9	-	-	1
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
- Udramedios Editora de Galicia, S.L.	Not audited	Galicia	Press	-	100	-	4
Udra Mexico S.A. de C.V.	Not audited	Mexico	Construction company	-	100	-	4,110
- Udralar, S.L.U.	Not audited	Tres Cantos (Madrid)	Real estate	-	100	-	3
- Udramar Inmobiliaria, S.L.U.	Not audited	Tres Cantos (Madrid)	Real estate	-	100	-	3
- Udrasol Inmobiliaria, S.L.U.	Not audited	Tres Cantos (Madrid)	Real estate	-	100	-	3
- Udrasol Inmobiliaria, S.L.U.	Not audited	Tres Cantos (Madrid)	Real estate	-	100	-	3
- Urbemasa, S.A.U.	Not audited	Valladolid	Without activity	-	100	-	329
Vision King S.A.U. (former Fashion Connection, S.A.U.)	Not audited	Madrid	Trade, distribution, import and export of clothes	-	100	-	60
- Xornal de Galicia, S.A.U.	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	-	52.53	100	2,609

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Appendix II Consolidated subsidiaries

Company	Audit company	Address	Activity	% of voting rights controlled by Parent companies			Ownership cost Thousands of Euros
				Direct	Indirect	Other	
Pontegrán, S.L.	Deloitte, S.L.	Madrid	Urban Development	-	45	55	11,509
Corporación San Bernat, SCR,SA (Corsabe)	Audihispana	Barcelona	Shareholding	-	28	-	4,205
Antigua Rehabitalia, S.A.	Deloitte, S.L.	Madrid	Urban Development	-	40	60	480
Desarrollo Urbanfstico Chamartín, S.A.	Deloitte, S.L.	Madrid	Urban Development	-	27.5	72.5	23,341
Fingano, S.A.	-	Buenos Aires (Argentina)	Urban Development	-	100	-	-
Panamerican Mall, S.A.	KPMG	Buenos Aires (Argentina)	Urban Development	-	20	80	17,914
Villa del Prado Patrimonio, S.L.	-	Valladolid	Without activity	-	50	50	27
Villa del Prado Gestión, S.L.	-	Valladolid	Without activity	-	50	50	3
Desarrollos Inmobiliarios Makalu, S.L. (1)	Deloitte, S.L. S.L.	Madrid	Urban Development	-	50	50	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	50	3,698
Sanjose Supreme Tollways Development Private Limited	-	New Delhi (India)	Construction	-	60	-	-
Pinar de Villanueva, S.L.	-	Valladolid	Operation of rural plots of land, buildings and real estate development	-	50	50	9,427
Kantega, Desarrollos Inmobiliarios, S.A.	-	Seville	Urban Development	-	50	50	5,601

Appendix III

1. Joint ventures:

Joint ventures	Ownership %	Thousands of Euros Certificates issued/Income (100% JV)	Status
Pista 18	25%	-	Pending settlement
Torrelaguna	50%	-	In progress
Puente Genil	100%	-	Pending settlement
Hospital Xeral De Lugo	50%	-	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%	-	Pending settlement
Almanjayar	75%	-	In progress
Plaza El Arbol	20%	-	Pending settlement
Variante Iscar	100%	-	Pending settlement
A.I. La Nava	100%	-	In progress
Chiclana	100%	-	Pending settlement
Acceso Zona Contacto Toledo	100%	-	Pending settlement
San Lucar	100%	-	Pending settlement
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%	606	In progress
Casa de niños	100%	-	Pending settlement
Jabalón (Manserja)	40%	-	Pending settlement
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%	-	Pending settlement
Piscina Parla	60%	-	In progress
Ac-301 Padron	100%	-	Pending settlement
Viviendas Alcosa	80%	-	In progress
Resultado Edificio Ciudad Cultura	50%	-	In progress
Metro Boadilla	30%	-	Pending settlement
Nueva Ciudad Deportiva De Umbrete En Sevilla	100%	-	In progress
Ceb Mallorca	55%	-	Pending settlement
Alcorcon	100%	-	In progress

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Translation into English of consolidated financial statements for the year ending 31 December 2013 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails

Jarosa El Escorial	100%	-	Pending settlement
El Puerto	100%	-	In progress
Autovía A-50 Salamanca	100%	-	In progress
Hospital Asturias	43%	133	In progress
M-40 Pau Las Tablas	50%	-	Pending settlement
Puerto De La Atunara	80%	-	Pending settlement
Depuradora Cutar	20%	-	Pending settlement
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%	83	In progress
Autovia Encinas Reales Cordoba	70%	12	In progress
Estadi Municipal Montcada	20%	-	Pending settlement
Ceip San Jordi	20%	-	Pending settlement
Embalse Contreras	50%	-	In progress
Estacion Ave Zaragoza	55%	-	Pending settlement
Ceip San Jose Calasanz - Bigastro	60%	-	In progress
Adecuacion Edificio Camara De Comercio	60%	-	Pending settlement
Centro De Salud Lucero En Madrid	70%	-	In progress
Reforma Bologicas-Uv	60%	-	In progress
Industrial Engineering	50%	11	In progress
Hospital De Guadix	100%	-	In progress
Oeña	70%	-	In progress
Zona Comercial Aeropuerto Menorca	50%	-	In progress
Colegio Alameda De Osuna	65%	-	In progress
Autovía Verín-Frontera Portuguesa	50%	136	In progress
Regadio Canal Del Páramo Bajo	50%	-	In progress
Valdebebas Lote 6	50%	-	In progress
Paso Inferior Ifema	50%	-	In progress
Anillo Norte Estación Delicias	63%	-	In progress
Hospital De Plasencia	45%	-	In progress
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%	-	In progress
Csj-Obremo	67%	-	In progress
Parque De Bomberos	51%	-	In progress
Escuela Universitaria De Magisterio	80%	-	In progress
Mieres	60%	-	In progress
Ensanche Barajas	50%	-	In progress
Vall Nuria	20%	-	Pending settlement
Vilanova	20%	-	Pending settlement
Etsi Universidad Valencia	80%	-	In progress
Hotel Colon Sevilla	70%	-	In progress
San Jose El Ejidillo E	60%	-	In progress
San Jose El Ejidillo E	60%	-	In progress
Nave Ind. Vicalvaro	60%	-	Pending settlement
Hospital Gandia	70%	-	In progress

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Fase II H. Juan Canalejo La Coruña	50%	-	In progress
Palacio Justicia Paterna	60%	-	In progress
Jardineria Ifema	60%	-	In progress
Parque Fuensanta	60%	-	In progress
Zonas Verdes Ferrol	60%	1,030	In progress
Ajardinamiento Y Mejora Elup De Calles Juan Vera	60%	-	Pending settlement
Vpo La Torre Valencia	50%	-	Pending settlement
Castell De Castells	70%	-	Pending settlement
Csj-Guamar Malaga	60%	-	In progress
Rehabilitacion Poboado Mineiro Fontao	100%	-	In progress
Casco Historico Cartagena	60%	-	In progress
San Jose El Ejidillo Paseo De Europa	70%	-	In progress
Depuradora Cutar	20%	-	Pending settlement
Hosp. Verge Cinta	20%	-	Pending settlement
Tratamiento Agua Potable Villanubla	20%	-	Pending settlement
Vall Nuria	20%	-	Pending settlement
Vilanova	20%	-	Pending settlement
Campo De Futbol Ciudad Jardin (Malaga)	75%	-	Pending settlement
Sistema Luces Aeropuerto	20%	-	Pending settlement
Santa Maria De La Isla	20%	-	Pending settlement
Renovacion Red De Saneamiento Teruel	20%	-	Pending settlement
Tratamiento Agua Potable Villanubla	20%	-	Pending settlement
Coveta Fuma	20%	-	Pending settlement
Captacion Bombeo Cubillo De Butron	20%	-	Pending settlement
Abastecimiento Fuensalafia	20%	-	Pending settlement
Agua Potable Proteccion Legionelosis	20%	-	Pending settlement
Almuradiel	20%	-	Pending settlement
Saneamiento En Kareaga Goikoa	20%	-	Pending settlement
Desagüe De Pluviales Ronda Parque	20%	-	Pending settlement
Ciudad De La Luz - Alicante	20%	-	Pending settlement
Ciudad De La Luz - Alicante	20%	-	Pending settlement
Lagunilla en curso	70%	-	Pending settlement
Tecno-Cimsa Alumbrado Camino Carmen	20%	-	Pending settlement
Construccion De Un Centro Ludico-Acuatico En Montecerroa	50%	-	Pending settlement
Arcade Pontecaldelas Cimsa	50%	-	Pending settlement
Son Tous - Tecnocontrol Cimsa	20%	-	Pending settlement
Facultad De Ciencias (Puerto Real)	100%	-	Settled
Reforma Radioterapia H. Virgen Del Rocio	50%	-	In progress
Edificio Multiusos Telde	60%	-	In progress
S. Jose-Cimsa-Rodio O/Montijo	90%	-	In progress
San Jose-Abengoa O/La Lama	75%	-	In progress
Novo Hospital	95%	-	In progress
Andujar	80%	-	Pending settlement
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%	-	Pending settlement

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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%	1,579	In progress
El Ejidillo Plaza Castilla	60%	115	In progress
Miamán Ponte Ambia	70%	16,164	In progress
Ejidillo Las Rozas	60%	-	In progress
Ampliación Aeropuerto Vigo	50%	8,952	In progress
Ejidillo Valladolid	60%	1,509	In progress
Edificio Aeronautic Suppliers Village	80%	-	In progress
Kultur Etxea Hondarribia	100%	301	In progress
Guardería Pabellón Deportivo	75%	-	In progress
Hospital Albacete	38%	845	In progress
Movimiento tierras Ikea	55%	-	In progress
Etap Monforte de Lemos	50%	3,921	In progress
Villanueva de la Jara	50%	7	In progress
Central eléctrica AE Santiago	60%	(133)	In progress
Desaldora el Mojón	25%	-	In progress
Cerdañola Vallés	95%	-	In progress
Cabildo Insular	50%	-	In progress
Inhuca	35%	470	In progress
Movimiento tierras Ikea II	55%	-	In progress
Torre Iberdrola	30%	497	In progress
Edificio Binter canarias	45%	-	In progress
200 vvdas nuevo amate	100%	758	In progress
Variante pajares - lote sur	60%	12,558	In progress
Consultorio cruz roja bilbao	100%	-	In progress
Ute Universidad De Santiago	100%	-	Pending settlement
Instalaciones Eléctricas Hospital De Lugo	34%	3	In progress
Cymitec Serv.Centrales Ciudad De La Cultura Santiago	50%	2	In progress
Ute Alcalá De Henares	60%	118	In progress
Ute Edificio Transferencia Conocimeinto	80%	3,201	In progress
Ute Edificio Lucía	60%	19	In progress
Ute Proyecto Mejora Carretera Destriana	60%	3,522	In progress
Ute San Jose Ejidillo Ifema2	60%	109	In progress
San Jose El Ejidillo E	58%	7,336	In progress
Ute Mob Y Equip Aeropuerto Gc	60%	88	In progress
Ute Residencia Real Madrid	50%	14,475	In progress
Ute San Jose Ejidillo Ifema2	60%	223	In progress
Pista Aeropuerto De Alicante	50%	-	In progress
Planta de reciclaje Colmenar	50%	1	In progress
Campo de football la Vinyassa	52%	-	In progress
Universidad De Santiago	80%	-	In progress
Clima Terminal Sud	50%	2,002	In progress
Hospital Valle del Guadiato	60%	-	In progress
Estación autobuses Vitoria	60%	-	In progress

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Casco Historico Cartagen	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%	-	Pending settlement
Operation and maintenance of security services of Barajas airport	50%	-	In progress
Ute Nuevo Centro Dos líneas IES Badaia	70%	1,870	In progress
Ute Colegio Dos Hermanas	50%	34	In progress
Ute AC-348 Paso Superior Benigamin	50%	152	In progress
Xardins de Ferrol	60%	72	In progress
Ute Hospital Cabra	75%	-	In progress
Ute Ccip Tipo C2 Huerto del Prado	60%	2,110	In progress
El Regueron	33%	85	In progress

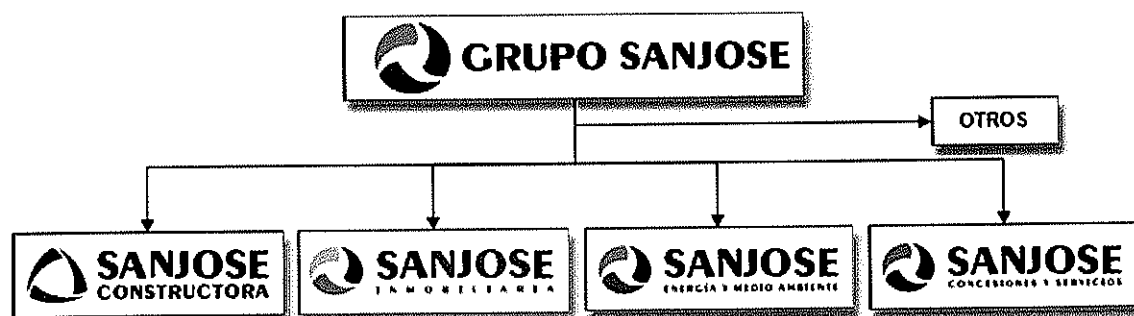
GRUPO EMPRESARIAL SAN JOSE, S.A. AND SUBSIDIARIES

Consolidated Directors' Report for year 2013

1. Situation of the Company

1.1. Organisational Structure

Grupo SANJOSE is arranged as a group of companies operating in different sectors. Thus, there are four business lines of activity which may be clearly differentiated, although there are also other minor lines of activity (trade, stockbreeding, agriculture, etc.) with less significance for the Group:



The top management agent is the Board of Directors, responsible for the strategic management of the corporation, the allocation of resources and corporate control, as well as accountancy and financial statements. All this, with the daily support and collaboration of non-director executives of the Group. Further, directives of each business line provide their knowledge in order to adopt the best decisions for each sector.

1.2. Performance

The business model of the Group is to create a diversified group regarding both, geographic distribution and lines of activity as a way of being less exposed to the risk inherent to a single activity. The Company has a clear international vocation, becoming increasingly important activities developed overseas, with a higher significance in the turnover of the Company.

Regarding geographical distribution of the Group, together with Spain (main business market), main international markets in year 2013 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

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The company has the following objectives by activity:

Construction: To continue to increase geographic diversification in order to improve efficiency. The goal of the company is to become a global company while staying still to its identifying signs of quality and deadlines while increasing its presence in international profitable markets with interesting business opportunities.

Real estate: Real estate activities are focussed in Peru where the company intends to keep on sale and commissioning of urban developments without reducing profitability.

Concessions: The Company has moved this branch of activity at an international level. The commissioning of the Hospitals of Chile, completed in the second term of year 2013, the successful awarding of the "Rutas del Loa" Highway in Chile for a period of 35 years under concession regime strengthen the concessions backlog which amounts to EUR 1,194 million.

Energy: In addition to the polygeneration plant of Cerdanyola del Vallés, the Grupo has two wind farms in Uruguay with a total power of 90 MW. At the end of year 2013 has begun construction of the first park, while the second will begin during the year 2014. These projects guarantee a long-term recurring revenue.

The main purpose of the Company is to balance the join revenue of the company with a higher significance of international business, boosting the development of countries where we operate, as well as searching new business opportunities and increasing the concessions and services division.

2. Evolution of the market

2.1. Evolution of the market

The following table reflects the main features of the construction sector before and after the current economic situation, which was started at the end of 2007, and the mortgage crisis of international financial markets:

1998 – first semester 2007

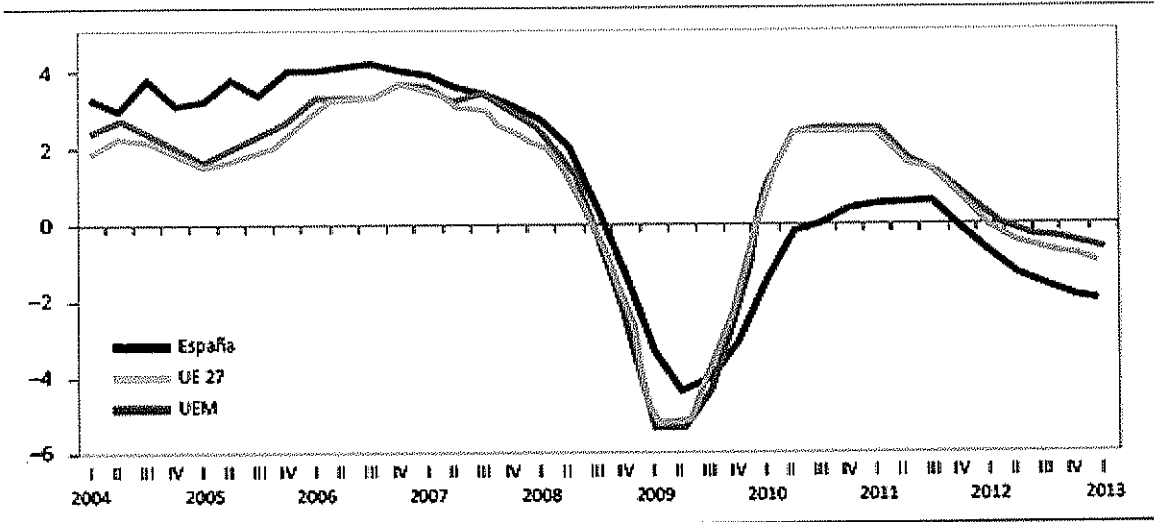
- Economic boom
- Economic stability within the UE
- Availability of cash and credits: fast growth due to heavy cheap ineptness
- High demand
- Low interest rates
- High level of public expenditure

Second semester 2007 until present

- Change: slowdown in GDP growth and employment.
- Instability within the UE
- Restrictions to credits. Lack of liquidity
- High offer.
- High interest rates.
- Limited public expenditure. Significant reduction of invitations to tender by Public Administrations.

