Grupo Empresarial San José, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2014 and Consolidated Directors' Report, together with Independent Auditor's Report

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

Deloitte.

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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.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Grupo Empresarial San José, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated income statement, consolidated statement of recognized income and expenses, consolidated statement of changes in equity, consolidated cash flows statement and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Grupo Empresarial San José, S.A. and Subsidiaries 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 in Spain (identified in Note 2.1 to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Grupo Empresarial San José, S.A. and Subsidiaries as at 31 December 2014, and their consolidated results and their consolidated cash flows for the year then ended 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 in Spain.

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

Emphasis of Matter

We draw attention to Note 2.1 to the accompanying consolidated financial statements, which indicates that on 20 May 2015 the Parent's directors formally prepared a new set of consolidated financial statements for the year ended 31 December 2014 in order to include significant information about the event after the reporting period which occurred on 11 May 2015 and is described below.

In this connection, as indicated in Notes 17.3 and 27 to the accompanying consolidated financial statements, on 30 December 2014 the SANJOSE Group entered into an agreement, with the majority of the creditor banks, for the non-extinctive modifying novation of the original syndicated financing agreement, which included certain conditions subsequent. As indicated in Note 17.3 to the accompanying consolidated financial statements, the agreement establishes, among other matters, the creation of three independent portions of financing, the cancellation of the joint and several guarantees which the Parent and Constructora San José, S.A. (among other subsidiaries) had provided to the creditors of the original syndicated financing, and the commitment to sell to the creditors the real estate division headed by the subsidiary San José Desarrollos Inmobiliarios, S.A. (see Note 12). The final court order officially approving the aforementioned agreement for the non-extinctive modifying novation of the original syndicated financing agreement was issued on 11 May 2015, thus satisfying the main condition subsequent included therein. In this connection, as indicated in Note 27, the Parent's directors consider that the remaining conditions subsequent, which depend basically on measures that must be taken by the Parent and certain subsidiaries, will be met within the time periods established in the agreement.

This auditor's report replaces the auditor's report that we issued on 30 April 2015, in which we expressed an unqualified opinion, in relation to the consolidated financial statements that had initially been authorised for issue. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2014 contains the explanations which the Parent's directors consider appropriate about the situation of Grupo Empresarial San José, S.A. and Subsidiaries, the evolution of their 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 2014. 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

Antonio Sánchez-Covisa Martín-González
20 May 2015

Grupo Empresarial San José, S.A. and Subsidiaries

Consolidated Financial Statements
for the year ending 31 December 2014
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 Subsidiairies

Consolidated balance sheet at 31 December 2014 and 31 December 2013

(Thousand of Euros)

	31-12-14	31-12-13
NON-CURRENT ASSETS:		
Property, plant and equipment (Note 7)	51,955	54,848
Investment property (Note 8)	3,882	487,349
Goodwill on consolidation (Note 9)	9,984	13,207
Intangible assets (Notes 10)	20,311	18,564
Investments in associates and joint ventures (Note 14.)	59,552	106,403
Equity investments in associates (Note 11)	51,533	63,165
Loans to related companies	8,019	43,238
Other non-current financial assets (Note 14.4)	171,441	181,636
Deferred tax assets (Note 21.4)	50,539	199,003
TOTAL NON-CURRENT ASSETS	367,664	1,061,010
CURRENT ASSETS:		
Non-current assets held for sale (Note 12.2)	1,432,728	-
Inventories (Note 13)	77,402	864,224
Trade and other receivables	241,311	311,672
Trade receivables for sales and services (Note 14.1)	217,837	282,372
Realetd companies receivables (Note 24)	10	11
Sundry accountes receivable	3,773	2,160
Public admisnitrations (Note 21)	14,861	25,625
Other current assets	4,830	1,504
Other current financial assets (Note 14.3)	82,883	68,758
Cash and cash equivalents (Note 14.2)	203,260	159,581
TOTAL CURRENT ASSETS	2,037,584	1,404,235
TOTAL ASSETS	2,405,248	2,465,245

EQUITY AND LIABILITIES	31-12-14	31-12-13
EQUITY:		
Share capital	1,951	1,951
Issurance premium	155,578	155,578
Reserves	(55,339)	106,889
Translation differences	(39,978)	(38,408)
Equity-Valuation adjustments	(23,915)	(19,888)
Profit of the year attibutable to the parent company	(120,054)	(155,242)
Equity attribtable to shareholders of the Parent	(81,757)	50,880
Minority interests	24,302	15,299
TOTAL EQUITY (Note 15)	(57,455)	66,179
NON-CURRENT LIABILITIES		
Long-term provisions (Note 16)	20,799	58,787
Non-current bank borrowings (Note 17)	477,699	230,531
Bank loans and overdrafts	472,501	220,715
Finance lease creditors	885	1,605
Other financial liabilities	4,313	8,211
Derivative financial instruments (Note 18)	31,697	30,137
Deferred tax liabilities (Note 21.4)	28,982	52,686
TOTAL NON-CURRENT LIABILITIES	559,177	372,141
CURRENT LIABILITIES:		
Liabilities related to non current assets held for sale (Note 12.2)	1,432,728	-
Short-term provisions (Note 23.10)	42,925	37,696
Current bank borrowings (Note 17)	77,972	1,595,512
Bank loans and overdrafts	75,640	1,591,122
Finance lease creditors	724	1,124
Other financial liabilities	1,608	3,266
Derivative financial instruments (Note 18)	-	75
Payables to related companies (Nota 24)	1,766	9,892
Trade and other payables	348,135	383,750
Trade payables (Note 19.1)	314,187	345,255
Tax Payable (Note 21)	14,236	22,290
Other current liabilities (Nota 19.2)	19,712	16,205
TOTAL CURRENT LIABILITIES	1,903,526	2,026,925
TOTAL EQUITY AND LIABILITIES	2,405,248	2,465,245

Notes 1 to 27 of the accompanying notes Consolidated Anual Report and Annex I,II and III are an integral part of the Consolidated Balance Sheet at 31 st December 2014

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Translation into English of consolidated financial statements for the year ending 31 December 2014 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiairies

CONSOLIDATED INCOME STATEMENT FOR
YEARS 2014 AND 2013
(Thousand of Euros)

	YEAR 2014	YEAR 2013 (*)
A) CONTINUING OPERATIONS		
Revenue (Note 23.1)	465,082	525,964
Other operating income	10,078	14,511
Change in inventories of finished goods and work in progress (Notes 13 and 23.11)	(1,781)	(15,809)
Procurements (Note 23.2)	(282,414)	(334,834)
Cost of raw materials and other consumables used	(142,005)	(177,581)
Works performed by other companies	(141,352)	(156,650)
Impairment of goods held for resale, raw materials and other supplies (Note 13)	943	(603)
Staff costs (Note 23.3)	(81,411)	(86,488)
Other operating expenses	(92,568)	(81,500)
Losses on impairment and change in allowances for trade receivables	(18,006)	(10,276)
Other current operating expenses	(74,562)	(71,224)
Depreciation and amortisation charge (Notes 7,8 and 10)	(6,374)	(4,778)
Excessive provisions (Notes 16 and 23.10)	128	463
Impairment and gains or losses on disposal of non-current assets (Note 23.9)	682	7,359
PROFIT FROM OPERATIONS	11,422	24,888
Finance income (Note 23.7)	22,220	10,420
Finance costs (Note 23.8)	(18,297)	(26,141)
Exchange differences	2,060	277
Impairment and gains or losses on disposal of financial instruments	(9,418)	113
FINANCIAL PROFIT / (LOSS)	(3,435)	(15,331)
Profit/ (loss) of companies accounted for using the equity method (Notes 14.4 and 15)	(864)	987
PROFIT (LOSS) BEFORE TAX	7,123	10,544
Income Tax (Note 21)	(49,603)	(5,527)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(42,480)	5,017
B) NON-CONTINUING OPERATIONS		
Profit for the year from discontinued operations (Note 12.1)	(80,202)	(163,599)
PROFIT (LOSS) FOR THE YEAR	(122,682)	(158,582)
PROFIT (LOSS) ATTRIBUTABLE TO EXTERNAL PARTNERS	(2,628)	(3,340)
PROFIT (LOSS) FOR THE YEAR	(120,054)	(155,242)
Earnings per share (Euros/share)		
-Basic	(1.85)	(2.39)
-Diluted	(1.85)	(2.39)

(*) Re- expression data (see Note 4.23)

Accompanying notes 1 to 27 to the Annual Report and Anex I, II and III form an integral part of the Consolidated Income Statement at 31st December 2014

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR YEARS 2014 AND 2013

(Thousand of Euros)

	12/31/2014	31/12/2013 (*)
CONSOLIDATED PROFITS / (LOSSES) OF THE YEAR	**(122,682)**	**(158,582)**
Income and expenses recognised directly in equity		
-For cash flow hedges	(11,457)	(1,816)
-Other	15	97
-Tax effect	2,555	316
	(8,887)	**(1,403)**
Transfer to income statement		
-For cash flow hedges	5,440	(2,222)
-Other	(322)	(414)
-Tax effect	(475)	545
	4,643	**(2,091)**
TOTAL RECOGNISED INCOMES / (EXPENSES)	**(126,926)**	**(162,076)**
a) Attributable to Parent	**(124,247)**	**(158,873)**
b) Attributable to minority interests	**(2,679)**	**(3,203)**

(*) Re- expression data (see Note 4.23)

Accompanying notes 1 to 27 to the Annual Report and Anex I, II and III form an integral part of of the consolidated statement of recognised income and expenses at 31 December 2014

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. y Sociedades Dependientes

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR YEARS 2014 AND 2013

(Thousand of Euros)

	Share Capital	Issurance premium	Legal Reserve	Other reserves of the Parent	Consolidated Reserves: In consolidated companies	Consolidated Reserves: In associated companies	Translation differences	Equity adjustments	Profit of the year	Total equity attributable to Parent	Minority Interests	Total Equity
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	247,045
Distribution of profit for year 2012:												
-To reserves				(80,602)	(14,298)	(2,185)	-	-	97,085	-	-	-
Translation differences	-	-	-	-	-	-	(16,822)	-	-	(16,822)	(1,309)	(18,131)
Variation of the consolidation perimeter	-	-	-	-	(2,543)	2,744	106	-	-	307	(825)	(518)
Other equity movements	-	-	-	-	49,516	(49,516)	-	(142)	-	(142)	-	(142)
Total recognized income/expenses year 2013	-	-	-	-	-	-	-	(3,631)	(155,242)	(158,873)	(3,203)	(162,076)
Balance at December 31, 2013	1,951	155,578	263	6,892	136,313	(36,579)	(38,408)	(19,888)	(155,242)	60,880	15,299	66,179
Distribution of profit for year 2013:												
-To reserves	-	-	-	(92,924)	(50,584)	(11,734)	-	-	155,242	-	-	-
-Dividend payment	-	-	-	-	-	-	-	-	-	-	(2,902)	(2,902)
Translation differences	-	-	-	-	-	-	(1,149)	-	-	(1,149)	3,983	2,834
Variation of the consolidation perimeter (Note 2.4)	-	-	-	-	(4,318)	265	(34)	-	-	(4,087)	7,602	3,515
Other equity movements	-	-	-	-	(2,933)	-	(387)	166	-	(3,154)	2,999	(155)
Total recognized income/expenses year 2014	-	-	-	-	-	-	-	(4,193)	(120,054)	(124,247)	(2,679)	(126,926)
Balance at December 31, 2014	1,951	155,578	263	(86,032)	78,478	(48,048)	(39,978)	(23,915)	(120,054)	(81,757)	24,302	(57,455)

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

Accompanying notes 1 to 27 to the Annual Report and Anex I, II and III form an integral part of the Consolidated Statement of Changes in Equity at 31st December 2014.