All this has resulted in a significant reduction of activity since 2007 up to now, not only in Spain but in Europe in general.

Gross Domestic Product Evolution in Spain and Europe Annual Changes in real terms and %



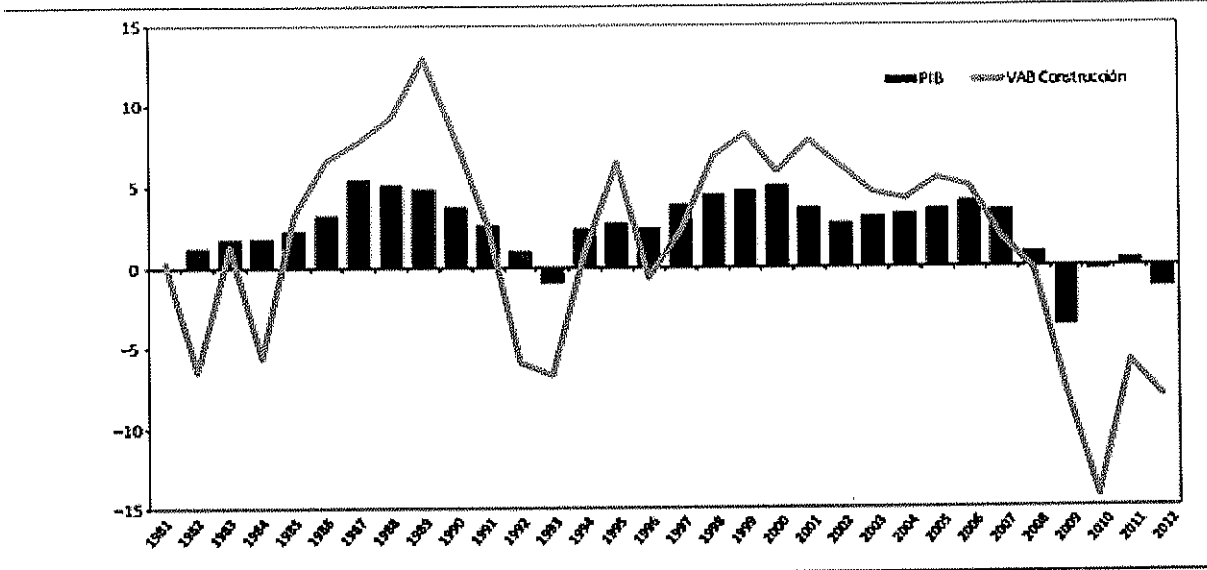
Fuente: INE, Eurostat

Impact of construction within the overall economy of Spain is very significant. Its importance has been increasingly reduced over the last years.

Its importance lies in the important effect of the construction sector on the whole economy, due to the effect on intermediate suppliers and because it provides the country with the necessary infrastructure to boost the economy, contributing to increase productivity and long-term growth capacity of the economy in general.

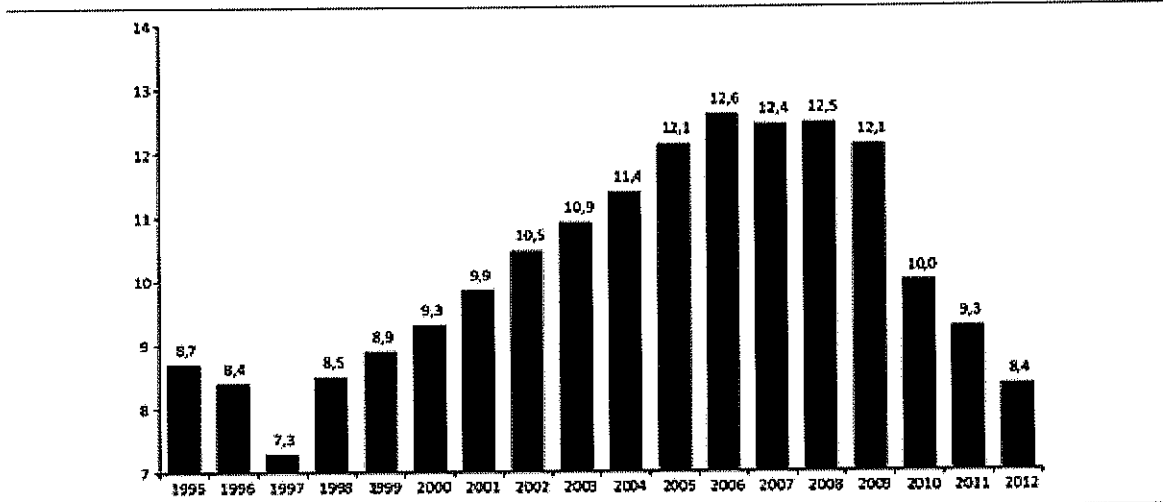
The following graph shows the GVA (gross value added) contributed by the construction sector in Spain to total GDP (gross domestic product).

Gross Value added by the construction (VAB) and Gross Domestic Product (PIB) in Spain



Fuente: CNTR, INE

Gross Value added by the construction (VAB) participation in Gross Domestic Product (PIB) in Spain



Fuente: Años 1995 a 1999, estimación SEOPAN, CNTR, INE

2013 has been a turning point in the national economy. The aggregate annual change in 2013 is estimated at -1.2%, in the third quarter the quarterly rate of GDP has increased by 0.1% and in the fourth quarter the estimated increase is 0.3% (data from INE), technically out of the recession. The causes of growth have been the increase of visitors from the tourism sector, increasing domestic consumption as a consequence of the bonus granted to civil servants and the good performance of certain sectors, such as the car industry and the gradual deleveraging of Spanish families.

The changing trend of the Spanish economy has been well seen from the outside. The risk premium has declined from 400 basis points in early 2013, up 220 points to end. Foreign investments until September 2013 doubled

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compared to the same period last year. In the second half both have invested in real estate assets as of Spanish companies taking significant positions in listed companies belonging to the IBEX 35.

In order to consolidate this economic change, certain aspects, such as employment, public debt and public deficit.

With regard to employment, in the last twelve months unemployment has fallen in 69,100 people (EPA data), however this positive development is offset by the occupation, the same period has declined by 198,900 people, causing the rate December 2013 unemployment to be within the remaining 26.03% over the previous year.

The public debt amounted, at the end of 2013, to 94% of GDP, which is the highest figure in the country's history. Although this figure is slightly lower than the government forecast, recording an increase of 8.7% compared to that recorded at the end of 2012.

CPI of Spain in 2013 stood at 0.2%, representing the lowest annual rate of all times; this contrasts with year 2012 which amounted to 2.9% due to the increase of VAT and the increase in energy prices. This data along with the CPI for January 2014 may involve of a possible deflation not only in Spain but in the euro area and should be closely monitored by the European Central Bank and may involve higher interest rates in the short-term.

Although there is still a long way to recover the full economic activity in Spain, recovery is a fact and this is confirmed by the IMF estimates a growth forecast for Spain of 0.6% and 0.8%, for the years 2014 and 2015 respectively. As for the euro area, the forecast will be 1.0% and 1.4% for the years 2014 and 2015, respectively.

In addition to the domestic market the Company is also present in Middle East, South America and Asia. At year end 2013 the volume of foreign business stands at 42% of the total turnover of the Company compared to 36% for the year 2012. Growth forecast for 2014 is 3.3% for the Middle East ; 3.0% for South America, 5.4% for India and 5.1% for the area of Indonesia. These projections highlight the successful internationalization policy of the Company.

The main national markets in which the Company operates, construction and real estate continue to be heavily affected by the crisis despite the beginning of the economic recovery. Its effects in the fields of construction and real estate are:

- In the construction sector, in 2013 the tendering of public works amounted to EUR 9.142 million of (SEOPAN data) which means an increase of 22.9% over 2013. Though the data is positive, there is still a long way to go to reach EUR 46,690 million that was in 2006.
- In 2013, prices in the real estate sector declined by 1.25% to an adjustment of prices accumulating 31.12% since the beginning of the crisis. The volume of home sales has decreased by 0.48% last year, reaching the lowest level since 2004. During the year 2013 we have other data that shed some light on the sector and which we see opportunities business as, for example, that in the last two quarters of the price of housing has experienced increases and home buying by foreigners has grown.

Regarding the Euro zone, IMF expects growth forecast by 1,0% for 2014 with Germany and France on the top.

Given this macroeconomic situation, the Company has as basic line of business the effort to improve profitability, being flexible in adapting its structure to the existing reality today in Spain, and further strengthen its intention to submit a business with a diversification and increasing internationalization.

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

The Company has increased its backlog by EUR 3,164 million, ensuring its future at both, short and long term with the execution of projects and the development of concessions and energy projects under concession regime.

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2.2. Main figures of the GROUP

Next are enclosed the main consolidated figures of Grupo SANJOSE for year 2013¹:

¹ On 1 January 2013, Grupo SANJOSE has exercised right granted by IAS 31 integrating by "equity method" the stake in joint ventures. In order to provide consistent information, financial information for year 2012 includes the effect of the re-expression pursuant to applicable accounting standards.

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Consolidated Balance Sheet²

Thousands of Euros

	Dec. 13	Dec. 12	Var.
	Amount	Amount	
Intangible assets	18,564	20,690	-10.3%
Property, plant and equipment	54,848	53,980	1.6%
Real state investments	487,349	499,929	-2.5%
Investments accounted	106,403	110,071	-3.3%
Long term financial investments	181,636	113,385	60.2%
Deferred taxes assets	199,003	145,433	36.8%
Goodwill on consolidation	13,207	13,207	0.0%
TOTAL NON-CURRENT ASSETS	1,061,010	956,695	10.9%
Inventories	864,224	1,106,971	-21.9%
Trade and other receivables	311,672	373,103	-16.5%
Other short term financial investments	68,758	160,969	-57.3%
Cash and cash equivalents	159,581	197,398	-19.2%
TOTAL CURRENT ASSETS	1,404,235	1,838,441	-23.6%
TOTAL ASSETS	2,465,245	2,795,136	-11.8%

Thousands of Euros

	Dec. 13	Dec. 12	Var.
	Amount	Amount	
Equity attributable to shareholders of the parent	50,879	226,410	-77.5%
Minority interest	15,300	20,635	-25.9%
TOTAL EQUITY	66,179	247,045	-73.2%
Long term provisions	58,787	44,725	31.4%
Long term financial liabilities	1,394,975	1,551,559	-10.1%
Long term derivative financial contracts	30,137	34,683	-13.1%
Deferred taxes liabilities	52,686	68,647	-23.3%
Other long term liabilities	8,211	14,482	-43.3%
TOTAL NON CURRENT LIABILITIES	1,544,797	1,714,096	-7.5%
Short term provisions	37,696	29,229	29.0%
Short term financial liabilities	419,665	380,617	10.3%
Payables to related companies	9,892	10,456	-5.4%
Trade accounts and other current payables	387,016	413,693	-6.4%
TOTAL CURRENT LIABILITIES	854,269	833,995	2.4%
TOTAL EQUITY & LIABILITIES	2,465,245	2,795,136	-11.8%

² Despite consolidated financial statements at 31 December 2013 of Grupo SANJOSE record this amount as current liabilities, pursuant to applicable accounting standards and taking into consideration that formal immunity regarding the fulfilment of financial ratios set out by the terms of the syndicated credit in Spain was finally granted, the accompanying consolidated balance sheet at 31 December 2013 classified as non-current a total of EUR 1,172.6 million which correspond to non-current liabilities of the syndicated credit in Spain.

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Consolidated income statement:

Thousands of Euros		Grupo SANJOSE		
		Dec. 13	Dec.12	Var.(%)
Revenue		567,447	655,705	-13.5%
Operating cash flow (EBITDA)		37,770	87,939	-57.0%
	EBITDA margin	6.7%	13.4%	
Ordinary operating profit (EBIT)		-161,418	-79,184	103.9%
	EBIT margin	-28.4%	-12.1%	
Earnings before tax of continued operations		-219,621	-142,234	54.4%
Consolidated result		-158,582	-99,315	59.7%
Minority Interest		-3,340	-2,230	-
Net profit attributable to the Parent Company		-155,242	-97,085	59.9%
Backlog (millions of euros)		3,164	1,933	63.7%

Revenue

Revenue of Grupo SANJOSE for year 2013 stands at EUR 567.4 million, representing a 13.5% decrease regarding the previous year.

Thousands of Euros		Grupo SANJOSE		
		Dec. 13	Dec.12	Var.(%)
Revenues by activity				
Construction	427,126 75%	501,092 76%	-14.8%	
Real estate and property development	85,737 15%	91,627 14%	-6.4%	
Energy	11,586 2%	11,293 2%	2.6%	
Concessions and services	108,285 19%	130,631 20%	-17.1%	
Adjustment and other	-65,287 -12%	-78,938 -12%		
TOTAL	567,447	655,705	-13.5%	

By line of activity, main variations recorded are as follows: Concessions and services (-17.1%), due to the completion and delivery of the Hospitals of Chile; Construcción (-14.8%), due to the limitations of public and private calls to tender, as well as to the delay in the implementation of projects; Real Estate (-6.4%), due to the slow-down of local market and the adjustment of prices.

Thousands of Euros		Grupo SANJOSE		
		Dec. 13	Dec.12	Var.(%)
Revenues by geography				
National	308,033 54%	423,972 65%	-27.3%	
International	259,414 46%	231,733 35%	11.9%	
TOTAL	567,447	655,705	-13.5%	

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Revenue decrease (13.5%) focuses on local market, recording a 27.3% decrease. However, international market continues the trend of the last years and continues to increase – 11.9% increase in year 2013 regarding year 2012-, and well as its percentage regarding total revenue of the Group - 46% in 2013 regarding 35% 2012—.

Profits:

Grupo SANJOSE's EBITDA for year 2013 amounted to EUR 37.8 million, or 6.7% of annual revenue.

Regarding year 2012, profits have decreased 57.0%; details by sector are as follows: Concessions and services (-69.2%), due to the commissioning of the Hospitals of Chile; Construction (-63.2%), due to limitations of local markets and the adjustments of the hospitals of Chile; Real Estate (-38.1%) due to the slowdown of local market and adjustment of prices.

The breakdown of EBITDA by sector is as follows:

EBITDA by activity	Grupo SANJOSE		
	Dec. 13	Dec.12	Var.(%)
Construction	11,034 29%	30,023 34%	-63.2%
Real estate and property development	18,171 48%	29,346 33%	-38.1%
Energy	2,630 7%	2,360 3%	11.4%
Concessions and services	8,368 22%	27,209 31%	-69.2%
Adjustment and other	-2,433 -6%	-999 -1%	
TOTAL	37,770	87,939	-57.0%

EBIT for year 2013 is EUR (-161.4) million due to the impairment of real estate assets, which amounts to EUR 173.4 million compared to EUR 148.4 million in year 2012.

If the impairment of real estate assets had not been taken into consideration, EBIT would have been EUR 12.0 million.

Earnings after taxes for year 2013 amounted to EUR (-158.6) million in comparison to EUR (-99.3) million in 2012.

Net equity

Net equity of the company at 31 December 2013 amounted to EUR 66.2 million; main variation is due to profits/(loss) recorded for the year.

At 31 December 2013, Net Equity of the Group consists of 65.0 million of shares, involving a total of EUR 1.0177 per share.

Stock market information is available on Note 9.

Backlog

Grupo SANJOSE's future backlog at 31 December 2013 amounts to EUR 3,164 million, which represents 63.7% increase regarding year 2012 (EUR 1,933 million).