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GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONSOLIDATED CASH FLOW STATEMENTS

FOR YEARS 2014 AND 2013

(Thousand of Euros)

	YEAR 2014	YEAR 2013 (*)
Cash flows from operating activities:		
(+) Profit (Loss) before tax	7,123	10,544
(+) Depreciation and amortisation charge	6,374	4,778
(+/-) Changes in operating allowances	18,021	4,222
(-) Financial income	(22,220)	(10,420)
(+) Financial costs	18,297	26,141
(+/-) Exchange differences	(2,060)	(277)
(+/-) Result of companies accounted for using the equity method	864	(987)
(+/-) Other gains or losses	7,386	(4,986)
Total Cash Flows from operating activities	33,785	29,015
Other adjustments		
(-) Tax benefits paid in the year	-	(22)
(+/-) (Increase) / Decrease in working capital		
a) (Increase) / Decrease in inventories	(7,013)	6,498
b) (Increase) / Decrease in debtors and other receivables	51,765	52,502
c) (Increase) / decrease in other current assets	(3,475)	(320)
d) (Increase) / Decrease in trade payables	(17,405)	(16,978)
e) (Increase) / decrease in other current liabilities	5,001	330
(+/-) Other collections / (payments) due to operating activities	(5,659)	(941)
1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	57,019	70,084
Investments:		
(-) Property, plant and equipment and investment property	(2,886)	(2,975)
(-) Intangible assets	(1,042)	(162)
(-) Shares and other financial assets	(9,075)	(79,113)
Total Investments	(13,003)	(82,250)
Dividends received	-	571
Disposals:		
(+) Property, plant and equipment and investment property	7,156	-
(+) Intangible assets	7	-
Total Disposals	7,163	-
Other collections / (payments) due to financing activities	47,819	104,243
2. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES	41,979	22,564
Other collections / (payments) due to treasury share transactions	-	(455)
Dividends payed	(2,902)	-
Increase / (decrease) in borrowings	(33,748)	(91,666)
Non current	(22,073)	(89,286)
Current	(11,675)	(2,380)
Net Interests:	(11,355)	(17,328)
Received	8,930	8,044
Paid	(20,285)	(25,372)
Other collections / (payments) due to financial activities	(5,879)	(19,010)
3. TOTAL NET CASH FLOWS FROM FINANCIAL ACTIVITIES	(53,884)	(128,459)
TOTAL CASH FLOWS FOR THE YEAR	45,114	(35,811)

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	159,581	197,398
Changes in the year	45,114	(35,811)
Discontinued operation (Note 12.1)	(1,435)	(2,006)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	203,260	159,581

(*) Re- expression data (see Note 4.23)

Accompanying notes 1 to 27 to the Annual Report and Anex I, II and III form an integral part of the Consolidated Cash Flow Statement for year 2014

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Grupo Empresarial San José, S.A. and Subsidiaries

Consolidated
Notes for the year ended 31 December 2014

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 Sanmartn 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 Jos 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..

The shares of the Parent are listed on the Spanish Stock Exchange since July 2009.

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 José, S.A. (construction), San José Desarrollos Inmobiliarios, S.A.U. (real estate– see Note Nota 12.2), Sanjose Concesiones y Servicios, S.A.U. (maintenance services), San José Energía y Medio Ambiente, S.A. (energy) y Desarrollos Urbanísticos Udra, S.A.U. (urban developments).

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."

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.

- 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 3,978 thousand.

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

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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 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 Gestin, S.A.U., Parquesol Promociones y Desarrollos Inmobiliarios, S.L.U. and Parque Usera, S.L. signed a merger by absorption plan, which was filed at the Madrid and Valladolid Companies Registry for subsequent publication at the Official Gazette of the Companies Mercantile Registry (BORME).

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

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

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

On 7 April 2008, the directors of the 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).

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.

The date as form the transactions of the absorbed companies qualify for accounting purposes as performed by the Company is 1 January 2008. The aforementioned public deed was registered at the Mercantile Registry on 17 July 2009. After completion of said registration on 20 July 2009, the Company started to quote on the stock exchange.

Said transaction also includes the following:

a. Split of shares of the Company, issuing 200 new shares for each former share and reducing, therefore, the par value from EUR 6,00 to EUR 0.03.

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

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

The aforementioned merger 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."

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

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

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

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

The aforementioned merger took place through the absorption of Artel Ingenieros S.L.U., SefriIngenieros S.A.U., Instal 8 S.A.U. and SM Klima S.A.U. by Sanjose Tecnologas, 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 Tecnologas, S.A.U. owns all the shares of Artel Ingenieros S.L.U., SefriIngenieros S.A.U., Instal 8 S.A.U. and SM Klima S.A.U., it is not necessary to increase the share capital of the absorbing company or fix a share exchange ratio. Similarly, neither the directors nor independent valuers are required to prepare reports in relation to the merger plan.

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

The date as from the transactions of the absorbed companies is taken into consideration by Sanjose Tecnologias, S.A. for accounting purposes is 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 Tecnologas, 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 Jos Tecnologas 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 Jos Tecnologas S.A.U."- as regards the department engaged in corrective and preventive maintenance of mechanical, electrical and plumbing facilities of "Tecnocontrol, S.A.U." in favour of "Tecnocontrol Servicios S.A.U". The approved merger balance sheets are those closed at 31 December 2008, which were included in the audited financial statements for that year.

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

The aforementioned merger qualified for taxation under the tax neutrality regime provided for in Chapter VIII of Title VIII of Legislative Royal Decree 4/2004, 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 José 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.

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

The assets and liabilities transferred in the merger were included in the accounting records of Sanjose 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.U. for accounting purposes as on 1 January 2009. These transactions were reflected in the accounts upon completion of the merger through its registration at the Mercantile Registry.

The aforementioned merger qualified for taxation under the tax neutrality regime provided for in Chapter VIII of Title VIII of Legislative Royal Decree 4/2004, 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 "Constructora Sanjose, S.A." and the investees: "Alcava Mediterranea, S.AU.", "Constructora Avalos, S.A.U.", "Balltagi Mediterrani, S.A.U." and "Construccion, Rehabilitacion y Conservacion, 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 absorbed companies, which were dissolved without liquidation once the merger plan had been executed in a public deed and registered at the Mercantile Registry on 17 February 2009.

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

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

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Transactions of the absorbed companies are considered to have been performed by Constructora San José, S.A. for accounting purposes as 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.

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

On 7 November 2014, the General Shareholders' Meeting of "San José Desarrollos Inmobiliarios, S.A." agreed to repay the 100% shares, 11,852,479 shares of € 6 par value each to offset the loss of previous years. A capital increase by majority shareholders only to place at the same time. "Grupo Empresarial San José, S.A.", as main shareholder of the company attended a said capital increase for a total amount of EUR 30,000 thousand, equivalent to 5 million shares of € 6.00 par value each, to offset outstanding amounts payable by "San José Desarrollos Inmobiliarios, S.A." and becoming the sole shareholder.

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

2.1 Regulatory framework and accounting principles

The consolidated financial statements of Grupo Empresarial San Jose, S.A. and Subsidiaries were prepared by the Board of Directors on 25 March 2015. On 20 May 2015, the Board of Directors of the Company, assessing the significance of the events that had taken place, which are described below, has deemed appropriate to include additional descriptive information in some notes in order to provide an update on the financial situation of the Company for a better reading and understanding of these consolidated financial statements without this additional information affecting in any way to magnitudes of information within the consolidated financial statements. Said additional information consisted mainly in incorporating the court approval dated 13 February 2015, granted on 11 May 2015, being legally approved contracts for the syndicated loan entered into by Grupo SANJOSE, the group of companies the Company belongs to, thereby fulfilling the main preliminary conditions of such financing agreements. Accordingly, the consolidated financial statements prepared by the Board of Directors on 25 March 2015 are replaced for all purposes by these reformulated financial statements reformulated

These consolidated financial statements for 2014 of Grupo Empresarial San Jose, S.A. and Subsidiaries are formally prepared by the Parent's directors, in accordance with International Financial Reporting Standards as adopted by the European Union, 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 2014 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 2013, 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 30 June 2014. Also, 2014 consolidated financial statements of the Group and the individual financial statements of the Group companies for the year 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 2014 the following standards and interpretations, compulsory as from year 2014 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 2014:

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New standards and amendments:		Compulsory application for the Group:
Adopted for use within the EU		
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 Consolidated financial statements(released in May 2011)	It replaces current consolidation requirements set out IAS 31.	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)
IAS 27 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)
IAS 27 (reviewed) 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)
Transitional rules: Amendment IFRS 10, 11 and 12 (released in June 2012)	Clarification of transitional rules.	Annual terms starting as of 1 January 2014 (1)
Investment companies: Amendment IFRS 10, 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 (1)
Amendment of IAS 32 "Financial instruments: Offset of financial assets and liabilities (released in December 2011)	Additional clarifications regarding the compensation of financial assets and liabilities pursuant to IAS 32	Annual terms starting as of 1 January 2014 (1)
Amendment IAS 36 Breakdown on the recovery amount of non financial assets (released in May 2013)	It clarifies whenever it is necessary to provide breakdown and details on the recoverable amount of non financial assets based on fair value once deducted sale costs.	Annual terms starting as of 1 January 2014 (1)
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 (1)

(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.