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Thousands of Euros

BACKLOG by segment	Grupo SANJOSE				
	Dec. 13		Dec.12		Var.(%)
Construction	1,167	37%	724	37%	61.2%
Civil works	369	12%	237	12%	55.6%
Non residential building	746	23%	403	21%	85.0%
Residential building	39	1%	71	4%	-45.6%
Industrial	13	0%	12	1%	6.6%
Energy	803	25%	821	42%	-2.2%
Concessions and services	1,194	38%	388	20%	207.8%
Maintenance	30	1%	31	2%	-3.9%
Concessions	1,164	37%	357	18%	226.4%
TOTAL BACKLOG	3,164	100%	1,933	100%	63.7%

Thousands of Euros

BACKLOG by geography	Grupo SANJOSE				
	Dec. 13		Dec.12		Var.(%)
National	909	29%	1,005	52%	-9.5%
International	2,255	71%	928	48%	143.0%
TOTAL BACKLOG	3,164		1,933		63.7%

Thousands of Euros

BACKLOG by client	Grupo SANJOSE				
	Dec. 13		Dec.12		Var.(%)
Public client	1,975	62%	1,095	57%	80.4%
Private client	1,189	38%	838	43%	41.9%
TOTAL BACKLOG	3,164		1,933		63.7%

Backlog has increased at international level amounting at 31 December 2013 to EUR 2.255 million, which represent 71% total backlog compared to 48% at 31 December 2012; this figure indicates the high level of internationalisation reached by the Company.

By branch of activity, construction amounts to EUR 1,167 million, recording 61.2% increase regarding 31 December 2012. Concessions increased 207.8% amounting to EUR 1,194 million.

2.3. Analysis by activity

Construction

This business line has generated a total revenue of EUR 427.1 million in the year 2013, representing a reduction of 14.8 % regarding 2012. Said reduction has focused on local markets with a 32.1% reduction, while construction activity in international markets has increased 16.8%.

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EBITDA for 2013 amounted to EUR 11.0 million. The reduction recorded regarding year 2012 is due to activity decrease in the domestic market, the delay in the commissioning of works and the adjustment of the profitability of the Hospitals Chile.

Due to reasons not attributable to the Group, including, yet not limited to, the delay in receiving materials due to strike of port workers in Chile, modifications of the initial project, additional costs have been incurred into and shall be charged to relevant Chilean agencies. Until final recognition of these amounts payable by the Chilean Government to the Company in compensation for said additional costs, the Group has recorded the same negatively.

Thousands of Euros			
CONSTRUCTION	Grupo SANJOSE		
	Dec. 13	Dec.12	Var.(%)
Revenue	427,126	501,092	-14.8%
Earnings before interest, taxes, D&A (EBITDA)	11,034	30,023	-63.2%
EBITDA margin	2.6%	7.1%	
Earnings before interest and taxes (EBIT)	876	16,380	-94.7%
EBIT margin	0.2%	5.6%	
Earnings before tax of continued operations	2,827	24,258	-88.3%
Backlog (millions of euros)	1,167	724	61.2%

The breakdown of construction revenues of Grupo SANJOSE by type of work and geographic area is as follows:

Thousands of Euros						
DETAIL OF CONSTRUCTION REVENUES	National		Internac.		Total	
	Civil works	52,840	24%	2,391	1%	55,232
Non residential building	139,930	64%	173,732	84%	313,663	73%
Residential building	16,097	7%	31,711	15%	47,808	11%
Industrial	10,424	5%	0	0%	10,424	2%
TOTAL	219,291	51%	207,835	49%	427,126	

Construction income from International markets has increase 16.8% in year 2013 in comparison with year 2012 and stands at EUR 207.8 million, 49% from construction activities (36% in 2012).

Real Estate

At year end, the Real Estate division recorded revenue amounting to EUR 85.7 million, showing a 6.4% decrease regarding year 2012. Revenue decrease is due to the slowdown and price adjustment of domestic real estate market.

EBITDA for year 2013 amounts to EUR 18.2 million, 38.1% less than in year 2012. Decrease is due to transfer in payment which involve a reduction of the financial debt of the real estate activity of 24.9 EUR million during year 2013.

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Thousands of Euros

REAL ESTATE AND PROPERTY DEVELOPMENT	Grupo SANJOSE		
	Dec. 13	Dec.12	Var.(%)
Revenue	85,737	91,627	-6.4%
Earnings before interest, taxes, D&A (EBITDA)	18,171	29,346	-38.1%
EBITDA margin	21.2%	32.0%	
Earnings before interest and taxes (EBIT)	-167,396	-132,611	26.2%
EBIT margin	-195.2%	-144.7%	
Earnings before tax of continued operations	-209,591	-168,683	24.3%

Recurrent income from leases for year 2013 amounts to EUR 22.4 million, representing 26% total revenue (EUR 32.3 million and 35% in year 2012).

Average occupation rate of real estate assets for leasing amounted in year 2013 to 67.1% (82.9%, at 2012 year-end).

Regarding the sales of commissioned housing units in 2013, title deeds for a total value of EUR 57.3 million (789 units) have been conducted, yet pre-sale contracts at 31 December 2013 amounted to EUR 36.1 million (321 units).

REAL PROPERTY ACTIVITY	Dec. 13					
	units			Miles €		
Pre-sales inicial stock 01/01/13	107	442	549	31,658	25,618	57,276
	National	Internat	Total	National	Internat	Total
Pre-sales for the period (*)	73	491	564	8,040	29,462	37,503
Grupo SANJOSE	68	491	559	6,383	29,462	35,845
Promoc. P. Equivalencia	5	0	5	1,658	0	1,658
Sales for the period	118	674	792	21,174	37,435	58,610
Grupo SANJOSE	115	674	789	19,905	37,435	57,341
Promoc. P. Equivalencia	3	0	3	1,269	0	1,269
Adjust (changes in prices)	0	0	0	-97	0	-97
Pre-sales final stock 31/12/13	62	259	321	18,427	17,645	36,072

(*) It corresponds to the net profit/(loss) of new contracts, minus the terminations registered during the same period.

Grupo SANJOSE carries out external and internal valuations of real estate assets biannually. At 31 December 2013, the GAV adjusted to ownership % amounts to EUR 1,724.1 million, representing a total reduction of 14.7% regarding 31 December 2012.

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Thousands of Euros

GAV adjust at %participation	Dec. 13		Dec.12		Var.(%)
Lands	750,513	44%	1,008,895	50%	-25.6%
Buildings under construction	181,780	1%	225,766	1%	-19.5%
Buildings	195,429	1%	215,022	1%	-9.1%
Developing real state investments	26,129	2%	27,401	1%	-4.6%
Real state investments	552,003	32%	527,722	26%	4.6%
Fixed assets	18,222	1%	17,020	1%	7.1%
TOTAL	1,724,077		2,021,826		-14.7%

(*) It doesn't include the value of the investee DUCH (Operac. Chamartín)

Regarding the adjustments under land and buildings, highlights the increase in value of property investments. Property investments increased 4.6% including sold assets.

Energy

Total revenue for this branch of activity amounts to EUR 11.6 million, 2.6% more than in 2012, as proof of the stability and recurrence of this business line.

EBITDA increases up to EUR 2.6 million, increase both in total figures and in margin regarding 2012.

Grupo SANJOSE relies on recurrent income standing at EUR 803 million due to sale of energy contracts for the following 20 years.

Thousands of Euros

ENERGY	Grupo SANJOSE		
	Dec. 13	Dec.12	Var.(%)
Revenue	11,586	11,293	2.6%
Earnings before interest, taxes, D&A (EBITDA)	2,630	2,360	11.4%
EBITDA margin	22.7%	20.1%	
Earnings before interest and taxes (EBIT)	1,100	912	20.6%
EBIT margin	9.5%	11.4%	
Earnings before tax of continued operations	179	538	-66.7%
Backlog (millions of euros)	803	821	-2.2%

Concessions and Services

Revenue for year 2013 amounts to EUR 108.3 million, representing 17.1% reduction regarding year 2012, due to the completion in 2013 of relevant projects within this sector.

EBITDA amounts to EUR 8.4 million, involving a 7.7% margin. Reduction regarding 2012 is due to the completion of relevant projects.

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At year end, project backlog within this area amounts to EUR 1,194 million. Variations within the period are due to the award of the "Rutas del Loa" Highway in Chile.

Thousands of Euros			
CONCESSIONS AND SERVICES	Grupo SANJOSE		
	Dec. 13	Dec.12	Var.(%)
Revenue	108,285	130,631	-17.1%
Earnings before interest, taxes, D&A (EBITDA)	8,368	27,209	-69.2%
EBITDA margin	7.7%	20.8%	
Earnings before interest and taxes (EBIT)	6,856	26,753	-74.4%
EBIT margin	6.3%	20.5%	
Earnings before tax of continued operations	-12,885	7,049	-282.8%
Backlog (millions of euros)	1,194	388	207.8%

2.4. 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.

3. Liquidity and capital resources

Liquidity

The Company pursues the prudent management of the liquidity risk based on the maintenance of sufficient cash and marketable securities, availability of financing through a 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.

Treasury is administered centrally in order to optimise resources through a "cash pooling" system. In the event of cash surplus, short-term investments are held in safe highly liquid deposits.

During year 2013, debt situation is as follows

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Thousands of Euros

NET CASH POSITION	Dec. 13	Dec.12	Var.
	Amount	Amount	
Other short term financial investments	68,758	160,969	-57.3%
Cash and cash equivalents	159,581	197,398	-19.2%
Total cash	228,338	358,367	-36.3%
Long term financial liabilities (**)	1,394,975	1,551,559	-10.1%
Long term derivative financial contracts	30,137	34,683	-13.1%
Short term financial liabilities (*) (**)	429,482	391,015	9.8%
Short term derivative financial contracts	75	58	29.7%
Total debt	1,854,669	1,977,315	-6.2%
TOTAL NCP	1,626,331	1,618,948	0.5%

(*) Regardless the effective amortisation date, from an accountant point of view, financial debt linked to assets recorded under the consolidated balance sheet as current is classified as current (real estate assets).

(**) See footnote # 2 on the consolidated balance sheet.

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.

Financial debt also includes the funding of projects without resources to Grupo SANJOSE for a total value of EUR 152.0 million and EUR 189.6 million at 31 December 2013 and 2012, respectively.

During the last quarter of year 2013, Grupo SANJOSE has started negotiations with financial entities comprising the bank syndicate in Spain in order to accommodate cash flows generated by the Group to financial commitments under the terms of the syndicated credit facilities of the Group.

Said negotiations are being held in agreement with the financial entities. Thus, Grupo SANJOSE continues to develop Business activity in a normal economic-financial environment.

The Group expects to successfully end negotiations during the first half of year 2014, expecting maturity dates to be scheduled in the long-term and therefore being recorded as non-current.

Capital resources

The Group does not expect significant changes in its structure, equity and debt or regarding the cost of capital resources during year 2014. However, since the goal of the Group is to reduce debt, this shall involve a significant reduction of equity.

Future contractual obligations

Real estate Business line of activity holds future purchase commitments of land and plots of land amounting to EUR 56.5 million.

4. Main risks

The Company operates in sectors, countries and socio-economic and legal environments that involve the assumption of different levels of risk caused by these conditions. The Company manages these risks in order to avoid involving a loss of profitability for its shareholders or cause trouble to customers. In order to exercise this control, the company has tools which allow the identification of risks in advance in order to prevent or minimize the same.

Operational risks

Main risks arising from the activities of the Company are assuming operations (whether construction, concessions or maintenance) which shall not involve the sufficient return for investments, international diversity where the Company operates or cause a decrease in value of real estate assets.

To avoid accepting unprofitable projects, an individual study of each project is carried out ensuring profitability of the same.

Additionally, the Company holds an International Legal Department, which analyses the potential impact of different regulatory frameworks in the activity of the company.

To adjust the price of its real estate assets to market value, the company commissions to independent experts the assessment of property of the Company, ensuring that value reflected thereof is suitable to market prices.

Financial risks

Due to its activity, the Company faces the following risks arising from payment and collection rights of business transactions:

Interest rate risk: This is the main risk to which the company 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 Company'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.

Credit risk: risk which arises from customer defaults, is managed by means of the preventive assessment of the solvency rating of the Company'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.

Liquidity risk: Dealt with in detail in section 3.

5. Events after the reporting period

After year-end the Group received the formal immunity by financial entities comprising the Bank Syndicate in Spain with regards to the fulfilment of financial ratios scheduled according to loan agreement. Further, and as negotiations are taking place, the Group has requested an extension for the payment of interests amounting to EUR 6.4 million, with maturity date on 21 January 2014, until successful completion of the same. Up to current date, the Group has received the positive answers of nearly 86.8% of total debt and expects to receive the positive answers of the outstanding financial entities involved shortly.

6. Future outlook

The changing trend in the business cycle of Spain during year 2013, together with growth forecasts for the year 2014 suggest that domestic economy will improve in 2014 regarding 2013.

The behaviour of the private sector shall offset, within the construction sector, public sector's restrictions, which, through State Budgets, has reduced 11.6% direct investment of the Ministry of Development. This allows the Company to maintain business volume in 2014 regarding 2013.

Within the real estate branch of activity, the Company shall maintain the same business volume as in previous years.

At International level, the company shall continue to diversify by business segment and geographically.

According to IMF, markets where the company operates are expected to continue to grow. Regarding business activity branches, during year 2013 the Hospitals of Chile were commissioned being responsible the company for their operation and management for the following 15 years. In 2013, The Company was the successful tenderer for the construction and operation of the Rutas del Loa Highway in Chile. The Company will continue to work in the same direction seeking new business opportunities and markets were to operate and increasing international revenue.

In view of the information available at the date of issue of this report, the company is not expected to face harder situations to those experienced in year 2013.

7. R&D&i activities

Research & Development activities of the Company are jointly executed within Grupo SANJOSE.

Grupo SANJOSE aware of the importance of research and development and innovation actives for business competitiveness and success of the Group, has developed several projects in year 2013 which shall allows the provision of innovative solutions for customers' requirements.

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

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

The R&D system of Grupo SANJOSE addresses the application of new construction technologies, the optimisation of procedures and services, the usage of innovation as main searching tool for the implementation of new improvement opportunities, the promotion of new technologies and the cared protection of the environment. The company has implemented a working method based upon guidelines set out by UNE 166002. This method allows the optimisation of activities and R&D&i Project, as well as defining documentation and management.

Among the main strategic technology areas for the development of R&D&i projects, highlight, among others, technology applicable to building and civil works, renewable energy and energy efficiency, new materials and

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construction processes, development of tools for the improvement in the provision of maintenance and services. The Group has developed the following projects during 2013:

- Use of recycled products, funded by the Industrial Technological Development Centre under record number IDI-20110109 and by ACIE and certified by EQA with certificate number 176 462 ITCE.
- Structural behaviour of roadbed granular layers, funded by the Industrial Technological Development Centre under record number IDI-20101292 and certified by AENOR with certificate number 068/1613/2012.
- Acoustic insulation by means of tubular screens, funded by the Industrial Technological Development Centre under record number IDI-20101737 and certified by AENOR with certificate number 068/1612/2012.

Cooperation between companies has become a determining factor for the Group. The scope of collaboration extends to regional, national, and international areas, as well as different frames of collaboration, either at company, college, or intermediate organisation or association level.

In the field of management, we have consulting services specialized in innovation. Their objective is to boost the improve of the R&R&I management of the organization through the optimization of its innovation process in order to improve efficiency; as well as in the provision of advice and support services for R&D&I management, seeking partnerships, grants, tax benefits and deductions.

Within the framework of collaboration with public entities or institutions, special attention should be paid to the close cooperation with the "Construction Technology Civil Engineering Department of the Polytechnic University of Madrid." Other collaboration agreements have also be signed with other universities.

8. Treasury share transactions

The Company hand not carried out transactions involving treasury shares at 31 December 2013 and 2012.

9. Other relevant information

Stock Market Information

Shares of Grupo SANJOSE are listed on the Stock Exchange Market of Madrid. Key indicators and performance are as follows:

	2013	2012
Closing price (Euros)	1.20	1.14
Performance for the period	5.2%	(44.9%)
Maximum value for the period	1.64	3.49
Minimum value for the period	1.05	1.00
Total volume of shares (thousands)	16,888	6,796
Total effective traded (thousands of Euros)	22,711	10,190
Number of shares	65,026,083	65,026,083
Market capitalisation for the period (Euros)	78,031,300	74,129,735

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Dividends policy

As a consequence of the terms and conditions set out by the loan agreement of the syndicated credit facilities in Spain, there are restrictions on the payments of dividends.

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Appendix I to the Directors' Report
ANNUAL CORPORATE GOVERNANCE REPORT

APPENDIX I MODEL

ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED COMPANIES

PARTICULARS OF ISSUER

END OF FISCAL YEAR

31/12/2013

TAX ID. A-
36046993

Company name:

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

Registered office:

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MODEL OF ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES
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A	OWNERSHIP STRUCTURE
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A.1 Complete the following table on the Company's capital:

Date of last change	Social 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:

Yes

No



Class	Number of shares	Par value	Number of voting rights	Different rights

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
		Name of direct shareholder	Number of voting rights	
LIBERBANK,S.A.	0	BANCO CASTILLA LA MANCHA	3,605,830	5.545
JULIA SANCHEZ AVALOS	5,091,103			7.829
MARIA VIRTUDES SANCHEZ AVALOS	5,084,455			7.819

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MARIA JOSE SANCHEZ AVALOS	0	VALJOYVAL HOLDING ESPAÑA, S.L.	3,816,530	5.869
PINOS ALTOS XR.S .L.	11,279,513			17.346

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

Name of shareholder	Date of transaction	Description of the transaction

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 indirect voting rights	Indirect voting rights		% of voting rights
		Name of direct shareholder	Number of voting rights	
JACINTO REY GONZALEZ	16,224,999			24.952
JACINTO REY GONZALEZ		PINOS ALTOS XR.S .L.	11,279,513	17.35
JACINTO REY GONZALEZ		PINOS ALTOS INVERSIONES, S.L.	3,614,088	5.554
JACINTO REY GONZALEZ		UDRA VALOR, S.A	283.1194	0.436
JACINTO REY LAREDO	213,140			0.328
ROBERTO ALVAREZ ALVAREZ	23,000			0.035
ROBERTO REY PERALES	1,000			0.002
ENRIQUE MARTÍN REY	102			0.000

% total of voting rights in possession of the Board of Directors	48.656
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Complete the following tables on the members of the Company's Board of Directors who hold Company share options:

Name of Director	Number of direct voting rights	Indirect rights		Number of equivalent shares	% of voting rights
		Direct shareholder	Number of voting rights		

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:

Name of relationship	Type of relationship	Brief description.
JULIA SANCHEZ AVALOS- MARIA JOSE SANCHEZ AVALOS-MARIA VIRTUDES SANCHEZ AVALOS	PARENTHOOD	SISTERS

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:

Name of relationship	Type of relationship	Brief description.

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:

Yes No

Members of the agreement	% of social capital affected	Brief description of the agreement

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

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

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Yes No

Members of the concerted actions	% of social capital affected	Brief description of the agreement

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

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; if applicable, provide a brief description of the same:

Yes No

Name
JACINTO REY GONZALEZ

Remarks

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

At year-end:

Number of direct shares	Number of indirect shares	% total social capital

(*) Through:

Name or company name of the direct shareholder	Number of direct shares
Total	

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

Notification date	Total number of direct shares acquired	Total number of indirect shares acquired	% total social capital

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.

The agreement of the General Shareholders' Meeting passed on 28 June 2010 by resolution of the Board of Directors continues to be in force:

To authorise the acquisition of shares of the Company at any moment during the enforcement of this agreement and whenever deemed appropriate by the Company, due to sale or purchase, transfer or whatever other legal business allowed by Law, directly or by means of any subsidiary company, as well as the acceptance in pledge of own shares, until a maximum of shares which, in aggregate with those of the Company and its branch office, may not exceed 10% total share capital, and for a price or counterpart nor below par value nor higher than the 50% of the average stock market price during the previous seven days. 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 5 years as from the date of this Ordinary and Extraordinary General Meeting as from the date of this General Meeting and subject to compliance with all other applicable legal requirements.

For the purposes of the provisions of Article 75.1 of the Spanish Companies Act, it is specifically noted that the shares acquired may be sold or written-off, or subsequently delivered to employees, executives and Directors of the Company or the Group or, if appropriate, to satisfy option rights exercise held or to develop programs that encourage the taking of shareholdings in the company, such as dividend reinvestment or similar plans. Authorise the Board of Directors, in the broadest terms, to exercise the authority granted in this Resolution and to carry out the intended actions described herein and this authority may be delegated by the Board of Directors to any other Board member or person expressly designated by the Board.

This Resolution revokes and cancels, to the extent it was not utilized, the authorisation granted to the Board of Directors by shareholders at a General Meeting held on 30 June 2009.

A.10 Indicate, as appropriate, any statutory or bylaw restrictions on the exercise of voting rights. And specially, any statutory restrictions on the acquisition of holdings in the capital.

Yes

No



Description of restrictions

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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.

Yes No

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

A.12 Indicate whether the company has issued securities not negotiated on the community regulated market.

Yes No

If so, indicate types of securities and all rights and obligations inherent to the same.

B GENERAL MEETING

B.1 Indicate and detail the differences, if any, between the required quorum and that set forth in the Spanish Companies Act (LSC) for convening the General Shareholders' Meeting.

Yes No

	Quorum % different to that established by Art. 193 of the LSC For general assumptions	Quorum % different to that established by Art. 194 on special assumptions of the LSC
1st call quorum		
2nd call quorum		

Differences

B.2 Indicate and detail the differences, if any, with regards to the system contemplated in the LSC for signing corporate agreements:

Describe differences with regards to the established system by the LSC.

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Yes No

	An enhanced majority with regards to Art. 201.2 of the LSC for special assumptions set out by Art. 194. of the LSC	Other enhanced majority assumptions.
% established by the company for signing corporate agreements.		
Differences		

B.3 Indicate the rules applicable to the amendment of the company's bylaws. In particular, the majority required in order for the bylaws to be amended and, as the case may be, stipulate the legal provisions for the protection of the rights of the partners in the amendment of the bylaws.

B.4 Give details of attendance at general meetings held during the financial year to which this report refers and during previous financial years.

Attendance details					
Date of general shareholders' meeting	% % of physical presence	% in representation	% of absentee voting		Total
			Electronic voting	Other	
28/06/2013	63.47	4.06			67.53
28/06/2012					91.6

B.5 Indicate whether there are any restrictions in the Bylaws establishing a minimum number of shares needed to attend the General Shareholders' Meetings:

Yes No

Number of shares required for attendance to the General Shareholders' Meeting	100
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B.6 Indicate whether it was agreed that certain decisions entailing a structural modification of the company ("subsidiarisation", purchase-sale of essential operational assets, operations equivalent to liquidation of the company...) shall be subject to the approval of the Shareholders' General Meeting, even if not specifically required under Commercial Laws.

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Yes

No

- B.7 Indicate the address of and how to access the company's Website to obtain corporate governance and General Meeting information that should be made available to the shareholders through the Company's Website.

<http://www.grupo-sanjose.com/gobierno.php>

C STRUCTURE OF THE COMPANY'S GOVERNING BODY

C.1 Board of Directors

- C.1.1 Indicate the maximum and minimum number of board members stipulated in the company Bylaws:

Maximum number of board members	15
Minimum number of board members	5

- C.1.2 Complete the following table with the Board members:

Personal or Corporate Name of board member	Representative	Seat on the Board	Date of 1st appt.	Date of last appt.	Election procedure
JACINTO REY GONZALEZ		EXECUTIVE CHAIRMAN-CEO	18/08/1987	30/06/2009	Voting Rights in Shareholders' Meetings
JACINTO REY LAREDO		Executive Vice-Chairman and CEO	30/10/2006	28/06/2012	Voting Rights in Shareholders' Meetings
ROBERTO REY PERALES		CEO	16/01/2013	28/06/2013	Voting Rights in Shareholders' Meetings
ROBERTO ALVAREZ ALVAREZ		Director	27/06/2008	30/06/2009	Voting Rights in Shareholders' Meetings
ALTINA DE FÁTIMA SEBASTIÁN		Director	27/06/2008	30/06/2009	Voting Rights in Shareholders' Meetings

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GONZÁLEZ					Meetings
JUAN EMILIO IRANZO MARTÍN		DIRECTOR	11/11/2010	27/06/2011	Voting Rights in Shareholders' Meetings
Mr. GUILLERMO DE LA DEHESA ROMERO		Director	28/06/2012	28/06/2012	Voting Rights in Shareholders' Meetings
JACINTO REY LAREDO		Director	28/06/2012	28/06/2012	Voting Rights in Shareholders' Meetings
ENRIQUE MARTÍN REY		Director	28/06/2013	28/06/2013	Voting Rights in Shareholders' Meetings

Total number of board members	9
--------------------------------------	----------

Indicate the terminations that occurred on the board of directors during the period being reported:

Personal or Corporate Name of board member	Seat on the Board	Termination date
JOSEP PIQUE CAMPS	Director	18/09/2013

C.1.3 Complete the following tables on the board members and their different conditions:

EXECUTIVE BOARD MEMBERS

Personal or corporate name of board member	Committee that proposed the appointment	Position within the company structure
JACINTO REY GONZALEZ	APPOINTMENTS AND REMUNERATIONS COMMITTEE	CHAIRMAN AND CEO
JACINTO REY LAREDO	APPOINTMENTS AND REMUNERATIONS COMMITTEE	VICE-CHAIRMAN AND CEO

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JACINTO REY LAREDO	APPOINTMENTS AND REMUNERATIONS COMMITTEE	DIRECTOR
ROBERTO REY PERALES	APPOINTMENTS AND REMUNERATIONS COMMITTEE	CEO

Total number of executive board members	
Total % of Board	44.44

INDEPENDENT EXTERNAL DIRECTORS

Personal or corporate name of board member	Committee that proposed the appointment	Personal or corporate name of the significant shareholder they represent or which proposed their appointment
ENRIQUE MARTÍN REY	APPOINTMENTS AND REMUNERATIONS COMMITTEE	MARIA JOSE SANCHEZ AVALOS

Total number of independent external directors	1
Total % of Board	11.11

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EXTERNAL INDEPENDENT DIRECTORS

Personal or Corporate Name of board member	Profile
ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	ECONOMIST
GUILLERMO DE LA DEHESA ROMERO	ECONOMIST
JUAN EMILIO IRANZO MARTÍN	ECONOMIST
ROBERTO ALVAREZ ALVAREZ	ECONOMIST
Total number of external independent directors	4
Total % of Board	44.44

Indicate whether any director classified as independent receives any amount or benefit from the company or from his/her own group, in any concept other than the remuneration as a board member, or whether he/she maintains or has maintained a business relation with the company or with any company within its group during the last financial year, in his/her own name or as significant shareholder, board member or top executive of a company that maintains or has maintained such relationship.

As the case may be, the board shall include a statement outlining the reasons why it deems that said board member can perform his/her duties in the capacity as independent board member.

Personal or corporate name of board member	Description of the relationship	Reasons

OTHER EXTERNAL BOARD MEMBERS

Personal or Corporate Name of board member	Committee that proposed the appointment

Total number of other external directors	
Total % of Board	

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Explain the reasons why these cannot be considered independent or proprietary, and detail their connections with the company, its executives or shareholders.

Personal or corporate name of board member	Reasons	Company, director or shareholder involved in relationship.

Indicate the variations, if applicable, that occurred during the period in the typology of each board member:

Personal or Corporate Name of board member	Date of variations	Previous condition	Current condition

C.1.4 Complete the following table with the information on the number of female board members for the last four financial years, including the capacity of such board members:

	Total number of board members				% of total of board members in each typology			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive								
Independent								
External	1	1	1	1	25%	20%		
Other								
External								
Total	1	1	1	1				

C.1.5 Explain, as the case may be, the measures taken by the company to ensure the inclusion of females onto the Board of Directors in an amount that may ensure the male/female equilibrium.

Explanation of the measures
It is desire of the Group to increase gender variations within Board members. Thus, profiles of professionals of different business areas are being carefully

analysed.

- C.1.6 Explain the measures, as the case may be, that the Appointments Committee may have agreed upon to ensure that selection procedures refrain from implicit bias that would otherwise impede the selection of female members, and that the company purposefully seeks to include and includes female candidates that meet the professional profile sought:

Explanation of the measures
<p>The Groups tries to rely on the best professionals within the organisation, both within the parent and the subsidiary companies, regardless their gender.</p> <p>The Group does not hamper the recruitment of female board members. Both, female and male potential professionals have been sought in order to find the most suitable profile so as to meet the needs of the Group: business development, experience within the financial field, knowledge and experience within the business activity of the company, and, mainly, at international level.</p>

If albeit the measures implemented, as the case may be, the number of female board members is still scarce or non-existent, explain the reasons to justify such scarcity:

Explanation of the measures

- C.1.7 Explain the manner in which shareholders with significant shares are represented on the board.

Ms. María José and Ms. Julia Sánchez Avalos as significant shareholders have representation within the Board of Directors through the nominal directors Mr. Enrique Martín Rey.

- C.1.8 Explain, as the case may be, the reasons why proprietary members were appointed at the request of shareholders with stakes amounting to less than 5 % of the stock capital:

Personal or Corporate Name of the shareholder	Reason

Detail any failure to address formal requests for board representation made by shareholders with stakes equal to or exceeding that of others at whose request proprietary members were appointed. If so, explain the reasons why the request was not entertained.

Yes

No

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Personal or Corporate Name of the shareholder	Reasons

C.1.9 Indicate whether any board member resigned his/her post before the end of his/her term of office, whether reasons were given to the Board and how, and, if in writing to the entire Board, at least explain the reasons given by the board member:

Personal or Corporate Name of the shareholder	Reasons
JOSEP PIQUE CAMPS	PERSONAL CIRCUMSTANCES

C.1.10 Indicate, if any, the powers delegated by any Chief Executive Officers:

Personal or Corporate Name of board member	Brief description.
JACINTO REY GONZALEZ	All the faculties of the board except for those that cannot be legally delegated.
JACINTO REY LAREDO	All the faculties of the board except for those that cannot be legally delegated.
ROBERTO REY PERALES	All the faculties of the board except for those that cannot be legally delegated.

C.1.11 Identify, if any, the board members that hold administrator or directive positions in other companies making up the group of companies listed on the stock market:

Personal or Corporate Name of board member	Corporate name of entity of group	Position
JACINTO REY GONZALEZ	INMOBILIARIA EUROPEA DESARROLLOS URBANISTICOS, S.A.U.	Sole Director
JACINTO REY GONZALEZ	INMOBILIARIA AMERICANA DESARROLLOS URBANISTICOS, S.A.U.	Sole Director
JACINTO REY GONZALEZ	SAN JOSE CONCESIONES Y SERVICIOS, S.A.U.	Sole Director
JACINTO REY GONZALEZ	CARLOS CASADO, S.A.	Chairman
JACINTO REY GONZALEZ	SOCIEDAD CONCESIONARIA SAN JOSE-TECNOCONTROL S.A.	Chairman

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JACINTO REY GONZALEZ	SAN JOSE INDIA INFRASTRUCTURE & CONSTRUCTION PRIVATE LIMITED.	PERMANENT CHAIRMAN AND DIRECTOR
JACINTO REY GONZALEZ	INMOBILIARIA 2010, S.A.	Chairman
JACINTO REY GONZALEZ	SAN JOSÉ CONSTRUCTORA PERU, S.A.	Chairman
JACINTO REY GONZALEZ	SAN JOSÉ CONSTRUCTORA PERU, S.A.	Chairman
JACINTO REY GONZALEZ	SAN JOSE TECNOLOGIAS PERU, S.A.C.	Chairman
JACINTO REY GONZALEZ	SAN JOSE CONSTRUCTION GROUP INC	Chairman
JACINTO REY GONZALEZ	UDRA MEXICO, S.A.	Sole Director
JACINTO REY LAREDO	CONSTRUCTORA SAN JOSE, S.A.	CHAIRMAN AND CEO
JACINTO REY LAREDO	CONSTRUCTORA UDRA LTDA.	Manager
JACINTO REY LAREDO	SAN JOSE BAU GMBH	Sole Director
JACINTO REY LAREDO	SAN JOSE CONSTRUCTION GROUP INC	Chairman
JACINTO REY LAREDO	SAN JOSE FRANCE, S.A.	Sole Director
JACINTO REY LAREDO	SAN JOSE INDIA INFRASTRUCTURE & CONSTRUCTION PRIVATE LIMITES	Director
JACINTO REY LAREDO	SJB MULLROSER BAUGESELLSCHAFT MBH	Sole Director
JACINTO REY LAREDO	CONSTRUCTORA SAO JOSÉ CABO VERDE, SOCIEDADE UNIPESSONAL, S.A..	Sole Director
JAVIER REY LAREDO	ASESORAMIENTO Y GESTION INTEGRAL DE EDIFICIOS, S.A.U.	Sole Director
JAVIER REY LAREDO	AZAC, S.A.U.	Sole Director
JAVIER REY LAREDO	CADENA DE TIENDAS, S.A.U	Sole Director
JAVIER REY LAREDO	COMERCIAL UDRA, S.A.U.	CHAIRMAN AND CEO