The enforcement date approved by the IASB is 01 January 2014.

The aforementioned standards have not had a significant impact on the consolidated financial statements of the Group. Additionally, the UE adopted standards and amendments on the new consolidation method (IFRS 10, 11, 12 and those associated to IAC 27 and IAS 28) as compulsory as of 1 January 2014 and voluntary as of 1 January 2013. Grupo SANJOSE has applied this standard as of 1 January 2013. Likewise, on 1 January 2013, Grupo SANJOSE pursuant to powers granted by IAS 31 on the integration of "Join venture stakes" integrated the same trough the equity method being recorded under "Investments in associated and joint venturesl 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. The

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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.

Non applicable issued standards and interpretations

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		
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	17 June 2014 (1)
Amendment of IAS 19 – Employees' contributions to funds (released in June 2013)	The amendment facilitates the deduction of this costs provided certain criteria is fulfilled.	1 July 2014
Improvement of IFRS years 2010-2012 and years 2011-2013 (released in December 2013)	Minor amendments of a series of standards	1 July 2014
Non adopted for use within the EU		
Amendment IAS 16 and IAS 38 Impairment and amortisation methods (released in May 2014)	It classifies the accepted impairment and amortisation methods of property, plant and equipment and intangible assets.	01 January 2016
Amendment IFRS11 Record of stakes in joint ventures (released in May 2014)	It specifies how to record the acquisition of stakes in a joint transactions whose activity involves a business itself.	1 January 2016
Improvement of IFRS years 2012-2014 and years 2011-201 (released in December 2014)	Minor amendments of a series of standards	01 January 2016
Amendment IFRS 10 and IAS 28 on the sale or provision of assets between and investor and its joint associate business (released in September 2014)	It classifies these transactions according to final outcome as business or assets.	1 January 2016
Amendment IAS 27 Consolidation of individual financial statements (released in August 2014)	It allows the consolidation of independent financial statements of an investor.	1 January 2016
Amendment of IAS 16 and 41 Production plants (released in June 2014)	Production plans shall be recorded under expense and not fair value.	1 January 2016

(1) The European Union has issued IFRIC 21 (EU Official Gazette 14 June 2014), amending the delivery date set put by IASB (1 January 2014) for 17 June 2014.

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

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).

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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 Note 2.4 and 9).

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

9. Management of financial risk (Note 20)

Although these estimates were made on the basis of the best information available at 31 December 2014 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 2014 is as follows:

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Country	Currency	Year-end exchange rate	Average exchange rate
The United States	US Dollar (USD)	1.2515	1.3257
Mexico	Mexican Peso	17.9391	17.6734
Argentina	Argentine Peso (ARS)	10.3769	10.7743
Cape Verde	Cape Verde Escudo	110.2650	110.2650
Panama	Panamanian Balboa	1.2155	1.3119
Uruguay	Uruguayan Peso	28.7482	30.1385
Paraguay	Guaraní	5,499.45	5,833.8954
Peru	Peruvian Sol	3.5597	3.7097
Chile	Chilean Peso (CLP)	736.3660	752.8213
Brazil	Brazilian Real	3.2580	3.1297
India	Indian Rupee	77.2925	80.9462
Morocco	Morocco Dirham	10.9469	11.0459
Colombia	Colombian Peso	2,856.89	2,638.83
Republic of Congo	Congo Franco	655.957	655.957
Nepal	Nepal Rupee	122.4830	128.0915
Mozambique	New Metical	40.1108	40.1108
United Arab Emirates	UAE Dirham	4.4336	4.8682

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:

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

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 IFRS 11.

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 2014 and 2013 is as follows:

	Millions of Euros	
	31/12/2014	**31/12/2013**
Current assets	30.5	16.6
Non-current assets	24.5	9.1
Current liabilities	3.1	1.1
Non-current liabilities	19.0	19.2
Total income	10.1	0.8
Total expense	10.8	2.8

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

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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 11 including the same under "Investments in associates and joint ventures" in the accompanying consolidated balance sheet.

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

d) Changes in the scope of consolidation

The main changes in the scope of consolidation in 2014 were as follows:

1. "San José Mozambique, Sociedade Limitada" was incorporated on 8 July 2014 by the Group companies "Constructora San José, S.A." and "Constructora Udra Limitada" in a ratio 60:40, respectively. The social capital amounts to MTn 10,000,000, equivalent to EUR 249 thousand, being only the 50.25% dully paid-up.

2. On 16 December 2014 took place a capital increase by "Constructora San José, S.A." in the Group company "Constructora San José Argentina, S.A." by the capitalisation of debt for a total value of ARS 1,340,304 (equivalent to EUR 126 thousand).

3. During 2014, as a result of customers' debt collection claims, and on the basis of a court decision, "Constructora San José, S.A." became the majority shareholder of the company "Fotovoltaica El Gallo 10, S.L.", holding 83% of its social capital by means of offset of a commercial debt amounting to EUR 14,542 thousand. Net value of the business activity branch amounts to EUR 17,528 thousand. The effect of this acquisition on the consolidated financial statements for year 2014 is not significant.

4. On 7 May 2014, the Group company "Constructora San José Brasil Limitada" increased its social capital in BRL 44,865 (nearly EUR 15 thousand), being said amount dully paid-up by "Constructora San José, S.A.". At 31 December 2014, "Constructora San José, S.A." holds 99.49% ownership and "Constructora Udra Ltda.". holds the outstanding.

5. During year 2014, the Company "San Jose Panama, S.A." attended a capital increase for a total amount of USD 50,000 (nearly EUR 38 thousand), being fully subscribed and paid-up by "Constructora San Jose, S.A."

6. During year 2014, the Company "Udra Mexico, S.A. de C.V." attended a capital increase for a total amount of USD 2,150 (nearly EUR 1,559 thousand), by means of capitalisation of the loan granted to "Constructora San Jose, S.A." At 31 December 2014 the ownership percentage of "Constructora San José, S.A." in "Udra Mexico, S.A. de C.V." amounts to 99.9%.

7. On 30 July 2014, the Group company "Green Inmuebles, S.L." attended a capital increase by its main shareholder "San José Desarrollos Inmobiliarios, S.A." of EUR 925 thousand by means of capitalisation of

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the outstanding balance of loans. At 31 December 2014, the Group holds an ownership interest of 82.31% of the company's share capital.

8. On 27 October 2014 the General Shareholders' Meeting of "Desarrollos Urbanísticos Chamartín, S.A." passed on a capital increase. The group company "Desarrollos Urbanísticos Udra, S.A." has not attended its preemptive right. This, the stake of "Desarrollos Urbanísticos Chamartín, S.A." was reduced from 25.336% to 24.459%.

9. On 22 July 2014 the Company "San José Desarrollos Inmobiliarios, S.A." sold its 50% stake of the company "Kantega Desarrollos Inmobiliarios, S.A,". Consequently, the Company recorded an impairment loss amounting to EUR 1,617 thousand

10. On 7 November 2014, the General Shareholders' Meeting of "San José Desarrollos Inmobiliarios, S.A." agreed to repay 100% of total shares, amounting to 11,852,479 shares of EUR 6.00 par value ach, and to devote the issuance fee and the reserves of the company to offset loss of previous years. Simultaneously, a capital increase of the company by its main shareholder "Grupo Empresarial San José, S.A." took place by means of the subscription of shares for a total amount of EUR 30,000 thousand to offset loans granted. Pursuant to said transaction, at 31 December 2014 the Group holds an ownership interest of 100% of the company's share capital.

11. On 6 February 2014, the company "Udramedios Editora de Galicia, S.L.U." was dissolved by its sole shareholders, "Udramedios S.A.U.", integrating into the same assets for a total amount of EUR 3 thousand, without liabilities of any type.

During year 2013, the main changes in the scope of consolidation in 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 Limietada" 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 Group Company "Constructora San Jose Brasil Lomitada" attended a capital increase for a total amount of BRL 363,855 (nearly EUR 135 thousand), being fully subscribed and paid-up 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), was 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.

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, Unipersoal Lda", with a total share capital amounting to USD 5,000 USD (nearly EUR 3,837).

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 thousand), being fully subscribed and paid up in a 50%.

9. On 26 August 2013, "Constructora San Jose, S.A." incorporated a branch office in Timor-Leste in order to develop its main business activity (construction) in said country.

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10. During year 2013, the Company "San Jose India Infrastructure & Construction Private Limited" attended a capital increase for a total amount of INR 31,730 thousand (nearly EUR 455 thousand), being fully subscribed and paid-up by "Constructora San Jose, 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 José, S.A." attended a capital increase in its associate "Eskonel Company, S.A." for a total amount of UYU 27,058 thousand (nearly EUR 1,051 thousand).

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 2013 is provided for comparison purposes only with that provided as of the year ended 31 December 2014.

As detailed in Note 12, on 30 December 2014 Grupo SANJOSE entered into a modifying novation agreement for its syndicated credit facilities in Spain pursuant to which the main commitment of the group is the sale of its investee "San José Desarrollos Inmobiliarios, S.A.U.", through which the Group develops the real estate business in Spain and Portugal.

In consideration of the sale to be highly probable, along with the compliance with other requirements of IFRS 5, the stake in said investee has qualifies as non-current assets held for sale and its consideration as a discontinued operation to the extent that a significant business line is stopped and separated from the other business lines.

Pursuant to IFRS 5, the Group has re-expressed the comparative figures of the consolidated income statement and the cash flow statement for year 2013, recording in a single amount the net profit/(loss) after taxes for the discontinued operation and detailing separate net cash flows for the operation, investment and financing of said activity. Thus, the consolidated income statement and the consolidated cash flow statement for year 2013 include for comparison purposes only within these consolidated financial statement are different to those included within the consolidated financial statements for the year approved by the General Shareholders' Meeting on 30 June 2014. The impact of the consolidated income statement and the consolidated cash flow statement for year 2013 is detailed in Note 12.

2.6 Changes in the accounting criteria

Accounting criteria applied during year 2014 is the same as that implemented in year 2013.

During year 2014, no significant changes have been applied compared to those applied in year 2013.

3. Distribution of the Parent's profit

Parent Company Directors will propose to the General Shareholders' Meeting the recognition of 2014 losses, EUR 105,488 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 2014 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.

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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. Likewise, liabilities associated to said assets are also classified as held for sale as long as transferred in the disposal of property.

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..

Noncurrent assets are classified as held for sale as long as the carrying amount is recovered by means of sale and not by means of use. This condition is satisfied only when the sale is highly probable and the assets is immediately available for sale. Sale shall be fulfilled within a year after the classification date.

Income and expense from noncurrent assets held for sale that do not fulfil the requirements to be classified as discontinued operations are recorded under the income statement according to their nature.

As a consequence of the financing agreement signed by the Group on 30 December 2014 (see Note 17.3), the consolidated financial statement at 31 December 2014 and 2013 include noncurrent assets held for sale of the real estate division of the Group, since pursuant to said agreement there is a formal commitment to sell said division throughout year 2015 (see Note 12).

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.

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

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

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

4.3 Other Intangible assets

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

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

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

Administrative concessions and patents

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

This item included concessions within IFRIC 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.

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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

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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 is recognised at cost less any accumulated depreciation and any recognised impairment losses.

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

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.

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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 2014, the assets recognised under "Investment Property" related mainly to office buildings, hotels, leisure centres, land and parking spaces and the items of property, plant and equipment associated with them, such as machinery and furniture, whether owned by the Group or held under finance lease.

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

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

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

However, those property investments that meet the criteria to be classified as "Assets held for sale" are measured according to the rules applicable to non-current assets held for sale and discontinued operations (see Note 4.1).

Borrowing Costs

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

In 2014 and 2013, 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..

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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 13).

4.6 Leases

4.6.1 Finance Leases

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

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

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

4.6.2 Operating Leases

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

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

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

4.7 Inventories

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

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

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

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

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

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

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"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. During year 2014, no borrowing costs have been capitalised to "Inventories". During year 2013, capitalisation amounted to EUR 296 thousand (see Note 13).

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 2014 and 2013, "Inventories" includes advances to suppliers for the purchase of inventories amounting to EUR 18,460 thousand and EUR 40,875 thousand , respectively (see Note 13).

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 13.6 and 19.3).

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.

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Derecognition of financial instruments

Financial assets are only derecognised when:

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

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

Fair value of financial instruments

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

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

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

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

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.

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

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

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 2014 and 2013.

In year 2014, 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

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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 2014 were recognised under "Equity - Valuation Adjustments" in the accompanying consolidated balance sheet (see Note 15.6).

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 18).

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.

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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 ifnormation available. At 31 December 2014 and 2013, the Group held interest rate swaps (IRSs and collars) for a total notional amount of EUR 349,316 thousand million and EUR 469,090 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 2014 and 2013 was EUR 24,385 thousand and EUR 20,533 thousand, respectively.

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.

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

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

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.

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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:

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

Goodwill arising on the acquisition of a foreign company is treated as an asset of the foreign company and is translated at the closing rate. Goodwill 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:

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Company	Address	Activity
Constructora San Josin companies whic	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 Urbanute assets an	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 Joslos Urbanute assets	Buenos Aires (Argentina)	Construction
San Josction (Argentin	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 in Panama	City of Panama (Panama)	Construction
San José Panama, S.A. (former Construcotra Panameña de Aeropuertos, S.A.Panama)	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 Peru , 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 Infraestructure & Construction Private Limited	New Delhi (India)	Construction
Pontus Euxinus Tehnologii Renovabile, S.R.L.	Bucarest (RomanTeh	Industrialisation and Trade
Constructora Sanjose Brasil Ltda.	Salvador de Bahnjose Brasi	Construction
Hospes Brasil Participaciones e Empreendimientos Lda.	Brazil	Construction and Real Estate Development
Aprisco Salvador Inv. Hoteleiros e Imobiliientos Lda. (	Brazil	Construction and Real Estate Development
Branch office of Constructora San José in Nepal	Kathmandu (Nepal)	Construction
Constructora San Josstructorerde, S.A.	Cape Verde	Construction
Branch office of Constructora San José 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 in Timor	Timor	Construction
Concesionaria San Jose Tecnocontrol, S.A.	Santiago de Chile (Chile)	Construction and Hotel Management
Branch office of Constructora San José 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

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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 Mozambique, Sociedade Limitada	Mozambique	Construction
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 21).

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

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

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

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

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

Notwithstanding the foregoing:

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

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

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

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Since 1 January 2006, the Parent forms an integral part of the consolidated tax group. At 31 December 2014, 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.U.
- Arserex S.A.U.
- Comercial Udra S.A.U.
- Udramedios S.A.U.
- 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. (antes, Fashion King S.A.U.)
- Running King S.A.U.
- Enerxías Renovables de Galicia, S.A.
- Xornal de Galicia, S.A.U.
- Asesoramiento y Gestión Integral de Edificios, S.A.U. (AGEINSA).
- Azac, S.A.U.
- Hotel Rey Pelayo, S.L.
- Lardea, S.L.
- Parquesol Construcciones, Obras y Mantenimientos, S.L.
- Sofía Hoteles, S.L.U.
- Urbemasa, S.A.U.
- San José Concesiones y Sevicios, S.A.U.
- SanJosé Energía y Medioambiente, S.A.
- San Jose Desarrollos Inmobiliarios, S.A.U.
- 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.U.
- Inmoprado Laguna, S.L.U.

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- Gestión de Servicios de Salud, S.A.U.
- Altiplano Desarrollos Inmobiliarios, S.L.U.

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 16).

4.17.2 Provisions for completion of construction projects and warranty costs

Provisions for the completion of construction projects are recognised for the estimated amount required to meet the expenses necessary for the completion of the property developments in progress when these developments have been substantially completed, and the cost thereof is transferred to "Completed Buildings". Provisions for warranty costs, particularly after-sales expenses, other costs and the ten-year warranty required under Spanish regulations governing real estate companies, are recognised at the date of sale of the relevant products, based on the best estimate of the expenditure required to settle the Group's liability (see Note 16). 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 2014 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 2014 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.

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4.19 Classification of current assets and liabilities

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

The Group holds financial liabilities which are classified as current liabilities in the consolidated balance sheet, since they are subject to the financing of current property assets (see Note 17).

4.20 Transactions with associates

Grupo SANJOSE executes all transactions with associates at market price. In addition, transfer prices are borne appropriately, and therefore, Company Directors believe there are any significant risks in this regard for any potential substantial liabilities arising in the future.

4.21 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.

4.23 Profit/(Loss) from discontinues activities

Pursuant to IFRS 5, the income statement shall include a single figure including total profit/(loss) after taxes of discontinued activities. Discontinued activities refer to the income and expense associated to assets and/or liabilities of the Group transferred or classified as held for sale for being:

- a separate business line,
- or for forming an integral part of a disposal plan,
- or for being a subsidiary acquired for the sole purpose of selling it.

On 30 December 2014 Grupo SANJOSE entered into a modifying novation agreement for its syndicated credit facilities in Spain (see Note 17) pursuant to which the main commitment of the group at 31 December 2014 is the sale of its investee "San José Desarrollos Inmobiliarios, S.A.U.", through which the Group develops the real estate business in Spain and Portugal. Consequently, said activity has been discontinued.

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5. Earnings per share

5.1 Basic earnings per share

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

	Year 2014	Year 2013	Changes
Net profit/(loss) for the year attributable to the Parent (thousand of Euros)	(120,054)	(155,242)	23%
Net profit/(loss) for continued operations attributable to the Parent (thousand of Euros)	(39,852)	8,357	
Weighted average number of shares (shares)	65,026,083	65,026,083	-
Basic profit/(loss) per share (Euros/Share)	(1.85)	(2.39)	23%
Basic profit/(loss) for continued operations per share (Euros/Share)	(0.61)	0.13	-

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 2014 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 2014 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 2014 and 2013, Grupo Empresarial San José, S.A and Subsidiaries engaged mainly in the following major lines of business, which were the basis for the Group's primary segment reporting:

1. Construction (civil engineering, building construction and industrial works).
2. Property and urban development.
3. Energy activity
4. Concessions and Services.

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

Secondary business segments

The Group's operations are located in Spain, the United States, Latin America (Argentina, Uruguay, Peru, Panama, Paraguay, Chile and Brazil), Africa (Cape Verde, Morocco and Congo), Asia (India, UAE, and Nepal) and other European countries (Portugal, France, Germany and Romania).

6.2 Basis and methodology for segment reporting

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

This revenue does not include interest or dividend income or gains arising from sale of investments or redemption or settlement of debts. The Group includes in segment revenue the share of results of associates

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and joint ventures accounted for using the equity method and the share of the revenue of proportionately consolidated joint ventures.

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

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

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

Segment information about these businesses is presented below:

Year 2014:

	Thousand of Euros					
	Construction	Real estate and property development	Energy	Concessions and Services	Adjustments and other	TOTAL
Income:						
Net Revenues:						
External sales	363,609	32,229	11,321	40,695	17,228	465,082
Inter-segment sales	18,062	-	-	773	(18,835)	-
	381,671	32,229	11,321	41,468	(1,607)	465,082
Profit /(Loss):						
Profit (Loss) from operations	8,448	10,748	(665)	(3,272)	(3,837)	11,422
EBITDA	18,122	10,485	2,816	3,684	(1,279)	33,828
Profit/(loss) from associates	(1,401)	1,393	(283)	-	(573)	(864)
Financial income	6,895	1,645	4	16,195	(2,519)	22,220
Financial costs and similar expenses	(12,055)	(1,130)	(531)	(13,310)	1,371	(25,655)
Profit/(Loss) before tax	1,887	12,656	(1,475)	(387)	(5,558)	7,123

Year 2013:

	Thousands of Euros (*)					
	Construction	Real estate and property development	Energy	Concessions and Services	Adjustments and other	TOTAL
Income:						
Net Revenues:						
External sales	344,076	43,941	11,586	107,831	18,530	525,964
Inter-segment sales	83,050	314	-	453	(83,817)	-
	427,126	44,255	11,586	108,284	(65,287)	525,964
Profit /(Loss):						
Profit (Loss) from operations	876	18,911	1,100	6,856	(2,855)	24,888
EBITDA	11,034	13,335	2,630	8,368	(2,433)	32,934
Profit/(loss) from associates	(620)	1,607	-	-	-	987
Financial income	10,363	1,210	-	2,289	(3,442)	10,420
Financial costs and similar expenses	(7,792)	(1,155)	(921)	(22,030)	6,147	(25,751)
Profit/(Loss) before tax	2,827	20,573	179	(12,885)	(150)	10,544