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JAVIER REY LAREDO	CONSTRUCTORA SAN JOSE, S.A.	DIRECTOR
JAVIER REY LAREDO	DOURO ATLANTICO SOCEDADE INMOBILIARIA	Chairman
JAVIER REY LAREDO	HOTEL REY PELAYO	Sole Director
JAVIER REY LAREDO	PARQUESOL PORTUGAL SGPS, S.A.	Chairman
JAVIER REY LAREDO	LARDEA, S.L.U	Sole Director
JAVIER REY LAREDO	SAN JOSE DESARROLLOS INMOBILIARIOS, S.A.	Chairman
JAVIER REY LAREDO	SOFIA HOTELES, S.L.U.	Sole Director
JAVIER REY LAREDO	TOP BRANDS ,S.A.	Vice-chairman
ROBERTO REY PERALES	GESTION DE SERVICIOS DE SALUD, S.AU.	Sole Director
ROBERTO REY PERALES	SAN JOSE COLOMBIA, S.A.S	Main legal representative
ROBERTO ALVAREZ ALVAREZ	TOP BRANDS ,S.A.	Director
ROBERTO ALVAREZ ALVAREZ	CARLOS CASADO, S.A.	Director
ROBERTO ALVAREZ ALVAREZ	SOCIEDAD CONCESIONARIA SAN JOSE-TECNOCONTROL S.A.	Director

C.1.12 Provide details, if any, of company Board members who also sit on the boards of other entities not belonging to the same business unit and are listed on the Spanish Stock Exchange, of which the company is aware:

Personal or Corporate Name of board member	Corporate name of listed entity	Position
GUILLERMO DE LA DEHESA ROMERO	BANCO SANTANDER	DIRECTOR
GUILLERMO DE LA DEHESA ROMERO	CAMPOFRIO FOOD GROUP	DIRECTOR
GUILLERMO DE LA DEHESA ROMERO	AMADEUS, S.A.	DIRECTOR
JUAN EMILIO IRANZO MARTÍN	RED ELECTRICA CORPORACION	DIRECTOR

C.1.13 Indicate, and if so, explain whether the company has established rules on the number of other boards on which its own Board members may sit:

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Yes

No

Explanation of the rules

C.1.14 State the company's general policies and strategies that the board reserved the powers to approve in plenary session:

	YES	NO
Investment and financing policy	X	
Definition of the structure of the group of companies	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
The strategic or business plan, management targets and annual budgets	X	
Senior staff performance remuneration and evaluation policy	X	
Risk control and management policy, and the regular monitoring of internal information and control systems	X	
Dividend and treasury stock policies and especially their limits	X	

C.1.15 Indicate the comprehensive remuneration of the Board of Directors:

Comprehensive remuneration of the Board of Directors (in thousands of Euros)	2,679
Amount of the comprehensive remuneration for the concept of accumulated pension entitlements (in thousands of Euros)	-
Comprehensive remuneration of the Board of Directors (in thousands of Euros)	2,679

C.1.16 Identify any senior management staff that is not also an executive board member, and indicate the total remunerations payable to said staff during the financial year:

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Name	Position/s
ANTONIO MOURE FIGUERAS	GENERAL LEGAL DIRECTOR
JUAN ARESES VIDAL	GENERAL DIRECTOR OF CIVIL WORKS AND PROCUREMENT CONSTRUCTORA SAN JOSE
ESTELA AMADOR BARCIELA	GENERAL DIRECTOR OF HHRR, QUALITY AND MEDIA
JEAN CLAUDE CURELL CONSTANZO	INTERNATIONAL DIRECTOR INDIA
LOURDES FREIRIA BARREIRO	GENERAL DIRECTOR OF INSURANCE AND RISKS
PEDRO ALLER ROMÁN	INTERNATIONAL DIRECTOR AFRICA
CRISTINA GONZALEZ LOPEZ	DIRECTOR TAX CONSULTING
JAVIER ALONSO LOPEZ	CEO SAN JOSE DESARROLLOS INMOBILIARIOS, S.A.
IGNACIO ALONSO LOPEZ	GENERAL DIRECTOR COMERCIAL UDRA, S.A.U.
VALERIANO GARCIA GARCIA	CEO CONSTRUCTORA SAN JOSE, S.A.
JOSE MARIA REBOLLO OLLETA	GENERAL DIRECTOR BUILDING CONSTRUCTORA SAN JOSE, S.A.
DAVID RODRIGUEZ BARCALA	
FRANCISCO FERNANDEZ FERNANCEZ	DIRECTOR ASSOCIATED COMPANIES

Total of remunerations for senior executives (in thousands of Euros)	1,804
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C.1.17 Identify, if any, the members of the Board of Directors who are also members of the board of directors of companies that hold significant shares and/or group entities:

Personal or Corporate Name of board member	Corporate name of significant shareholder	Position
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JACINTO REY GONZALEZ	PINOS ALTOS XR.S .L.	Sole Director
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Provide details of any relevant relations, as the case may be, other than those contemplated in the previous section, between members of the board of directors and significant shareholders and/or group entities:

Personal or Corporate Name of board member	Personal or Corporate Name of board member	Description of the relationship
JACINTO REY LAREDO	JACINTO REY GONZALEZ	FIRST DEGREE FAMILY RELATIONSHIP (FATHER-SON)
JAVIER REY LAREDO	JACINTO REY GONZALEZ	FIRST DEGREE FAMILY RELATIONSHIP (FATHER-SON)

C.1.18 Indicate whether any of the rules and regulations of the board were amended during the financial year:

Yes

No



Description of amendments

C.1.19 Indicate the procedures for the selection, appointment, reappointment, appraisal and removal of Board members. Provide details of the competent bodies, the processes to be followed and the criteria employed in each of the procedures.

In all circumstances, the candidate and his/her profile are evaluated by the Appointments, Remuneration and Good Governance Commission that issue a report on final outcome. The report issued is provided to the Board that decides upon its final submission to the General Meeting.

C.1.20 Indicate whether the Board of directors made any efforts to assess its activities during the financial year:

If so, explain to what extent the self-assessment has given rise to significant changes in its internal organisation and regarding the procedures followed in its activities:

Yes



No

Description of significant changes
BETTER INFORMATION TO DIRECTORS

C.1.21 Indicate the cases in which Board members are obliged to resign.

Article 25° of the Board of Directors Regulations - Directors Cessation

Directors shall resign from their posts upon expiration of the period for which they were appointment, whenever elected by the General Meeting or when incurring into legal reason for such resignation.

Members of the Board must place their post at the dismissal of the Board of Directors and resign whenever incurring into prohibitions established by Art. 213 of the Companies Act and any other legal applicable provisions.

The Board of Directors shall not propose the cessation of independent directors until completion of the period which they were appointment for unless reasonable cause and duly reported to the Appointment, Remunerations and Good Governance Commission. Reasonable cause is that related to the non compliance with obligations and liabilities inherent to the post. Additionally, the cessation of independent board members from mergers or other similar transactions which may involve a change in the social capital structure of the company.

C.1.22 Indicate whether it is the chairman of the board of directors who also serves as the company's chief executive. If so, outline the measures taken to limit the risks entailed in concentrating powers in a single person:

Yes No

Measures to limit risks.
NONE

Indicate and, if so, explain whether rules were established to empower any independent board member to request the convening of a board meeting, or to include new items on the agenda, in order to coordinate and echo the concerns of external board members and to oversee the assessment by the board of directors.

Yes No

Explanation of the rules
REQUEST OF THREE MEMBERS OF THE BOARD ARTÍCULO 19 BOARD OF DIRECTORS REGULATIONS

C.1.23 Does the company require supermajorities other than the legal majorities for any type of resolution?

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Yes

No



If so, provide a description of the differences.

Differences

C.1.24 Explain whether there are specific requirements other than those relating to Board members for being appointed Chairman of the board of directors.

Yes

No



Differences

C.1.25 Indicate whether the Chairman has a deciding vote:

Yes



No

Matters in which there is a deciding vote
ALL WITH THE EXCEPTION OF THOSE WHICH REQUIRE MAJORITY BY LAW ARTICULO 26.6 BYLAWS

C.1.26 Indicate whether the bylaws or board regulations establish any age limit on board members:

Yes

No



Age limit for the chairman

Age limit for the CEO

Age limit for directors

C.1.27 Indicate whether the bylaws or board regulations establish a limited mandate for independent board members, other than established in the law:

Yes

No



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Maximum number of years in the position	
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C.1.28 Indicate whether the bylaws or the board of directors' regulations establish specific regulations for delegating voting rights on the board of directors, how it is done and, in particular, the maximum number of delegations that may be conferred on a board member, as well as whether it has been made compulsory to delegate in a board member of similar class. If so, provide brief details of said regulations.

C.1.29 Indicate the number of board meetings held during the financial year. Likewise indicate, if any, the number of times the Board met without the chairman in attendance. Proxies granted with specific instructions for the meeting shall be counted as attendances.

Number of board meetings	8
Number of board meetings without the attendance of the Chairman	0

Indicate the number of meetings held by the different board committees during the financial year:

Number of meetings of the Executive or Delegate Committee	7
Number of meetings of the Audit Committee	5
Number of meetings of the Appointments and Remunerations Committee	3
Number of meetings of the Appointments Committee	
Number of meetings of the Remunerations Committee	
Number of meetings of the International Executive Committee	6

C.1.30 Indicate the number of board meetings held during the year with the attendance of all its members. Proxies granted with specific instructions for the meeting shall be counted as attendances.

Attendance of Board Members	
------------------------------------	--

% of attendances of the total votes cast during the year	100
---	-----

C.1.31 Indicate whether the individual and consolidated financial statements submitted for approval to the board of directors are first certified:

Yes No

Identify, as the case may be, the person or persons who certified the company's individual and consolidated financial statements, for their approval by the Board:

Name	Post
--	--

C.1.32 Explain, if any, the mechanisms put in place by the board of directors to ensure that board-prepared individual and consolidated financial statements are not presented at shareholders' general meetings if the audits report contains reservations.

-Financial information is reviewed by an independent auditor during financial year: six-monthly review (July), preliminary stage of the audit (November).

-Final stage of audit is started prior to the formalisation of the financial statements by the Board of Directors.

-The Board of Directors, through the Audit Committee, analyses the outcome of the independent auditor's report at each stage, specially, at final stage and ensures the adequate implementation of the auditor's recommendations by the financial Management in order to guarantee information's veracity to be forwarded to the General Shareholders' Meeting.

C.1.33 Is the Board Secretary also a board member?

Yes No

C.1.34 Explain the procedures for the appointment and removal of the secretary to the board, indicating whether they are propose by the appointments committee and approved by plenary session of the Board.

Appointment and Removal Procedure.

	Yes	No
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Does the Appointments Committee report on appointments?	X	
Does the Appointments Committee report on removals?		
Does the plenary session of the Board approve appointments?	X	
Does the plenary session of the Board approve removals?		

Is the Secretary to the Board entrusted with the duty of ensuring compliance with the recommendations on good governance?

Yes No

Remarks

C.1.35 Indicate, as the case may be, the mechanisms established by the company to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies.

C.1.36 Indicate whether the company changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors:

Yes No

Outgoing auditor	Incoming auditor

In the event of disagreements with the outgoing auditor, please provide details:

Yes No

Explanation of the disagreements

C.1.37 Indicate whether the audit firm performs other non-audit work for the company and/or its business group and, if so, state the total fees paid for such work and the percentage this represents of the fees billed to the company and/or its business group:

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Yes No

	Company	Group	Total
Fees for non-audit work (in thousands of Euros)	53.0	8.8	61.8
Fees for non-audit work/total amount invoiced by the audit firm (in %)	52.48%	2.39%	13.17%

C.1.38 Indicate whether the audit report on the financial statement for the previous financial year contains reservations or qualifications. If so, detail the reasons given by the Chairman of the Audit Committee to explain the content and scope of such reservations or qualifications.

Yes No

Explanation of the reasons
--

C.1.39 State the number of consecutive years during which the current audit firm has been auditing the financial statement of the company and/or its business group. Also indicate the percentage of years the current audit firm has been auditing the accounts over the total number of years the financial statement have been audited:

	Company	Group
Number of consecutive years		

	Company	Group
Number of years audited by the current auditing company / number of years the company has been audited		

C.1.40 Indicate and, if applicable, provide detail of the procedure by which directors may seek external consultancy.

Yes No

Details of the procedure
Article 27 of the Board of Directors Regulations sets out the following: In order to

appropriately develop their functions and duties, Directors, Commissions and Committees may request the Chairman of the Board the support of legal, accountancy and financial counsellors.

Only certain problems of great significance and complexity may be subject to these services.

C.1.41 Indicate and, as the case may be, provide detail of the procedure by which board members can obtain the necessary information in advance to prepare for meetings of the governing bodies:

Yes No

Details of the procedure
<p>Article 26 of the Board of Directors Regulations - Disclosure rights</p> <p>The Director shall be duly informed on the performance of the Company and, with such purpose, may request information to top management executives, informing the Chairman or CEO of the same. Further, any Director may request, through the Chairman, CEO, Secretary and Deputy-Secretary of the Board, information deemed appropriate on the Company. Information Rights affect branch offices, both at domestic and International markets. Each member of the board shall have all the information submitted to the Board. The Chairman, Deputy-Chairman, the CEO, the Secretary and the Deputy-Secretary shall try to respond to information request directly or providing the name of the adequate person within the organisation. If the Chairman considers said information may negatively affect the organisation, the issue may be dealt with by the Board.</p>

C.1.42 Indicate and, as the case may be, provide detail of whether the company established rules that oblige directors to report and, where appropriate, resign in cases where the image and reputation of the company may be at stake:

Yes No

Explanation of the rules
<p>Article 25 of the Board of Directors Regulations.</p> <p>Directors shall resign from their posts upon expiration of the period for which they were appointment, whenever elected by the General Meeting or when incurring into legal reason for such resignation.</p> <p>Members of the Board must place their post at the dismissal of the Board of Directors and resign whenever incurring into prohibitions established by Art. 213 of the</p>

Companies Act and any other legal applicable provisions.

The Board of Directors shall not propose the cessation of independent directors until completion of the period which they were appointment for unless reasonable cause and duly reported to the Appointment, Remunerations and Good Governance Commission. Reasonable cause is that related to the non compliance with obligations and liabilities inherent to the post. Additionally, the cessation of independent board members from mergers or other similar transactions which may involve a change in the social capital structure of the company.

C.1.43 Indicate whether any member of the Board of Directors informed the company that he/she was tried or formally accused of any of the offences stipulated in Article 213 of the Spanish Corporations Act:

Yes No

Personal or Corporate Name of board member	Criminal cause	Remarks

Indicate whether the Board of Directors analysed the case. If the answer is yes, explain the reasons for the decision taken on whether or not the board member should continue to hold its post or, as the case may be, state the actions that the Board of Directors have taken up to the date of this report or the report intended to be issued later.

Yes No

Decision adopted/action implemented	Explanation of the reason

C.1.44 List the still valid significant agreements signed by the company, whether modified or terminated in the event of a change in the company's control through a hostile takeover bid, and its effects.

C.1.45 Identify in sum and provide detail of the agreements signed between the company and its administrative, management or employee posts with compensations, guarantees or protection clauses, in the event of resignation or unlawful dismissal or if contractual relationship is abruptly halted because of a hostile takeover bid or other kinds of transactions.

Number of beneficiaries	Description of the agreement

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Indicate whether the governing bodies of the company or its group must be informed of and/or must approve such contracts:

	Board of Directors	General Meeting
Body authorising the clauses		

	Yes	No
Is the General Meeting reported on clauses authorised?		