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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:

	Thousand of Euros											
	Construction		Property and real estate development		Energy		Concessions and Services		Adjustments and other		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Other disclosure: Additions to fixed assets												
In Spain	988	74	-	90	225	161	20	19	73	49	1,306	393
In foreign countries	2,606	2,706	5	140	895	-	2	4	(886)	-	2,622	2,850
	3,594	2,780	5	230	1,120	161	22	23	(813)	49	3,928	3,243
Amortisation charge (*)	1,973	1,324	156	1,087	3,667	1,659	380	642	198	66	6,374	4,778
Balance sheet:												
Assets-												
Asegment assets-												
In Spain	624,952	506,110	25,723	1,395,176	22,789	24,719	13,344	15,391	899,138	(199,282)	1,585,946	1,742,114
In foreign countries	313,750	201,592	39,678	225,101	25,390	-	273,631	238,251	166,853	58,187	819,302	723,131
	938,702	707,702	65,401	1,620,277	48,179	24,719	286,975	253,642	1,065,991	(141,095)	2,405,248	2,465,245
Liabilities-												
Segment liabilities	742,523	489,512	1,468,167	1,842,777	25,662	21,525	294,306	254,581	(67,955)	(209,329)	2,462,703	2,399,066

(*) Reformulated data for year 2013 (see Note 4.23)

There are no significant non-operating assets

Information on secondary segments:

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

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	Thousand of Euros					
	Net Revenue		Total assets		Additions to Property, plant and equipment and investment property	
	2014	2013 (*)	2014	2013	2014	2013
Spain	201,987	270,776	1,738,758	1,742,114	1,436	393
Portugal	57,992	41,981	65,271	191,340	12	24
Cape Verde	31,511	15,737	34,081	35,721	-	-
The United States	-	6,085	-	21	-	-
Argentina	3,672	4,959	93,495	104,511	26	17
Uruguay	-	369	153	153	-	-
Peru	57,061	65,767	75,311	82,830	9	128
Panama	-	-	197	161	-	-
France	-	-	1,546	1,274	-	-
Germany	-	-	164	164	-	-
Brazil	-	6	9,767	9,820	-	-
India	355	732	886	327	4	70
Chile	21,313	87,078	282,400	246,076	2	17
Morocco	-	-	64	61	-	-
Abu Dhabi	68,825	27,388	71,599	28,944	1,152	108
Nepal	5,162	1,659	10,622	6,701	247	484
Timor	3,762	-	4,143	1,583	145	960
Republic of Congo	13,442	3,427	16,791	13,444	895	1,042
Other	-	-		-	-	-
TOTAL	465,082	525,964	2,405,248	2,465,245	3,928	3,243

(*) Reformulated data (see Note 4.23)

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 2014 and 2013, EUR 599,509 thousand and EUR 530,353 thousand, respectively, correspond to assets in foreign currency. Likewise, from total revenue for years 2014 and 2013 the activity developed in said countries amounts to EUR 205,103 thousand and EUR 213,207 thousand, respectively.

7. Property, plant and equipment

Changes in 2014 and 2013 under "Property, Plant and Equipment" in the consolidated balance sheet were as follows:

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Year 2014:

	Thousand of Euros							
	Balance 31/12/2013	Activity Discontinued (Note 12)	Additions / Provisions	Disposals	Transfers	Changes in the scope of consolidation	Translation differences and other	Balance 31/12/2014
Cost:								
Land and buildings	52,616	(4,101)	239	(9,716)	-	-	(1,764)	37,275
Plant and machinery	14,646	(1,188)	1,831	(167)	(22)	17,693	267	33,058
Other items of property, plant and equipment	30,282	(2,532)	811	(31)	23	-	57	28,611
Total Cost	**97,544**	**(7,821)**	**2,881**	**(9,914)**	**1**	**17,693**	**(1,440)**	**98,944**
Accumulated amortisation:								
Land and buildings	(4,328)	616	(273)	8	-	-	(3)	(3,980)
Plant and machinery	(11,020)	1,115	(2,368)	38	-	(4,714)	(62)	(17,011)
Other items of property, plant and equipment	(27,175)	2,424	(1,441)	25	(1)	-	180	(25,988)
Total accumulated amortisation	**(42,523)**	**4,155**	**(4,082)**	**71**	**(1)**	**(4,714)**	**105**	**(46,980)**
Total Accumulated Impairment (Note 23.9)	**(173)**	**168**	**(4)**	**-**	**-**	**-**	**-**	**(9)**
Net carrying amount	**54,848**	**(3,498)**	**(1,204)**	**(9,843)**	**-**	**12,979**	**(1,335)**	**51,955**

Year 2013:

	Thousand of Euros					
	Balance 31/12/2012	Additions / Provisions	Disposals	Transfers (Note 8)	Exchange rate differences	Balance 31/12/2013
Cost:						
Land and buildings	51,800	95	-	1,698	(977)	52,616
Plant and machinery	13,276	2,057	(340)	(22)	(325)	14,646
Other items of property, plant and equipment	30,255	821	(579)	22	(237)	30,282
Total Cost	**95,331**	**2,973**	**(919)**	**1,698**	**(1,539)**	**97,544**
Accumulated amortisation:						
Land and buildings	(3,752)	(560)	-	(16)	-	(4,328)
Plant and machinery	(11,314)	(452)	409	20	317	(11,020)
Other items of property, plant and equipment	(26,260)	(1,385)	475	(4)	(1)	(27,175)
Total accumulated amortisation	**(41,326)**	**(2,397)**	**884**	**-**	**316**	**(42,523)**
Total Accumulated Impairment (Note 23.9)	**(24)**	**-**	**19**	**(168)**	**-**	**(173)**
Net carrying amount	**53,981**	**576**	**(16)**	**1,530**	**(1,223)**	**54,848**

Year 2014:

Additions occurred in year 2014 correspond mainly to investment in machinery and technical facilities incurred into by the Group when beginning construction activity in Nepal, Republic of Congo and Abu Dhabi.

During year 2014, as a result of taking control of the Company "Fotovoltaica el Gallo 10, S.L." (see Note 2.4), the assets provided by the company, corresponding to the facilities of the PV power plant for a net amount of EUR 12,979 thousand are included within the scope of consolidation .

Disposals under "Land and buildings" relate mostly to the sale of land that the Group company "Carlos Casado SA" has formalised during the year, amounting to EUR 9,716 thousand, recording a benefit of EUR 1,755 thousand under "Impairment and gains on disposal of financial instruments" in the Consolidated Income Statement for year 2014 attached.

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 East Timor.

At 31 December 2014, investment hold in foreign countries by the Group, detailed by associate, is as follows:

	Thousand of Euros			
	31-12-2014		31-12-2013	
	Cost	Accum. Amort.	Cost	Accum. Amort.
Argentimo, S.A.	106	(95)	123	(101)
Branch office Constructora San José, S.A. Portugal,	2,084	(2,076)	2,078	(2,067)
Branch office of Constructora San José, S.A. Argentina	167	(148)	169	(169)
Ute Ruta-20	15	(15)	19	(19)
Ute San Juan	9	(9)	11	(11)
Constructora Udra Limitada	144	(125)	138	(119)
Constructora San José Cabo Verde, S.A.	1,274	(889)	1,114	(683)
Sociedad Concesionaria San José – Tecnocontrol, S.A.	58	(38)	57	(31)
Constructora Sanjose Chile Ltda.	144	(92)	141	(78)
San Jose India Infrastr. & Construction Private Limited	103	(37)	88	(23)
Constructora San José Argentina, S.A.	108	(107)	126	(125)
San José Perú Inmobiliaria, S.A.	918	(707)	856	(568)
San José Constructora Perú, S.A.	721	(585)	670	(406)
Inmobiliaria 2010, S.A.	10	(10)	10	(10)
San Jose Construction Group, Inc	4	(4)	3	(39)
Grupo Carlos Casado	22,536	(24)	34,055	(186)
Tecnoartel, S.A.	2	(2)	2	(2)
Constructora San José Congo, S.A.	1,796	(395)	1,047	(63)
Constructora San José Timor, Unipessoal Lda.	857	(103)	757	-
Branch office of Constructora San José, S.A. Abu Dhabi	1,374	(223)	104	(2)
Branch office of Constructora San José, S.A. Timor	352	(53)	171	(4)
Branch office of Constructora San José, S.A. Nepal	746	(247)	444	(43)
TOTAL	33,528	(5,984)	42.183	(4,749)

As stated on Note 17.1, at 2014 and 2013 the Group had many leasing operations in course. Breakdown at 31 December 2014 is as follows:

	Thousand of Euros
Term of contract (years)	8
Value in cash	108
Outstanding balances (Note 17.1)	
Non-current	-
Current	9

Finance leasing agreements hold by the Company at year-end 2014 and 2013 is as follows:

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- Two tower cranes for the urban development "Condominio Parques de la Huaca". The lease term commenced in June 2009 and ended in May 2014, with a total term of 5 years. The nominal amounts of purchase option amounts to 1 Euro and has been executed within the year. The rent paid in 2014 amounted to EUR 25 thousand, which included a finance charge of EUR 1.1 thousand.

- Pumps and pipes for the associate "Rexa Constructora, S.A.". The lease term commenced in April 2012 and ended in March 2015, with a total term of 3 years. The nominal amount of purchase option amounts to 1 Euro. The rent paid in 2014 amounted to EUR 32 thousand, which included a finance charge of EUR 0.3 thousand.

At year-end 2014. total items pending amortisation corresponding to finance leases amounted to EUR 1,607 thousand (see Note 17.1).

At 31 December 2014 and 2013, the cost of the land upon which property for own use is located amounted to EUR 4.1 and EUR 41.4 million, respectively (including items provided by Carlos Casado).

At 31 December 2014 and 2013 there are specific property acting, with a carrying amount of approximately EUR 8,767 thousand and EUR 11,899 thousand, respectively, as collateral for part of the loan syndicated by the Group which amounted to EUR 32.9 and 41.1 million, respectively (see Note 17.3).

Fair value of own use buildings at 31 December 2014 and 2013 amounts to EUR 18.3 million in both years, according to estimates carried by independent valuers (at 31 December 2014 and 2013 said studies were carried out by "Instituto de Valoraciones, S.A."). Carrying net cost at 31 December 2014 and 2013 amounts to EUR 8.8 million and EUR 9.0 million, respectively.

At year-end 2014 and 2013 there were fully amortised assets amounting to EUR 19.5 million and EUR 22.1 million, respectively.

At year-end 2014 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 2014 and 2013 is as follows:

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Year 2014:

	Thousand of Euros					
	Balance 31/12/2013	Actives transfers to non current held for sale (Note 12)	Additions / Provisions	Transfers	Exchange rate differences	Balance 31/12/2014
Cost:						
Land and buildings	574,557	(567,534)	-	-	(802)	6,221
Plant and machinery	17,115	(15,505)	5	-	(191)	1,424
Furniture, tools and other items	3,852	(3,673)	-	-	(25)	154
Assets under construction and advances	37,059	(37,059)				
Total Cost	632,583	(623,771)	5	-	(1,018)	7,799
Accumulated amortisation:						
Buildings	(62,557)	59,473	(109)	256	377	(2,560)
Technical facilities	(12,508)	11,227	(27)	-	170	(1,130)
Furniture, tools and other items	(3,618)	3,447	(1)	-	22	(150)
Total accumulated amortisation	(78,683)	74,147	(137)	256	569	(3,840)
Total Accumulated Impairment (Note 23.9)	(66,551)	66,424	-	(256)	306	(77)
Net carrying amount	487,349	(483,200)	(132)	-	(143)	3,882

Year 2013:

	Thousand of Euros					
	Balance 31/12/2012	Additions / Provisions	Disposals	Transfers	Exchange rate differences	Balance 31/12/2013
Cost:						
Land and buildings	600,229	19	(21,732)	(1,698)	(2,260)	574,557
Plant and machinery	17,548	89	-	-	(522)	17,115
Furniture, tools and other items	3,919	-	-	-	(68)	3,852
Real estate investment in progress	37,059	-	-	-	0	37,059
Total Cost	658,755	108	(21,732)	(1,698)	(2,850)	632,583
Accumulated amortisation:						
Buildings	(60,120)	(7,994)	4,532	-	1,025	(62,557)
Technical facilities	(11,854)	(1,135)	-	-	481	(12,508)
Furniture, tools and other items	(3,614)	(71)	-	-	65	(3,618)
Total accumulated amortisation	(75,587)	(9,199)	4,532	-	1,571	(78,683)
Total Accumulated Impairment (Note 23.9)	(83,239)	(4,279)	21,778	168	(979)	(66,551)
Net carrying amount	499,929	(13,370)	4,578	(1,530)	(2,258)	487,349

The cost of the investment property at 31 December 2014 and 2013 includes approximately EUR 2.7 million and EUR 273.9 million, relating to the carrying amount of the land relating thereto.

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During year 2014, pursuant to the assessment of investment assets committed by Grupo SANJOSE to independent valuers, no significant reduction in value of investment property was recorded (see Note 8.2).

Additions at 2014 and 2013 are not very significant.

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 2014is as follows:

	2014	
Lease purpose	Surface For lease (m2)	Percentage
Administrative building	3,837	2%
Hotels	-	-
Shopping Centres	171,006	97%
Other	1,849	1%
	176,692	100%

Mortgaged investment property

At 31 December 2014 the Group does not have real estate assets as collateral for mortgage investments.

In addition to this, certain investment property recorded for a total net cost amounting at 31 December 2014 to EUR 282 thousand act as security of the loan syndicated by the Group for EUR 1,858 thousand (see Note 17.3).

Income and expenses from rental of investment property

At 31 December 2014 commercial premises, office building and car park spaces had been leased out to third parties under operating leases.

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 (excluding potential costs charged to clients) at 31 December 2014 is as follows:

	Thousand of Euros
Term	2014
Up to a year	2,103
From one to five years	2,771
More than five years	894
	5,768

Calculation has not taken into consideration increase of CPI and, regarding variable rate contracts, amount for year 2014 has been considered.

Total investment property rental income of the Group for year 2014 excluding potential costs charged to clients, amounts to EUR 3,342 thousand recorded under "Provision of services" in the accompanying consolidated income statement for year 2014.

Insurance policy

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

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8.2. 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 2014 and 2013, the aforementioned studies were conducted mainly by Instituto de Valoraciones, S.A. Such valuations were performed on the basis of the sale value and lease value of the property on the market (which consists of capitalising the net income from each property and discounting future flows), as defined by the Royal Institution of Chartered Surveyors (RICS) and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), which group together international and European asset valuation institutions. The fair value was calculated using the discount rates acceptable to a prospective investor and in line with those applied by the market for properties of similar characteristics in similar locations.

According to the above mentioned study, no change has been record under the real estate investments of the Group (see Notes 8.1 and 23.9).

At 31 December 2014, the fair value of the Company's inventories based on the aforementioned study amounted to EUR 81.5 thousand. Said amount, at 31 December 2014, includes EUR 35.5 million corresponding to real estate investments of associates at the equity percentage of the Group.

9. Goodwill

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

	Thousand of Euros	
	31/12/2014	31/12/2013
Cartuja Inmobiliaria, S.A.U.	600	600
San José Perú Inmobiliaria, S.A. (antes, San José Perú, S.A.)	1,601	1,601
Constructora San José, S.A.	7,662	8,401
Subgrupo San José Desarrollos Inmobiliarios	-	2,117
Other	121	488
Total net	**9,984**	**13,207**

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 disount rates) within standardised margin, without identifying impairment.

10. Intangible assets

This item includes the Group's concessions and licences.

The detail in the consolidated balance sheets at 31 December 2014 and 2013 is as follows:

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Year 2014:

	Thousand of Euros					
	Balance 31/12/2013	Transfer as non-current assets held for sale (Note 12)	Additions / Provisions	Disposals	Changes in the scope of consolidation	Balance 31/12/2014
Cost	29,956	(251)	1,042	(100)	3,293	33,940
Total Cost	29,956	(251)	1,042	(100)	3,293	33,940
Accumulated amortisation	(10,347)	249	(2,155)	-	(394)	(12,647)
Total accumulated amortisation	(10,347)	249	(2,155)	-	(393)	(12,646)
Total Accumulated Impairment (Note 23.9)	(1,045)	-	-	63	-	(982)
Net carrying amount	18,564	(2)	(1,113)	(37)	2,900	20,311

Year 2013:

	Thousand of Euros				
	Balance 31/12/2012	Additions / Provisions	Disposals	Exchange rate differences	Balance 31/12/2013
Cost	30,186	162	(391)	(1)	29,956
Total Cost	30,186	162	(391)	(1)	29,956
Accumulated amortisation	(8,545)	(1,802)	-	-	(10,347)
Total accumulated amortisation	(8,545)	(1,802)	-	-	(10,347)
Total Accumulated Impairment (Note 23.9)	(951)	(94)	-	-	(1,045)
Net carrying amount	20,690	(1,734)	(391)	(1)	18,564

Main additions during year 2014 refer to counterparts received as legally claimed collections by the Group. The Group has received during year 2014:

- The company "Cartuja, S.A.U." has received the operation under concession regime of a car park in Olvera, valued for EUR 817 thousand.

- Additionally, arising from the stake of the Group in the company "Fotovoltaica el Gallo 10, S.L." (see Note 2.4), at 31 December 2014 leasing rights for a period of 25 years referred to the use of land where the PV plant is located are recorded for a total amount of EUR 3,293 thousand.

Further, during year 2014, the Group has recorded greenhouse gas emission issuance rights (CO2) of the company "Poligeneracin Parc de l'Alba ST-4, S.A." related to the activity during the year, amounting to EUR 15 thousand and recorded under "Received grants".

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Additionally, as a result of new contracts with new clients during the year 2014, the Group company "Polygeneration Parc de l'Alba ST-4, SA" registered as a higher cost of the plant expenses incurred in pipes and adjustments made to providing power supply to new customers in year 2014 amounting to a total of EUR 210 thousand.

In year 2014, this company proceeded to redemption against the Public Administration of the issuance rights corresponding to CO2 emissions for year 2013 amounting to EUR 100 thousand, being largely provisioned under "Short-term provisions" under current liabilities in the consolidated balance sheet of the Group at 31 December 2013.

At 31 December 2014 there are no significant investment commitments in intangible assets.

As stated on Note 17.1, at 2014 year end the Group had many finance leasing operations in course. Breakdown at 31 December 2013 is as follows:

	Thousand of Euros
Term of contract (years)	8
Value in cash	4,340
Outstanding balances (Note 17.1)	
Non-current	884
Current	714

Finance leasing agreements hold by the Company at year-end 2014 and 2013 is as follows:

- Thermal Power Installation at Puerto Real Hospital (Cadiz). The lease term commenced on 20 December 2005 with a total term of 114 months. Net value of the business activity branch amounts to EUR 65 thousand. The rent paid in 2014 amounted to EUR 757 thousand, which included a finance charge of EUR 8 thousand.

- Thermal Power Plant for Torrecardenas Hospital (Almería). The lease term commenced on 22 May 2008 with a total term of 10 years. Net value of the business activity branch amounts to EUR 33 thousand. The rent paid in 2014 amounted to EUR 312 thousand, which included a finance charge of EUR 60 thousand.

11. Investments accounted for using the equity method

The Group's most significant investments in associates at 31 December 2014 and 2013 were as follows:

	Thousand of Euros	
	31/12/2014	31/12/2013
Desarrollo Urbanístico Chamartín, S.A.	21,667	21,616
Panamerican Mall, S.A.	16,156	16,002
Pontegrán, S.L.	-	8,923
Antigua Rehabitalia, S.A.	-	-
Desarrollos Inmobiliarios Makalu, S.L. (1)	-	-
Fingano, S.A.	1,148	543
Vengano, S.A.	631	67
Corporación San Bernat, S.L. (Corsabe)	2,803	4,204
Cresca, S.A.	8,999	3,391
Pinar de Villanueva, S.L.	-	4,600
Kantega Desarrollos Inmobiliarios, S.A.	-	3,790
Other	129	29
Total net	**51,533**	**63,165**

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The associate "Desarrollos Urbanísticos Chamartín, S.A." has as main business activity the urban development of the plot of land comprising the area of the "Extension of the Castellana" in Madrid. Said urban development has been approved at the beginning of 2015. 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 in 2014 and 2013 in this item in the consolidated balance sheet were as follows:

	Thousand of Euros	
	31/12/2014	31/12/2013
Opening balance	**63,165**	**69,455**
Profit/(Loss) for the year	(864)	(1,041)
Changes in the scope of consolidation (Note 2.4)	860	-
Additions	4,493	96
Paid-up dividends	-	(1,150)
Exchange rate differences	1,219	(4,195)
Transfer as non-current assets held for sale	(17,340)	-
Closing balance	**51,533**	**63,165**

During year 2014 the investee "Cresca, S.A." has attended a capital increase by means of contribution in kind by its shareholders for a total amount of EUR 9,588 thousand.