C.2 Committees of the Board of Directors

C.2.1 Give details of all committees of the board of directors, their members and the proportion of proprietary and independent board members on such committees:

EXECUTIVE COMMITTEE

Name	Post	Type
JACINTO REY GONZALEZ	CHAIRMAN	EXECUTIVE
JACINTO REY LAREDO	DIRECTOR	EXECUTIVE
GUILLERMO DE LA DEHESA ROMERO	DIRECTOR	INDEPENDENT

% of executive board members	66.6
% of nominee board members	
% of independent board members	33.3
% of external board members	

AUDIT COMMITTEE

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Name	Post	Type
ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	CHAIRMAN	INDEPENDENT
JUAN EMILIO IRANZO MARTÍN	DIRECTOR	INDEPENDENT
GUILLERMO DE LA DEHESA ROMERO	DIRECTOR	INDEPENDENT

% of executive board members	
% of nominee board members	
% of independent board members	100
% of external board members	

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Name	Post	Type
GUILLERMO DE LA DEHESA ROMERO	CHAIRMAN	INDEPENDENT
ROBERTO ALVAREZ ALVAREZ	DIRECTOR	INDEPENDENT
JUAN EMILIO IRANZO MARTÍN	DIRECTOR	INDEPENDENT
JAVIER REY LAREDO	DIRECTOR	INDEPENDENT

% of executive board members	25
% of nominee board members	
% of independent board members	75
% of external board members	

APPOINTMENTS COMMITTEE

Name	Post	Type
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Translation into English of consolidated management report for the year ending 31 December 2013 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails

% of executive board members	
% of nominee board members	
% of independent board members	
% of external board members	

APPOITMENTS COMMITTEE

Name	Post	Type

% of executive board members	
% of nominee board members	
% of independent board members	
% of external board members	

INTERNATIONAL EXECUTIVE COMMITTEE

Name	Post	Type
JACINTO REY GONZALEZ	CHAIRMAN	EXECUTIVE
JACINTO REY LAREDO	DIRECTOR	EXECUTIVE
GUILLERMO DE LA DEHESA ROMERO	DIRECTOR	INDEPENDENT

% of executive board members	66.6
-------------------------------------	------

Translation into English of consolidated management report for the year ending 31 December 2013 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails

% of nominee board members	
% of independent board members	33.3
% of external board members	

C.2.2 Complete the following table using the information relating to the number of female board members who have served on the Board of Directors committees over the past four financial years:

	Total number of board members			
	Year t	Year t-1	Year t-2	Year t-3
	% number	% number	% number	% number
Executive committee				
Audit committee				
Appointments and remunerations committee	33.3	33.3		
Appointments committee				
Remunerations committee				
_____ committee				

C.2.3 Indicate whether the following functions are vested in the Audit Committee:

	Yes	No
Monitoring the preparation process and the integrity of the financial report with regards to the company and, as the case may be, the group, verifying compliance with legal requirements and the correct application of accounting criteria, and appropriately specifying the scope of consolidation.	X	
Frequently assessing the internal risks monitoring and management systems so that the main risks are adequately identified, managed and revealed.	X	
Monitoring the independence and efficacy of internal auditing; proposing the selection, appointment, re-election and removal of the head of internal audit; proposing the department's budget; receiving regular feedbacks on its activities; and verifying whether senior management is acting on the findings and	X	

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recommendations of the reports.		
Establishing and supervising mechanisms by which employees may secretly and, if necessary, anonymously report potentially significant, Especially, financial and accounting irregularities, with potentially serious implications for the company	X	
Presenting proposals to the Board of Directors for the selection, appointment, re-selection and substitution of the external auditor, and the contracting conditions.	X	
Regularly receiving information on the audit plan and on the implementation results from the external auditor, and ensuring that the senior management takes the recommendations into account.	X	
Ensuring the independence of the external auditor	X	

C.2.4 Describe the rules of organization and function, as well as the responsibilities attributed to each of the Committees of the board of directors.

The Executive Committee has all the faculties of the Board except for those that cannot be legally delegated

It is borne to the following performance rules:

1. The Executive Committee will meet according to the schedule of meetings to be set at the beginning of each year and whenever the Chairman deems it appropriate in order to ensure the proper performance of the Committee.
2. Notice of meetings of the Executive Committee shall be by any means which can be recorded.
3. Executive Committee will be quorate when at least half of its members are present or represented. Whenever Directors Member of the Executive Committee cannot personally attend the meeting, Directors may delegate their representation to another attendee members by letter addressed to the Chairman.
4. Meetings shall be chaired by the Chairman of Board. In the absence of the Chairman, his duties shall be exercised by the Deputy-Chairman, and in the event of being several priority shall be set out by number, and in default of these, the Director appointed by the Committee from among its members to fulfil this function.
5. Secretary and Deputy Secretary of the Board of Directors shall act as Secretary and Deputy-Secretary of the Executive Committee and, in the event of being several priorities shall be set out by priority number, and in the absence of these, the Director appointed by the Commission from among its members to fulfil this function.
6. Agreements shall be adopted by majority Resolutions shall be adopted by an absolute majority of those present at the meeting.
7. The Executive Committee may pass resolutions without a calling a meeting pursuant to the same conditions of the Board.

Notwithstanding the foregoing, the Board of Directors may establish any additional rules or operating rules applicable to the Executive Committee.

The Board of Directors shall have knowledge of matters discussed and any decisions adopted by the Executive Committee.

Article 15 of the Board of Directors Regulations

.- Audit Committee: composition, performance and internal regulations.

1. Composition

The Board of Directors may establish an Audit Committee which shall consist of a minimum of three (3) and a maximum of five (5) members. Most of its components are non-executive Directors of the Board. The Audit Committee shall have the power of information, supervision, advice and proposals on matters within its competence. The Board shall appoint from among its members a Chairman, who shall in any case be an independent director. The term of office of the Chairman shall be four (4) years and may be reappointed after the expiry of one (1) year from the date of termination.

The Secretary may be the Secretary of the Board.

The members of the Audit Committee shall retire by substitution, for meeting the deadline for which they have been appointed, by their own choice or by the loss of their status as directors.

2 Performance Rules

The Audit Committee shall meet whenever convened by its Chairman, who must call the Committee whenever requested by the Board of Directors, its Chairman and two (2) components of the Audit Committee and whenever it is deemed appropriate for the proper performance of its duties. In any case, the Audit Committee shall meet not less than four (4) times a year. Any member of the management team or staff of the Company shall, if requested to do so attend the meetings of the Audit Committee and cooperate and provide access to the information available. The Committee may also require external auditors to attend the sessions. The Chairman of the Audit Committee shall chair all meetings and direct discussions. The Audit Committee shall be considered validly constituted when the majority of its members are present, either personally or duly represented.

Performance rules applicable to the Executive Committee sessions regarding calling, incorporation and adoption of agreements are those set out by the by-laws.

The Audit Committee shall draft an Annual Report on developed activities which shall be included within the Management report of the Company.

Article 16.- Competences of the Audit Committee.

Without prejudice to other functions assigned by the Board of Directors, the Audit Committee is responsible for the following duties:

1. Inform the General Meeting of Shareholders on the issues raised regarding matters within its competence.
2. Propose the Board of Directors, for its subsequent submission to the General Meeting, the appointment of external auditors, the terms of the contract, the scope of the mandate and, its termination or non-renewal.
3. Supervise the functioning of the internal audit services established by the Board of Directors, prior to the report of the Appointments, Remuneration and Good Governance Committee, and propose the selection, appointment, reappointment or removal of the Director of such services, propose the estimated budget, receive regular information on the

- activities developed and verify that senior management takes into account the advice and recommendations of its reports.
4. Supervise the financial reporting process and internal control systems of the Company.
 5. Maintain relations with external auditors to receive information on any issues that may jeopardize their independence and any others matters related to the development process of the audit and other communications provided, if applicable, by auditing legislation and technical auditing standards.
 6. Any other functions attributed by the by-laws, these Rules, the Rules of Conduct and any other applicable regulations of the Company. In the exercise of its functions, the Audit Committee may seek the help of experts if it considers that, for reasons of independence or specialisation, the service is not adequately provided by the technical resources of the Company. The Committee may also request assistance from any employee or officer of the Company, even ordering their appearance without the presence of any other director.

Article 17.- Appointments, Remuneration and Good Governance Committee: composition, performance and internal regulations

1 Composition

The Board of Directors may establish an Appointments, Remunerations and Good Governance Committee which shall consist of a minimum of three (3) and a maximum of five (5) members. Most of its components are non-executive Directors of the Board. The appointment will last six (6) years, and, in any case, designation shall have the same term as that assigned to each member of the Commission, who may be re-elected as often as deemed necessary while maintaining their status as members of the Board. Members of the Appointments, Remuneration and Good Governance Committee shall retire by substitution, end of mandate, by choice or by the loss of his directorship. The Chairman shall be elected by the Board from among the members of the Committee for a period of six (6) years and in no case for a period longer than that left to be served as a member of the Committee. The Counsel of the Board shall also attend meeting, yet without right to vote. Further, any member of the management team or any officer of the Company may be required to attend meetings of the Committee whenever deemed appropriate.

2 Performance Rules

The request for information to the Appointments, Remuneration and Good Governance Committee shall be made by the Board of Directors or its Chairman. The Committee shall meet whenever convened by the Chairman, when requested by a majority of its members or when called by the Board of Directors of the Company. In any case, it shall meet whenever the Board or the Chairman of the Board requests the issuance of a report or the adoption of agreements or when necessary for the adequate execution of its functions. Notwithstanding the above, the Appointments, Remuneration and Good Governance Committee shall meet two (2) times a year so as to study and analysis all conditions and information necessary for determining the annual remuneration or the appointment of board members or senior executives of the Company and its subsidiaries. The Secretary shall keep minutes of the proceedings, agreements and resolutions of the Committee, which shall be adopted by a majority of its members. Notwithstanding the foregoing, the Board of Directors may establish any additional operating rules applicable to the Appointments, Remuneration and Good Governance Committee.

Article 18.- Functions of the Appointments, Remunerations and Good Governance Committee.

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Without prejudice to other functions assigned to the Appointments, Remunerations and Good Governance Committee by the Board of Directors, the Audit Committee is responsible for the following duties:

1. Inform and propose the appointment of members of the Board, whether to the Board itself so as to appoint members by co-option in order to fill any vacancy or to propose said appointment to the General Meeting of the Company,
2. Identify and propose for approval by the Board of Directors, the terms of contracts or agreements entered into by the Company with the CEO, if applicable.
3. Inform and propose for approval by the Board the remuneration payable to the members of the board, as well as additional allowances for attending its meetings and the meetings of each Committee, if any
4. Inform and propose for approval by the Board of Directors the recruitment and appointment of top level management executives of the Company and its subsidiaries, as well as the remuneration policy and the contractual terms and conditions.
5. Supervision and monitoring of transparency in social performance, compliance with the rules of governance of the Company and compliance with the Internal Code of Conduct by Board members and executives of the Company, reporting the Council of the conduct or breaches that occur, for correction, or realizing, if not corrected, the General Meeting. Supervise and monitor the transparency in business, the compliance with good governance rules of the Company and the compliance with the Internal Code of Conduct by all members of the Board and executives of the Company, reporting to the Board any default so as to proceed to correct or prevent said non-conformities and inform the General Meeting if not amended.
6. Propose the Board of Directors, after having draft the reasonable report on the same, any amendment to the regulations hereto.
7. Within the scope of its duties submit to the Board of Directors for its study and subsequent adoption any appropriate proposals.

Article 18 b. The International Executive Committee: composition, performance and internal regulations

1 Composition.

The Board of Directors may establish an International Committee which shall consist of a maximum of twelve (12) members who shall be appointed by the Board of Directors at the sole initiative of its Chairman. The members of the International Executive Committee shall be members of the Board, in their capacity as managers of the Group, or technical officer, in their capacity as international consultants or industry experts, specially appointed for this function. The International Executive Committee shall be responsible for information, supervision, advice and proposals on matters within its competence in the international arena. The Board will be chaired by the Chairman of the Board. The decisions of the Committee, adopted by the Chairman, shall be understood as decisions of the Chairman. The members of the International Executive Committee shall retire by substitution, by end of mandate, by choice or by the loss of confidence by the Board of Directors.

2 Performance Rules

The International Executive Committee shall be convened whenever called by the Chairman. Sessions may be plenary sessions or either issue groups with the presence of only those members called by the Chairman regarding the country or area or business sector of relevance.

3 Competences of the International Executive Committee.

Without prejudice to other functions assigned, the International Executive Committee is responsible for the following duties:

- a) To assist in the development of the international area of the Group in all its business lines of activity, that is construction and concessions, energy and real estate and urban developments or any other business projects.
- b) To contribute to increase international relationships with public and private, international and local entities.
- c) To seek new business opportunities. To analyse projects and draft proposals for foreign, public or private entities, as well as for other entities developing projects at international level.
- d) To rise the investment capital and financing for international projects.
- e) To propose projects or joint ventures with the appropriate partners.

4 Remuneration

Remuneration of Member of the International Executive Committee shall be agreed on by the Board, upon proposal of the Chairman with the preliminary report of the Appointments, Remuneration and Good Governance Committee, and within the limits and terms passed by the General Shareholders' Meeting.

C.2.5 Indicate, as the case may be, the existence of regulations of committees of the Board, where they can be reached for consultations and any amendments that may have been made during the financial year. Also state whether annual reports were voluntarily prepared on the activities of each committee.

The regulation of the Board Committees is governed by the Board of Directors Regulations which is available on the company's website.

C.2.6 Indicate whether the composition of the executive committee reflects the participation of the different categories based on their condition on the board:

Yes No

In not, explain the composition of the executive committee.
TWO EXECUTIVE BORAD MEMBERS AND AN INDEPENDENT BOARD MEMBER

D CONNECTED TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Identify the competent organ and explain, as the case may be, the procedure for approving associate and intra-group transactions.

Competent organ for approving associate transactions
BOARD OF DIRECTORS

Procedures for approving associate transactions
<p>Article 33 of the Board of Directors Regulations.</p> <p>All the transactions executed by the Company, either direct or indirectly, with Members of the Board, significant shareholders or representatives of Members of the Board, require the authorisation of the Board and the prior approval of the Appointments, Remuneration and Good Governance Committee, unless for daily business common transactions.</p> <p>Transactions referred to in the previous paragraph must comply with principles of equal treatment and market conditions and shall be listed in the Annual Good Governance Report and public information released according to applicable standards and regulations.</p>

Explain whether the approval of transactions between associate parties was assigned. If so, state the organ to which or persons to whom it was assigned.

D.2 Give details of transactions deemed significant due to the amount or relevant due to the aspect between the company and companies of its group, and the significant shareholders in the company:

Personal or Corporate name of significant shareholder	Name of company or entity in the group	Nature of relationship	Type of transaction	Amount (thousands of Euros)
Pinos Altos XR, S.L.	Grupo Empresarial San José, S.A.	Contractual	Office leasing.	111.6

D.3 Give details of transactions that are significant due to amount or that are relevant due to the nature between the company and companies of its group, and the managers and directors of the company:

Personal or corporate name of managers or directors	Personal or corporate name of connected party	Connection	Nature of the transaction	Amount (thousands of Euros)
Mr. Pedro Aller Román	Grupo Empresarial San José, S.A.	Top Management	Financial debt	309.2
Mr. Valeriano García García	Grupo Empresarial San José, S.A.	Top Management	Financial debt	501.8

D.4 Report on the significant transactions between the company and other entities in the same group provided they are not eliminated in the process of preparing the consolidated financial statements, and are not part of the normal company transactions with regards to purpose and conditions.

At any rate, report shall be issued on any intra-group transaction with entities in countries or territories classified as tax havens:

Corporate name of entity of group	Brief description of the transaction	Amount (thousands of Euros)
-	-	-

D.5 Indicate the amount of the transactions with other connected parties.

D.6 Provide details of any mechanisms in place to detect, determine and resolve possible conflicts of interest between the company and/or its group and its Board members, executives or significant shareholders.

Article 33 of the Board of Directors Regulations.

All the transactions executed by the Company, either direct or indirectly, with Members of the Board, significant shareholders or representatives of Members of the Board, require the authorisation of the Board and the prior approval of the Appointments, Remuneration and Good Governance Committee, unless for daily business common transactions.

Transactions referred to in the previous paragraph must comply with principles of equal treatment and market conditions and shall be listed in the Annual Good Governance Report and public information released according to applicable standards and regulations.

D.7 Is more than one company of the group listed in Spain?

Yes No

Identify the subsidiaries listed in Spain:

Listed subsidiaries

Indicate whether the respective business lines and possible business relations among such companies have been publicly and precisely defined, as well as those of the listed subsidiary with the other companies in the group:

Yes No

Define any business relations between the parent company and the listed subsidiary company, and between the latter and the other companies in the group.

--

Identify the mechanisms envisaged to resolve any conflicts of interests between the listed subsidiary and the other companies in the group:

Mechanisms to resolve possible conflicts of interest

E RISKS MANAGEMENT AND MONITORING SYSTEMS

E.1 Explain the scope of the company's Risks Management System.

--

E.2 Identify the section of the company in charge of elaborating and executing the Risks Management System.

--

E.3 Specify the main risks that could affect the attainment of business objectives.

--

E.4 Indicate whether the company has a risk tolerance level.

--

E.5 Identify the risks that materialized during the financial year.

--

E.6 Explain the response and supervision plan for the most threatening risks of the entity.

--

F Internal risks monitoring and management systems in relation to the process of financial reporting (System of Internal Control over Financial Reporting).

Describe the mechanisms entailed in the risks monitoring and management system in relation to the company's financial reporting (System of Internal Control over Financial Reporting) process.

F.1 The Company's control environment

Report, pointing out the main characteristics of at least:

F.1.1. The bodies and/or functions in charge of: (i) the existence and maintenance of an appropriate and effective System of Internal Control over Financial Reporting; (ii) its introduction; and (iii) its supervision.

F.1.2. The following elements, if existing, especially in relation to the process of elaborating the financial report:

- Departments and/or mechanisms in charge of: (i) designing and revising the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of duties and tasks; and (iii) ensuring the existence of sufficient procedures for its correct announcement through out the entity.
- Code of conduct, body of approval, degree of publication and instruction, principles and values including (indicating whether there is specific mention of the recording of transactions and the elaboration of the financial report), body in charge of analysing breaches and of proposing the correct actions and sanctions.
- Whistle blowing channel, which enables reporting of irregularities of financial and accounting nature to the audits committee, in addition to possible breaches of the code of conduct and irregular activities in the organization. The reports may be filed in secrecy or anonymity.
- Training programs and regular updates for the personnel involved in the preparation and revision of the financial report, as well as in the evaluation of the System of Internal Control over Financial Reporting, which should at least cover accounting regulations, auditing, internal risks monitoring and management.

F.2 Financial Reporting Risks Assessment:

F.2.1. What are the main characteristics of the process of identifying risks, including those of error or fraud, with regards to:

- Whether the process exists and is documented.
- 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 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.
- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) affecting the financial statements.
- Which entity within the institution monitors the aforesaid process

F.3 Control Activities

Report pointing out the main characteristics of the following, if any, is at least include:

F.3.1. Procedures for reviewing and authorizing the financial reporting and the description of the System of Internal Control over Financial Reporting, to be published at the stock market, indicating responsibilities, as well as the descriptive documents of cash flows and monitoring (even in connection with fraud risks) of the various types of transactions that could materially affect the financial statements, including the accounting closure proceedings and the specific revision of the judgements, estimates, evaluations and relevant projections.

F.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.

F.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.

F.4 Information and Reporting

Report pointing out the main characteristics of the following, if any, is at least include:

F.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.

F.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.

F.5 System Operation Supervision

Report pointing out the main characteristics of the following, if any, is at least include:

F.5.1. The activities of supervising the System of Internal Control over Financial Reporting performed by the audits committee, and of whether the entity has an internal audits system that is empowered to support the committee in supervising the internal monitoring system, including the SICFR. Also provide information on the scope of the assessment of the SICFR performed during the financial year and on the process by which the head of the assessment reports the results, whether the entity has an action plan that outlines the possible corrective measures, and whether its impact on the financial reporting has been considered.

F.5.2. Whether there is a discussion procedure by which the accounts auditor (pursuant to the stipulations of the NTA), the function of the internal audits and other experts may report the significant weaknesses identified in the internal monitoring during the revision of the financial statements or all the others entrusted to them to the top management and to the audits committee or to the directors of the entity. Also report whether there is an action plan for correcting or mitigating the weaknesses uncovered.

F.6 Other Information of Interest

F.7 Report from the External Auditor

Report:

F.7.1. Whether the external auditor revised the SICFR information issued to the markets and, if so, the entity must include the corresponding report as annex. Otherwise, if that is not the case, the entity must provide its reasons.

G Degree to which corporate governance recommendations are followed

Indicate the degree to which the company follows the recommendations of the Unified Good Governance Code.

In the event that a recommendation is not or is only partially followed, the entity should include detailed explanation of its reasons such that the shareholders, investors and the market in general, are provided with sufficient information to assess the performance of the company. Explanations of general nature shall not be acceptable.

1. The bylaws of listed companies should not limit the votes that can be cast by a single shareholder, or impose other obstacles to impede the takeover of the company by means of share purchases on the market.

See section: A.10, B.1, B.2, C.1.23 y C.1.24.

Compliant Explain

2 When a parent and a subsidiary company are listed, both should provide detailed disclosure on:

a) Their respective types of activities, and any business dealings between them, including between the listed subsidiary and other companies in the group;

b) The mechanisms in place to resolve possible conflicts of interest.

See section: D.4 y D.7

Complaint Partially compliant Explain Not applicable

3 That even when not expressly required under Commercial Law, all decisions involving a fundamental corporate restructuring, especially the following, is submitted to the Shareholders for approval or ratification:

a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating previous core activities of such company to subsidiaries, even if the latter retains full control of the former;

b) Any acquisition or transfer of key operating assets that would effectively alter the company's corporate purpose;

c) Operations that effectively amount to the company's liquidation.

See section: B.6

Complaint Partially compliant Explain

This situation has not be considered

- 4 Detailed proposals of the resolutions to be adopted at the General Meeting of Shareholders, including the information stated in recommendation 27, should be made available at the same time the meeting is convened

Compliant Explain

- 5 Substantially independent issues should be voted separately at the General Meeting of Shareholders, in order for shareholders to be able to exercise their voting preferences separately. And that said rule applies, particularly:

- a) To the appointment or ratification of directors, with separate voting on each candidate;
- b) To amendments to the bylaws, with votes taken on all materially different articles or groups of articles.

Complaint Partially complaint Explain

- 6 Companies should allow split votes, so that financial intermediaries acting as nominees on behalf of various clients can issue their votes according to instructions.

Compliant Explain

- 7 The board of directors should perform its duties with unity of purpose and criteria independence, giving all the shareholders the same treatment, allowing itself to be guided only by the company's interests, which means striving to maximise its economic value in a sustainable manner.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; performing its obligations and contracts in good faith; respecting the customs and good practices of the sectors and territories in which it operates; and upholding any additional social responsibility principles to which it may have voluntarily subscribed.

Complaint Partially compliant Explain

- 8 The core components of the board's mission should be to approve the company's strategy and the organization required for its execution, and to ensure that management attains the objectives while pursuing the company's interests and corporate purpose. As such, the board fully reserves the right to approve:

- a) The company's general policies and strategies, and in particular
- i) The strategic or business plan, management targets and annual budgets;
 - ii) Investment and financing policy
 - iii) Definition of the structure of the group of companies
 - iv) Corporate governance policy
 - v) Corporate social responsibility policy

vi) Senior staff performance remuneration and evaluation policy

vii) Risk control and management policy, and the regular monitoring of internal information and control systems

viii) Dividend and treasury stock policies and especially their limits

See section: C.1.14, C.1.16 y E.2

b) The following decisions:

i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.

ii) Remuneration of board members, including, in the case of executive members, the additional considerations for their executive duties and other contract conditions.

iii) The financial information that all listed companies must periodically disclose.

iv) All kinds of investments or operations deemed strategic due to their huge amount or special characteristics, except if they require the approval of the General Meeting of Shareholders;

v) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other comparable transactions or operations with complexities that might impair the transparency of the group

c) Transactions which the company conducts with board members, significant shareholders, shareholders with board representation or with other associated persons ("associated transactions").

However, board authorization need not be required for associated transactions that simultaneously meet the following three conditions:

1. They are governed by standardized agreements that are applied on an across-the board bases to large numbers of clients;

2. They go through at market rates, generally set by the person supplying the goods or services;

3. Their amount is no more than 1 % of the company's annual revenues.

It is advisable that the Board approves associated transactions only if the audits committee issues a favourable report or, as the case may be, any other committee assigned to that function; and that the board members involved may neither exercise nor delegate their voting rights, and should be excused from the meeting while the board deliberates and votes.

Ideally, with the exception of the powers outlined in b) and c), which may be delegated to the executive committee in emergencies and later ratified by the plenary session of the Board of Directors, the above powers should not be delegated.

See section: D.1 and D.6

Complaint Partially complaint Explain

9 In the interests of maximum effectiveness and participation, the board of directors should consist of no fewer than five and no more than fifteen members.

See section: C.1.2

Compliant Explain

10 External proprietary and independent board members should occupy an ample majority of board sits, while the number of executive board members should be cut down to the minimum necessary bearing in mind the complexity of the corporate group and the percentage of ownership the executive board members hold in the equity.

See section: A.3 and C.1.3.

Complaint Partially compliant Explain

There are four External Board Members of a total of 9 due to the resignation of Mr. Josep Piqué Camps.

11 That among the external board members, the relation between proprietary and independents members should match the proportion between the capital represented on the board by proprietary board members and the rest of the company's capital.

This strict proportional criterion can be relaxed so that the weight of proprietary board members is greater than would correspond to the total percentage of capital represented:

- 1. In companies with very large capitals in which fewer or no equity stakes exceed the legal threshold of significant shareholdings, but where there may be shareholders with considerable sums actually invested.**
- 2. In companies with plurality of shareholders represented on the board but not otherwise related.**

See section: A.2, A.3 and C.1.3

Compliant Explain

12 The number of independent members should represent at least one third of all board members.

See section: C.1.3

Compliant Explain

13 The condition of each board member should be explained at the general meeting of shareholders, which shall appoint or ratify its appointment, with confirmation or, as the case may be, review in the Annual Corporate Governance Report, before verification by the Appointments committee. And that said report should also disclose the reasons for appointing proprietary members at the urging of shareholders with less than 5 % of the capital, explaining any rejections of formal requests for a place on the Board of Directors issued by shareholders with capital equal to or greater than that of others whose requests for proprietary members may have been accepted.

See section: C.1.3 and C.1.8

Complaint Partially compliant Explain

14 In the event that female board members are few or non existent, the Board should state the reasons for this situation and the correction measures implemented; in particular, the Appointments Committee should take steps to ensure that:

- a) the process of filling board vacancies has no implicit bias against female candidates;
- b) the company makes a conscious effort to include females in the target profile among the candidates for board places.

See section: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Complaint Partially compliant Explain Not applicable

15 The Chairman, as the person responsible for the proper operation of the board, should ensure that members are supplied with sufficient information in advance of board meetings, and should encourage debates and the active involvement of all members, safeguarding their rights to freely express opinions and take stands; he should organise and coordinate regular assessments of the board and, if appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

See section: C.1.19 and C.1.41

Complaint Partially compliant Explain

16 In the event that the board chairman is also the company's chief executive, an independent board member should be empowered to convene board meetings or to include new items on the agenda; to coordinate and voice the concerns of external board members; and to lead the board's evaluation of its chairman.

See section: C.1.22

Complaint Partially compliant Explain Not applicable

At least the request by the board members is required for calling the Board.

17 That the board secretary should take care to ensure that the board's actions:

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
- b) Are in conformity with the company Bylaws and the Regulations of shareholder Meetings, the Board of Directors and any others in the company;
- c) Complies with the recommendations on good governance set forth in the Unified Code that the company may have accepted;

And that in order to safeguard the independence, impartiality and professionalism of the secretary, its appointment and termination should be proposed by the appointments committee and approved by the plenary session of the board of directors; and that said appointment and termination procedure be included in the Regulations of the board of directors.

See section: C.1.34

Complaint Partially compliant Explain

- 18 The board should meet with the necessary frequency to properly perform its functions, following a calendar and a program scheduled at the beginning of the year, to which each board member may propose the addition of other items.**

See section: C.1.29

Complaint Partially complaint Explain

- 19 The absences of board members should be reduced to the bare minimum and quantified in the Annual Corporate Governance Report. If board members have no choice but to delegate their votes, such delegation should be with instructions.**

See section: C.1.28, C.1.29 and C.1.30

Complaint Partially complaint Explain

- 20 If board members or the secretary express concerns about a proposal or, in the case of board members, about the company's performance, and such concerns are not resolved at the board meeting, the person expressing the concerns may request that the concerns be recorded in the minute book.**

Complaint Partially complaint Explain Not applicable

- 21 The plenary session of the board should evaluate the following once a year:**

- a) The quality and efficiency of the board's operation;
- b) The level of performance of the company's chairman and chief executive based on the report that may be submitted by the appointments committee;
- c) The performance of committees based on reports that they provide.

See section: C.1.19 and C.1.41

Complaint Partially complaint Explain

- 22 All board members may act on the rights to gather and obtain additional information deemed necessary on matters within the board's powers. And unless the bylaws or the board regulations indicate otherwise, the requests for such shall be addressed to the board chairman or secretary.**

See section: C.1.41

Compliant Explain

- 23 All board members should be entitled to call on the company for the required advice and guidance necessary for the performance of their duties. And the company should provide the appropriate channels for the exercise of such right, which, in special circumstances, shall include external assistance at the company's expense.**

See section: C.1.40

Compliant Explain

24 Companies should set up orientation programmes that may provide new board members with quick and sufficient knowledge of the company and its corporate governance rules and regulations. And should also offer knowledge updating programs to board members whenever deemed advisable by the circumstances.

Complaint Partially complaint Explain

No special programmes have been scheduled.

25 Companies should insist that board members devote sufficient time and effort to the performance of their duties effectively, and, as such:

- a) board members should apprise the appointments committee of any other professional obligations that could possibly interfere with the dedication required from them;
- b) and companies should establish rules about the number of boards on which their board members can sit.

See section: C.1.12, C.1.13 and C.1.17

Complaint Partially complaint Explain

26 The board should first approve any proposal submitted to the shareholders' general meeting for the appointment or renewal of board members, including provisional appointments by co-optation:

- a) On the proposal of the appointments committee, in the case of independent board members.
- b) Subject to report from the appointments committee in all other cases. See section: C.1.3

Complaint Partially complaint Explain

27 Companies should post the following information about the board members on their websites, and keep them permanently updated:

- a) Professional experience and background;
- b) Other boards on which board member sits, whether listed company or not;
- c) Indicate the category of the board member, pointing out, in the case of proprietary members, which shareholder they represent or to whom they are linked.
- d) The date of their first and subsequent appointments as members of company's board of directors, and;
- e) Shares held in the company and whether said shares are subject to any options.

Complaint Partially complaint Explain

28 Proprietary board members should resign if the shareholders they represent entirely dispose of such shares. They should also resign if such shareholders reduce their stakes, thus losing the corresponding entitlement to proprietary board membership.

See section: A.2, A.3 and C.1.2

Complaint Partially complaint Explain

29 The board of directors should not propose the removal of independent board members before their tenure expires as mandated by the bylaws, except in the event of just cause, deemed by the board, after the Appointments Committee issues a report. Specifically, just cause shall be understood as board member acting in breach of his/her fiduciary duties or incurring in any of the circumstances that may lead to his/her losing the condition of independent, pursuant to the stipulations of Order ECC/461/2013.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the company's capital structure, in order to meet the proportionality criterion set out in recommendation 11.

See section: C.1.2, C.1.9, C.1.19 and C.1.27

Compliant Explain

30 Companies should establish rules obliging board members to report of and, as the case may be, to resign in any circumstance that might damage the company's name or reputation and, in particular, obliging them to inform the Board of Directors of all criminal cases in which they may be named as accused and the progress of any subsequent trials.

Upon the indictment or trial of any director for any of the crimes outlined in Article 124 of the Spanish Companies Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the annual corporate governance report.

See section: C.1.42, C.1.43

Complaint Partially complaint Explain

31 All board members should express clear opposition against any proposals submitted for the board's approval which, they deem, might damage the corporate interest. Particularly, independent and other board members, unaffected by the possible conflicts of interest, should challenge any decision that could go against the interests of shareholders not represented on the board.

In the event that the board takes significant or reiterated decisions against which a board member may have expressed serious reservations, said board member set out the pertinent conclusions and, if he/she decides to resign, he/she should explain the reasons in the letterreferred to in the next recommendation.

The terms of this recommendation also applies to the board secretary although not officially a board member.

Complaint Partially compliant Explain Not applicable

- 32 Board members who give up their position before their tenure expires, by resignation or otherwise, should state the reasons in a letter remitted to all board members. Regardless of whether such resignation is filed as a significant event, the reason must be explained in the annual corporate governance report.

See section: C.1.9

Complaint Partially compliant Explain Not applicable

- 33 Executive board members should be remunerated in portions of the shares of the company or of companies of the group, share options or other share-based instruments, variable remunerations linked to the company's performance or forecast systems.

This recommendation shall not include the allocation of shares if board members are obliged to retain them until the end of their tenure.

Complaint Partially compliant Explain Not applicable

- 34 The remuneration of external board members should sufficiently compensate for the dedication, abilities and responsibilities that the post entails, but not to the extent of compromising their independence.

Complaint Explain Not applicable

- 35 Remuneration linked to company earnings should consider the possible deductions reflected in the external auditor's report and should reduce said results

Complaint Explain Not applicable

- 36 In the case of variable compensations, remuneration policies should include the technical safeguards necessary to ensure that such remunerations reflect the professional performance of the beneficiaries and not simply the general progress of the markets or of the company's sector, or of similar circumstances

Complaint Explain Not applicable

- 37 In the event that the company has an Executive Committee, the structure of shares of the different categories of members should be similar to that of the Board itself, and its secretary should be like that of the board.

See section: C.2.1 and C.2.6

Complaint Partially compliant Explain Not applicable

- 38 The board should always be granted first-hand knowledge of issues dealt with and decisions taken by the Executive Committee and each board member should receive a copy of the minutes of the executive committee.