During year 2014, no dividends have been received.

Dividends received in year 2013 correspond to those received by the company of the group "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 2014 and 2013 is as follows:

	Million of Euros	
	31/12/2014	31/12/2013
Total Assets	98.5	224.1
Total Liabilities	24.6	55.7
Net Revenue	12.8	36.5
Profit/(Loss) for the year	1.7	(20.1)

12. Non current assets held for sale, liabilities linked to non current assets held for sale and discontinued operations.

12.1. Discontinued operations

On 30 December 2014 Grupo SANJOSE has entered into a modifying novation agreement of the syndicated credit facilities in Spain with a majority of creditor banking entities of the Group, including a commitment to sale the stake of the Group in the company "San José Desarrollos Inmobiliarios, S.A.U.", what involves the loss of control of this company and its subsidiaries, and which shall be performed during the first semester of year 2015, for EUR 1 upon satisfaction of all the terms and conditions therein (see Note 27).

The consolidated income statements includes separately the discontinued operations. The profit or loss arising from the disinvestment of assets, as well as that from the operation of the business until its effective sale shall be recorded under "Net profit/(loss) from discontinued operations" in the accompanying consolidated balance sheet.

Next is enclosed the consolidated balance sheet for discontinued operations:

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	Thousand of Euros	
	Year 2014:	Year 2013:
Net Revenue	36,313	41,482
Other operating income	3,583	8,636
Provisions and changes in inventories	(22,276)	(224,482)
Staff costs	(1,174)	(1,258)
Other operating expense	(12,096)	(12,089)
Amortisation	(8,565)	(8,620)
Surplus of provisions	11	25
Impairment and gains or losses on disposals of non-current assets	(13,678)	9,999
Profit(Loss) from operations	**(17,882)**	**(186,307)**
Financial profit/(loss)	(48,556)	(31,136)
Profit/(Loss) form companies accounting for the equity method	(2,808)	(12,721)
Profit/(Loss) before tax	**(69,246)**	**(230,164)**
Income tax income /(expense)	(10,956)	66,566
Profit/(Loss) for the year	**(80,202)**	**(163,598)**

Additionally, the item "Profit/(Loss) from discontinued operations" for year 2014 includes EUR 18,962 thousand corresponding to the negative result of fair value of assets once deducted linked liabilities held for sale (see Note 12.2).

The cash flow details for discontinued operations are as follows:

	Thousand of Euros	
	Year 2014:	Year 2013:
Cash flow for operating activities	26,591	49,017
Cash flow for investment activities	42,925	8,636
Cash flow for financing activities	(67,895)	(59,659)
Total	**1,621**	**(2,006)**

12.2. Noncurrent assets held for sale and liabilities linked to noncurrent assets held for sale

At 31 December 2014 noncurrent assets held for sale are those net assets of the company "San José Desarrollos Inmobiliarios, S.A.U." and subsidiaries as a result of the agreement signed on 30 December 2014 pursuant to which Grupo SANJOSE assumed the commitment to sale the company due to the assumption of the EUR 350 million debt for EUR 1 (see Note 17.3).

Currently, verification processes set out on the above mentioned contract are being performed in order to implement the sale itself, being expected to be fully completed during the first half of 2015. Consequently, said assets meet the requirements set out by accounting standards to be classified as noncurrent assets to be held for sale.

Within this item are recorded the assets of the real estate division of the Group, as well as the liabilities linked to the same. Activities developed by companies within the San José Desarrollos Inmobiliarios Group refer mainly to the development of any type of real estate property, devote to both sale and rental purposes.

Main assets, recorded under "Noncurrent assets held for sale" are located mainly in Spain and Portugal and are as follows:

- <u>Investment property:</u> Substantially all of the Group's investment property relates to properties earmarked for lease. During year 2014, no significant changes have been noted down under the same. Additions refer mainly to the preparation and implementation costs of premises at shopping centres, as well as improvement related incurred costs. Likewise, no significant withdrawals have been recorded. Those

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existent refer mainly to the sale of the urban development Poeta Uxio Novoneira by "Douro Atlántico, S.L.U.", recording a profit of EUR 117 thousand.

- Inventories: the real estate division has also properties for sale, corresponding to plots of land, building under construction and completed buildings. Recorded decreases in 2014 correspond to sale costs of handed over property and mainly refer to: Estudio Marques de Monteagudo (Madrid), , Reserva de Guadarrama (Madrid), Jardines de Zorrilla (Valladolid), Parquesur 2ª Fase (Valladolid), Promoción Camposoto (Cádiz), and Edificio Borneo (Madrid). The sale cost associated to said derecognitions amounts to EUR 11 million. Further, at 31 December 2014, the real estate group records advances for land purchase commitments amounting to EUR 5,234 thousand.

Likewise, main liabilities under "Liabilities linked to noncurrent assets held fr sale" are as follows:

- Syndicated financial liabilities: The Parent of the Real Estate Group, as a result of the novation of the financing agreement has assumed a stretch of the syndicated debt amounting to EUR 270 million (see Note 17.3). Further, and since at 31 December 2014, it records EUR 706 million for a former syndicated credit, which, pursuant to the novation agreement, shall be capitalised during 2015.

- Bilateral financial liabilities: The Real Estate Group has been granted several mortgage loans according to which it has agreed to the acquisition of real estate assets, both to its capital and to sale. Consequently, it has a mortgage loan over EUR 254 million. Most of this loans, amounting to EUR 211 million, have been included within the above mentioned novation agreement with a 5-year bullet.

At 31 December 2014, under "Noncurrent assets held for sale", there are real estate assets amounting to EUR 457.3 million, which serve as collateral of the bilateral debt recorded under "liabilities linked to noncurrent assets held for sale" amounting to EUR 254.3 million. Further, a net amount of EUR 867.4 million serve as collateral of the syndicated credit loan under these liabilities.

"Noncurrent assets held for sale" and "Liabilities linked to noncurrent assets held for sale" at 31 December 2014 are as follows:

	Thousand of Euros
Investment property	482,642
Intangible assets and property, plant and equipment	3,438
Other noncurrent assets	53,003
Deferred tax assets	115,410
Inventories	766,880
Receivables	8,237
Other current assets	62
Cash and cash equivalents	3,056
Total Assets	**1,432,728**
Long-term bank borrowings	1,084,700
Other noncurrent liabilities	59,265
Deferred tax liabilities	36,524
Short -term bank borrowings	192,587
Trade payables and other payables	9,262
Other current liabilities	50,390
Total Liabilities	**1.432.728**

"Other current liabilities" include EUR 18,692 thousand which correspond to the provision recorded by the Group to record the fair value of assets held for sale once deducted the liabilities linked to the same (see Note 12.1).

13. Inventories

The detail in the consolidated balance sheets at 31 December 2014 and 2013 is as follows:

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	Thousand of Euros	
	31/12/2014	31/12/2013
Acquired property	10,625	17,538
Land and plots of land	33,782	884,835
Raw materials and other supplies	3,513	2,936
Developments under construction		
- Long-cycle developments under construction	6,285	195,901
- Short-cycle developments under construction	6,150	6,070
Completed construction works	10,041	118,898
Advances to suppliers	18,460	40,875
Impairment losses on inventories	(11,454)	(402,829)
	77,402	864,224

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. During year 2014, no costs have been recorded under the same. The amount capitalised in this way for 2013 has risen to EUR 296 thousand.

During year 2014, and based upon the assessment of real estate assets performed by the independent expert (see Note 13.7), the Group has recorded a reversal for impairment for real estate inventories for a total amount of EUR 955 thousand (see Notes 23.2 and 23.11), including in said amount the impairment of potential contingencies arising from the purchase commitment of land and plots of land.

13.1 Acquired property

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

- Car park spaces, commercial 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 17.2).
- Further, also under this item are recorded the housing units of Promóplis in Seville, amounting to EUR 1,451 thousand.
- Car parking spaces and housing units in Puerto Llano, Ciudad Real, for a total value of EUR 1,286 thousand.
- Car park spaces and housing units in "Mairena de Aljarafe" (Seville), for a total value of EUR 1,093 thousand.
- Car park spaces and storage rooms in Manilva, Malaga, for a total value of EUR 1,039 thousand.

During year 2014, no significant changes have been noted down under the same.

13.2. 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 2014 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 2014, as a result of the classifications of the lands of "San José Desarrollos Inmobiliarios, S.A." and subsidiaries as assets held for sale (see Note 12), the Group does not hold lands as mortage collateral. In addition, several assets recorded under this item at 31 December 2014 for EUR 652 thousand act as collateral for part of the loan syndicated by the Group (see Note 17.3) for EUR 1,484 thousand.

At 2014 year-end the Group owned land with a total area of 1,342,544 m2, of which 81% amounting to 1,086,785 m2 are qualified as buildable land at 31 December 2014. The detail, by location, of the Group's land is as follows:

	Total m²
	31/12/2014
Spain	312,408
The United States	-
Portugal	3,429
Argentina	1,011,501
Brazil	15,206
TOTAL	1,342,544

During year 2014, the Group has been provided with the Group company's "Constructora San Jose, S.A." Portuguese properties Portas de Lisboa " and "Quinta Do Moleao" as payment by the Portuguese branch of the real estate division "Douro Atlántico, S.A." for its EUR 5 million debt.

13.3 Land purchase commitments

At 31 December 2014, the Group had entered into various memorandums of understanding or agreements with purchase options for land totalling approximately EUR 2.4 million, of which the Group had paid EUR 651 thousand, amount recognised under "Advance payments to suppliers" in the accompanying consolidated balance sheet. Land for which the Group has already made an advance payment is a 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 advances relates to commitment of sale of purchase, the Group does not have obligation of any type.

Remaining recorded payments in advance at 31 December 2014 are not related to real estate. Yet, they refer to payments in advance to suppliers for the acquisition of raw materials and other supplies.

13.4 Developments under construction

The balance of this account at 31 December 2014 corresponds to costs incurred from the beginning in different property developments under construction at said date.