Complaint Explain Not applicable

39 In addition to the Audit Committee required by the Securities Market Act, the Board of Directors should also create a committee, or two separate committees, for appointments and remunerations.

The rules governing the composition and operation of the audits committee and the appointments and remunerations committee or committees should be set forth in the Board Regulations, and should include:

a) The board of directors should appoint the members of such committees considering the knowledge, aptitudes and experience of the directors and the duties of each committee; decide on their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first plenary board following each meeting;

b) These committees should consist exclusively of external board members, with a minimum of three. That notwithstanding, executive board members or senior officers may also attend meetings, for information purposes, at the committees' invitation.

c) Committees should be chaired by independent board members.

d) External consultants may be engaged if deemed necessary for the performance of their duties.

e) Minutes should be recorded of their meetings and copies of such sent to all board members.

See section: C.2.1 and C.2.4

Complaint Partially complaint Explain

40 The supervision of compliance with the internal codes of conduct and corporate governance regulations should be entrusted to the Audits Committee, Appointments Committee or, if separately existing, Compliance or Corporate Governance committees.

See section: C.2.3 and C.2.4

Compliant Explain

41 All members of the audits committee, particularly its chairman, should be appointed bearing in mind their knowledge and background in Accounting, Auditing and Risk Management.

Compliant Explain

42 Listed companies should have an internal audits function, under the supervision of the audits committee, to ensure the proper operation of internal reporting and monitoring systems.

See section: C.2.3

Compliant Explain

43 The head of internal audits should submit an annual work plan to the Audits Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Complaint Partially complaint Explain

44 Risk monitoring and management policy should at least specify:

- a) The different types of risk (operational, technological, financial, legal, reputation oriented...) to which the company may be exposed, including those of financial or economic, contingent liabilities and other off-balance-sheet risks;
- b) The determination of the level of risk deemed acceptable to the company;
- c) Measures in place to mitigate the impact of risk events should they occur;
- d) The internal reporting and monitoring systems to be used to monitor and manage the aforementioned risks, including contingent liabilities and off-balance sheet risks.

See section: E

Complaint Partially complaint Explain

45 The audits committee's role should be:

1st Regarding internal monitoring and reporting systems:

- a) The main risks identified as consequence of the supervision of the efficacy of the company's internal monitoring and internal audits, as the case may be, should be managed and appropriately disclosed.
- b) To monitor the independence and efficacy of the internal auditing; propose the selection, appointment, re-election and removal of the head of internal audits; propose the department's budget; receive regular feedbacks on its activities; and verify that senior management is acting on the findings and recommendations of the reports.
- c) To establish and supervise a mechanism whereby staff can confidentially and, if necessary, anonymously report any irregularities detected in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company.

2nd With regards to the external auditor:

- a) To be regularly informed by the external auditor on the progress and findings of the auditing plan and to ensure that senior management act on its recommendations.
- b) To make sure the external auditor remains independent and, for that purpose:
 - i) The company should notify the CNMV of any change of auditor as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
 - ii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

See section: C.1.36, C.2.3, C.2.4 and E.2

Complaint Partially complaint Explain

d) Reporting to the board on the gender diversity issues discussed in recommendation 14 of this code.

See section: C.2.4

Complaint Partially complaint Explain

51 The appointments committee should consult the company's chairman and chief executive on especially matters relating to executive board members.

Any board member may suggest possible candidates to the Appointments Committee if it deems fit, for filling out vacancies on the board of directors.

Complaint Partially compliant Explain Not applicable

52 In addition to the functions listed in the preceding recommendations, the Appointments Committee should be responsible for the following:

a) Making the following proposals to the Board of Directors:

i) The remuneration policy for board members and senior management;

ii) The remuneration and other contractual conditions of individuals of the executive board members;

iii) The standard conditions for senior officer employment contracts.

b) To oversee compliance with the remuneration policy set by the company.

See section: C.2.4

Complaint Partially compliant Explain Not applicable

53 The remunerations committee should consult the company's chairman and chief executive on especially matters relating to executive board members and senior management.

Complaint Explain Not applicable

H Other information of interest

1 Provide a brief detail, if any, on all other relevant aspects in the matter of the corporate governance of the company or entities of the group that have not been included in the other sections of this report, but that the inclusion of which is necessary for the compiling of a more comprehensive and reasonable information on the structure and practices of governance in the entity or group.

2 In this section, you may also include any other information, clarification or detail related to the sections set forth above in the report, to the extent that these are deemed relevant and not reiterative.

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Specifically, indicate whether the company is subject to non-Spanish legislation with regards to corporate governance and, if so, include the information it is obliged to provide and which is different from that required in this report.

3 The company may also indicate whether it voluntarily adhered to other codes of the principles of ethics or other good practices, international, sector-wise or of other scope. As the case may be, the company shall identify the code in question and the date of adherence thereto.

This Report has been approved on by the Board of Directors as of _____.

Indicate whether Board Members voted against or abstained from voting for or against the approval of this Report.

Yes

No

Name or company name of the board member who voted against the approval of this Report.	Reasons (against, abstained, non attendance)	Explain reasons

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

A) Securities not traded on an EU regulated market, indicating classes of shares and for each class of shares, the rights and obligations conferred.

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) Any statutory or bylaw restrictions on the exercise of voting rights.

Pursuant to Article 7 of the Bylaws, company shares may be transferred.

Pursuant to By-laws 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) Indicate the rules applicable to the amendment of the company's bylaws.

Regarding the amendment of bylaws there is no procedure in addition to those which are set forth in Royal Decree 1/2010 of 2 July on the revised text of the and the Companies Act of Capital and Law 3/2009 of 3 April on structural modifications of commercial companies.

d) Significant agreements signed by the company, whether modified or terminated in the event of a change in the company's control through a hostile takeover bid, and its effects.

There are no agreements in this regard

e) Agreements signed between the company and its administrative, management or employee posts with compensations, guarantees or protection clauses, in the event of resignation or unlawful dismissal or if contractual relationship is abruptly halted because of a hostile take over bid or other kinds of transactions.

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:

- 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. Description of the main features of the internal control system and risk management systems regarding financial reporting processes. The content and final structure of the IAGC is determined by the Ministry of Finance or, express authorization, by the National Committee on the Securities Market

1 The Company's control environment

1.1 Entities and/or functions of: i. The existence and maintenance of an appropriate and effective System of Internal Control over Financial Reporting; 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 Board of Directors' role is to approve the risk control and management policy, and the regular monitoring of internal information and control systems Said function has been transferred to the Audit Committee, who should be informed of controls implemented by the Finance Department. For controls which may be considered appropriate, especially those made directly by the Finance Department and with a high element of subjectivity, the Board of Directors will require the implementation of appropriate control procedures.

The design, implementation and operation of SCIIF is the responsibility of the General Directorate of Administration and Finance Group, as set forth the San Jose Group Oversight Policy of SCIIF.

Internal Audit Management of Grupo SANJOSE shall be responsible for the monitoring and control of said functions, as well as any other functions entrusted by the Board of Directors.

1.2 Departments and/or mechanisms in charge of: i. Design and review of the organisational structure, ii. Definition of lines of responsibility and authority, with an appropriate distribution of tasks and functions, iii. Existence of sufficient procedures for proper dissemination in the organisation.

The Board of Directors through the CEO, regarding departments involved in the elaboration of financial information. Is responsible for the design and revision of the organisational structure.

The Chief Executive Officer through the Human Resources Management is responsible for defining the lines of responsibility and authority, with an appropriate distribution of tasks and functions.

The Group has a section on the Intranet which publishes the organizational structure, The functions of the mainly responsible for the area. Access to these files is restricted based on the type of user you refer.

Code of Conduct:

Grupo SANJOSE has a Code of Conduct that is in the process of approval by the Board of Directors.

The main values in the Code of Conduct refer to:

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- Maintaining an unimpeachable standard of integrity in their behaviour and relationships, both outside as inside the organisation.
- Optimization of resources which is responsible to provide maximum competitiveness to SANJOSE Group.
- Objectivity, transparency and non discrimination in administrative management and elaboration of financial information to ensure its reliability.
- Enforcement of policies and internal rules and legislation. Obligation of rejection and reporting of any 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 SANJOSE involved in the preparation and review of financial information and assessment of internal control systems on financial information are subject to continuous training programmes on regulation updates and best practices necessary to ensure the reliability of financial reporting.

2 RISK ASSESSMENT OF FINANCIAL REPORTING

2.1 What are the main characteristics of the process of identifying risks, including those of error or fraud, with regards to:

Whether the process exists and is documented.

The presence of Grupo SANJOSE in several business areas in different countries with different regulatory, political and social frameworks involves the assessment of risks of different nature.

During year 2011, the Group identified the major risks which it is exposed to, having documented SCIF 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.

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The Group has a documented process based on domestic regulation which guarantees the adequate identification of the scope of consolidation through a proper segregation of duties in the request, authorization, recording and reporting of any transaction of incorporation, merger, acquisition or sale of companies and any other corporate transaction, and that means for their execution, directly and in a coordinated manner, the Central Government Departments Corporate, Consolidation, Legal and Tax, among others.

This process considers the existence of complex corporate structures and special purpose vehicles, through, inter alia, the establishment of an adequate structure of segregation of duties for application, approval and communication to take any corporate action in the Group.

Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) affecting the financial statements.

The internal control system 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 Procedures for the revision and approval of financial information and description of internal control system SCIIF to be publish at stock markets, detailing responsible members, as well as cash-flow control activities (including those regarding risks of fraud), including accounting close procedures and specific revision of the judgments, estimates, valuations and relevant projections.

Grupo SANJOSE has revision and authorisation procedures on financial information and internal control SCIIF, being the Board of Directors responsible for the same and having said powers transferred to the Audit committee pursuant to article 16.4. of the Board of Directors' Regulation of GESJ, S.A.

The Audit Committee reviews, analyses and makes comments on the Financial Statements and any other financial information, as well as judgements and estimates, together with the directorate General of Finance and the Internal audit Department and External Auditors in order to verify information reliability and consistency with previous years.

The flow of activities and control tests, even those regarding fraud, of transactions affecting the financial statements, accounting close and specific revision of judgements and estimates included, are duly document by means of the mandatory corporate policies, standards and procedures.

3.2 Policies and procedures of internal control of information systems (among others, access security, monitoring of changes, operation continuity, and segregation of duties) that support relevant processes within the organisation in relation to the development and public release of financial information.

Grupo SANJOSE has policies, standards and procedures of internal control of information systems and security management set within the MSIS or Management System of Safety of Information Systems, in accordance with international standards, such as ISO 27001, ISO27002.

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Access to information systems is managed in accordance with the job title of positions, limitations are established by applicable regulations and business needs in order to ensure the reliability of the information. Following corporate policy, Companies of the Group, coordinated by the Director of Systems, define access profiles, modification, validation or query information based on each user's role, assigned under the criteria of an adequate segregation of duties.

Procedures have been established to ensure that installed software cannot be changed without specific permission. All information systems are protected against viruses and software updates are available to prevent hacking into information systems

3.3 Policies and internal control procedures for monitoring the management of outsourcing activities to third parties, and aspects regarding assessment and calculation of works entrusted to independent experts, which may affect financial statements in a certain way.

As a general rule, Grupo SANJOSE performs management controls of activities which may affect the reliability of financial statements by the direct use of internal resources, avoiding outsourcing activities.

The management of assessment activities, calculation or assessment procedures commissioned to independent experts refer mainly to real estate appraisal. The selection of such companies is performed according to methods consistent with the criteria established by "The Royal Institution of Chartered Surveyors" in implementing International Assessment Standards.

The reports on assets assessment are subjected to an internal review process to verify the adequacy of hypotheses and most significant assumptions used, as well as its compliance with International Accounting and Assessment Standards.

4 INFORMATION AND REPORTING

4.1 A specific function responsible for defining, maintaining up to date accounting policies (area or department of accounting policies) and resolving questions or disputes regarding their interpretation and ensuring good communication with those responsible for operations within in the organization, as well as keeping up to date guidelines on accounting policies duly informing operating units on the same.

The Group has procedures and mechanisms to convey to staff involved in the preparation of financial information the applicable performance criteria and the information systems used in such processes.

The ultimate responsibility lays on the General Direction of Administration and Finance and must be carried out through the Central Administration Office together with the Consolidation and Control Management Division.

4.2 Mechanisms of submission and preparation of financial information in homogeneous formats, application to all units, which support main financial statements and the accompanying notes, as well as information detailed on internal control systems on financial information, SCIIF.

The Group's financial information is produced through a process consisting of aggregating individual financial statements for further consolidation in response to consolidation and accounting regulations on consolidated financial information publishing in the markets.

All of the units within the SANJOSE Group are required to submit detailed financial information using a single format and a CFO is responsible for each level of aggregation. The Consolidation Department establishes the formats to use and analyses potential problems which may arise, reporting the same to the General Direction of Administration and Finance.

In the process of aggregation and consolidation of financial statements, the Group employs the software application so-called CONSOLIDADA; this tool is parameterised for testing and automatic reconciliations looking for inconsistencies in the recorded data before validating them. This tool generates improvements in information security, as well as progress in the implementation of details.

5 SYSTEM OPERATION SUPERVISION

5.1 The activities of supervising the System of Internal Control over Financial Reporting performed by the audits committee, and of whether the entity has an internal audits system that is empowered to support the committee in supervising the internal monitoring system, including the SICFR. Also provide information on the scope of the assessment of the SICFR performed during the financial year and on the process by which the head of the assessment reports the results, whether the entity has an action plan that outlines the possible corrective measures, and whether its impact on the financial reporting has been considered.

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.

Monitoring the independence and efficacy of internal auditing; proposing the selection, appointment, re-election and removal of the head of internal audit; proposing the department's budget; receiving regular feedbacks on its activities; and verifying whether senior management is acting on the findings and recommendations of the 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 a discussion procedure by which the accounts auditor (pursuant to the stipulations of the NTA), the function of the internal audits and other experts may report the significant weaknesses identified in the internal monitoring during the revision of the financial statements or all the others entrusted to them to the top management and to the audits committee or to the directors of the entity. Also report whether there is an action plan for correcting or mitigating the weaknesses uncovered.

The Audit Committee maintains a stable and professional relationship with the external auditors of Grupo SANJOSE and the main Group companies, with strict respect for their independence. This relationship facilitates communication and discussion of significant weaknesses of internal control identified during the revision of financial statements.

In this regard, the Audit committee is regularly informed by the external auditor on the progress and findings of the auditing plan and to ensure that senior management act on 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.

Translation into English of consolidated management report for the year ending 31 December 2013 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails

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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 "Constructora San Jos, 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 2013 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 216 sheets of officially stamped single-sheet paper were prepared by the Company's Board of Directors on 31 March 2014.

Mr. Jacinto Rey González

Mr. Jacinto Rey Laredo

Mr. Roberto Rey Perales

Mr. Enrique Martín Rey

Ms. Altina de Fátima Sebastián González

Mr. Ramón Barral Andrade

Mr. Guillermo De la Dehesa Romero

Mr. Roberto Alvarez Álvarez

Mr. Javier Rey Laredo

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NEGATIVE CLEARANCE REGARDING ENVIRONMENTAL INFORMATION IN FINANCIAL STATEMENTS

Company's identification:

Grupo Empresarial San José, S.A. and Subsidiaries

Company's identification:

R.M. Pontevedra, Volume 586, sheet 88, page 8119

VAT Id #: A36.046.993 **Fiscal year:** 2013

The undersigned, as Director of the above mentioned company state that accounting records of the financial statements issued in 69 sheets of paper do not include items to be included within the document apart from environmental information set forth by Ministerial Order 8 October 2001.

Signature and name of the Directors:

Mr. Jacinto Rey González

Mr. Jacinto Rey Laredo

Mr. Roberto Rey Perales

Mr. Enrique Martín Rey

Ms. Altina de Fátima Sebastián González

Mr. Ramón Barral Andrade

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Mr. Guillermo De la Dehesa Romero

Mr. Roberto Alvarez Álvarez

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CERTIFICATION

CERTIFICACIÓN

I, Estefanía Calvo Iglesias, English Sworn Translator, certified by the Spanish Ministry of Foreign Affairs,

do hereby certify

that the preceding is a true and faithful English translation, on the essentials, of a document issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

Madrid, on the twenty-sixth of June, two thousand and fourteen

Yo, Estefanía Calvo Iglesias, Traductora Jurada de inglés por el Ministerio de Asuntos Exteriores del Gobierno de España,

certifico que

la que precede es traducción fiel y completa al inglés de un documento redactado en español. En caso de discrepancia, el documento original redactado en español prevalece.

Madrid, a veintiséis de junio de dos mil catorce

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Estefanía Calvo Iglesias