The main element included under this item is the Feria Internacional del Pacifico, located in Lima, Peru, started in year 2008 by the Group company "San José Perú, S.A.C." (company registered in Peru). Said urban development consists of a total surface of 102 thousand m^2 which shall house over 3,000 homes. In year 2014 and 2013, 833 and 1,252 housing units have been completed and delivered for a total amount of EUR 28,808 thousand and EUR 34,231 thousand.

At 31 December 2014, the Group did not have urban development under construction acting as mortgage or syndicated credit facilities collateral.

13.5 Completed construction works

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

- "111 housing units in Larrein" located in Vitoria- Gasteiz property of the Group company "Alexin XXI, S.L.U".
- "Promoción Inmobiliaria Borinbizcarra" property of the company "Eraikuntza, Birgaikuntza Artapena, S.L.U.".
- Amount of property pending sale regarding urban development comprising "62 housing units in Mariturri", development by "Erainkuntza Birgaikuntza Artapena, S.L.U.".

During year 2014, recorded decreases correspond to sale costs of handed over property and mainly refer to the urban development in Larrein (Vitoria) for a total of EUR 232 thousand.

At 31 December 2014, certain real estate assets are recorded under "Completed Construction Work" in the accompany consolidated balance sheet for a total net cost amounting to EUR 8,191 thousand, which act as mortgage hedge for banking borrowings amounting to EUR 5,251 thousand (see Note 17.2).

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At 31 December 2014, the Group did not have urban development under construction acting as syndicated credit facilities collateral.

13.6 Commitments to sell property developments in progress and completed buildings

At 31 December 2014, the Group had entered into private agreements and reservation documents for the sale of property developments either under construction, or completed at that date, for a total amount of EUR 9,116 thousand, having received EUR 5,639 thousand at 2014 year-end as advances from the related customers (see Note 19.3).

13.7 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 2014 and 2013, said studies were conducted by "Instituto de Valoraciones, S.A.". Such valuations were performed on the basis of the sale value and lease value of the property on the market (which consists of capitalising the net income from each property and discounting future flows), as defined by the Royal Institution of Chartered Surveyors (RICS) and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), which group together international and European asset valuation institutions.

The 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 habi1tual interest rates in the mortgage market.

At 31 December 2014, the fair value of the Company's inventories based on the aforementioned study amounted to EUR 159.9 million.

13.8 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.

14. Financial Assets

14.1 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 2014 and 2013 is as follows:

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	Thousand of Euros	
	31/12/2014	31/12/2013
Progress billings receivable and trade receivables for sales	181,239	241,022
Amounts to be billed for works performed	41,099	54,099
Retentions	7,122	9,684
Customers, discounted instruments	16,625	6,227
Impairment (Note 23.10)	(28,248)	(28,660)
Total	**217,837**	**282,372**
Advances (Note 19.3)	(131,300)	(118,074)
Total net accounts receivable	**86,537**	**164,298**

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 2014 and 2013 include EUR 110,028 thousand and EUR 66,678 thousand corresponding to "Amounts to be billed for work performed", which is recognised as the Group's lowest period revenue in accordance with the method of recognition of revenue based on the percentage of completion method.

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 1,665 thousand and EUR 9,720 thousand at 31 December 2014 and 2013, 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 2014 and 2013 is as follows:

	Thousand of Euros	
	31/12/2014	31/12/2013
Public Sector Customers	106,354	119,126
Private Sector Customers	111,483	163,246
	217,837	**282,372**

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

Average collection period for trade receivables is approximately 168 and 174 days for years 2014 and 2013 and no significant changes have been experimented during the same. .

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14.2 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 17.3).

Breakdown at 31 December 2014 and 2013 is as follows:

	Thousand of Euros	
	31/12/2014	31/12/2013
Other cash equivalents	126,241	53,469
Cash	285	286
Banks and credit entities	76,734	105,826
Total cash and cash equivalents	**203,260**	**159,581**

Out of the total balance of this item, EUR 23,575 thousand and EUR 17,738 thousand correspond to joint ventures (see Annexure III) for year 2014 and 2013, respectively.

14.3 Current financial liabilities

"Other current financial assets" includes deposits at banks, short-term deposits and other receivables maturing in over three months. "Other current financial assets" includes deposits at banks, short-term deposits and other receivables maturing in over three months. At 31 December 201e, it mainly includes amounts arising from short-term loans amounting to EUR 8,347 thousand.

Further, it includes short-term payments to be collected from the Ministry of Public Works of Chile, for the certificates issued by the Group company "Sociedad Concesionaria San Jose-Tecnocontrol, S.A.", for a total value of EUR 36,524 thousand, for the 2015 payment for the execution works of the Hospitals of Maipu and La Florida, in Santiago de Chile.

14.4 Non-current financial 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 2014 is as follows:

	Thousand of Euros					
	Other financial assets, with changes in income statement (Note 11)	Loans to related companies	Investments available for sale	Investment until maturity	Impairment	Total
Balance at 31 December 2012	69,455	40,616	9,195	120,665	(16,475)	223,456
Entries or provisions	96	2,842	-	79,219	(1,148)	81,009
Translation differences	(4,195)	(220)	(164)	(14,402)	2,698	(16,283)
Disposals, withdrawals or redundancies	(2,191)	-	-	(952)	3,000	(143)
Balance at 31 December 2013	63,165	43,238	9,031	184,530	(11,925)	288,039
Discontinued operations (Note 12)	(17,340)	(37,287)	(35)	(1,771)	35	(56,398)
Entries or provisions	5,353	2,892	-	29,444	(6,280)	31,409
Transfers	-	-	-	(30,669)	-	(30,669)
Translation differences	1,219	(824)	48	(1,107)	140	(524)
Disposals, withdrawals or redundancies	(864)	-	-	-	-	(864)
Balance at 31 December 2014	**51,533**	**8,019**	**9,044**	**180,427**	**(18,030)**	**230,993**

14.4.1 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 5,344

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thousand and EUR 4,182 thousand refer to investment available for sale at 31 December 2014 and 2013, respectively (see Note 23.12).

Net cost at which interest ownership of the Group is recorded, by associate, at 31 December 2014 and 2013, is as follows:

	Thousand of Euros	
Company	31/12/2014	31/12/2013
Bodegas Altanza, S.A.	994	994
Unirisco S.C.R., S.A.	407	407
Filmanova, S.A.	37	37
Editorial Ecoprensa, S.A.	1,564	2,966
Other	698	445
	3,700	4,849

13.4.2 Loans and receivables

"Loans and Receivables" includes mainly participating loans granted to the associate Cresca S.A. for EUR 8,019 thousand which do not earn interest income because, being participating loans, they are linked to the profit obtained by the associate.

14.4.3. Other investments

This item includes mainly loans and receivables due to certifications issued by "Sociedad Concesionaria San José-Tecnocontrol, S.A.", for a total amount of EUR 164,666 thousand and EUR 169,263 thousand at 31 December 2014 and 2013, respectively, as payment of the execution works of the Hospitals of Maipu and La Florida, in compliance with IFRIC12 (see Note 2.1) for concessions with no demand risk. Said amount is arranged into eight equal instalments, with annual maturity, discounting the financial effect of the deferred payment. The first instalment has been received at 31 December 2014.

The Group has recorded a provision for potential contingencies associated to the development of the concession contract for EUR 7,602 thousand and EUR 7,744 thousand at 31 December 2014 and 2013, respectively.

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. Further, on 13 February 2015, final implementation certificates have been 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.

The payment of the Chilean Ministry of Public Works is arranged into 8 annual instalments of UF 1.1 million each, having collected the first instalment on 31 March 2014. The Group records said amount deducting the financial effect of the deferred payment. During year 2014, finance income arising from the update of said items amounting to EUR 13,290 thousand was recorded (see Note 23.7).

15. Net equity:

15.1 Share capital

At 31 December 2014 and 2013, 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 2014 and 2013 has been EUR 0.82 and EUR 0.78 for year 2014 and EUR 1.20 and 1.30 for year 2013, 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 24.95% and 48.32%, respectively,.

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On 30 December 2014, the Group has entered into with a majority of the creditor banking entities a novation agreement of its syndicated credit loan in Spain, pursuant to which it commits to issue Warrants for 35% of its social capital, whose execution shall depend on the level of performance of the Group of the amortisation of the participating loan granted as on said date, for a total amount of EUR 100 million (see Note 17.3).

15.2 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.

15.3 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.

15.4 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 17.3).

15.5 Consolidated reserves

Breakdown of "Reserves" within the consolidated balance sheet at 31 December 2014 and 2013 is as follows:

	Thousand of Euros	
	31/12/2014	31/12/2013
Reserves of the Parent	(85,769)	6,892
Consolidation reserves		
-From consolidated companies	78,478	136,576
-From companies considered equivalent	(48,048)	(36,579)
TOTAL	(55,339)	106,889

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

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Net profit/(loss) for the year attributable to the Parent by Subsidiaries

	Thousand of Euros			
	2014		2013	
	Reserves	Profit/ (Loss) for the year	Reserves	Profit/ (Loss) for the year
Grupo Empresarial San José, S.A.	129,890	(18,010)	131,830	778
SJB Müllroser	(5,795)	(6)	(5,393)	(385)
Construction subgroup	199,208	(7,137)	197,904	2,284
Trade subgroup	9,526	385	9,398	140
Udra Medios subgroup	(11,220)	(1,044)	(9,845)	(1,374)
Subgrupo San Josroupp Josarear attributable	(371,045)	(93,521)	(221,968)	(145,889)
Urban Developments subgroup	42,173	771	40,528	1,323
San Josevelopments subgroupear atsubgroup	1,348	656	1,062	351
San Jose EnergsevelopmentAmbiente subgroup	(3,043)	(1,185)	(1,978)	(736)
Cadena de Tiendas, S.A.U.	1,667	(99)	1,667	-
	(7,291)	(119,190)	143,205	(143,508)

Net profit/(loss) for the year and reserves attributable to the Parent by Subsidiaries

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:

	Thousand of Euros			
	2014		2013	
Company	Reserves	Profit/ (Loss) for the year	Reserves	Profit/ (Loss) for the year
Desarrollo Urbanístico Chamartín, S.A.	178	(214)	(251)	(316)
Panamerian Mall, S.A.	2,894	1,607	1,542	1,924
Pontegrán, S.L.	(389)	-	133	(523)
Pinar de Villanueva, S.L.	(5,454)	-	(4,572)	(1,226)
Antigua Rehabitalia, S.A.	(38,763)	-	(29,380)	(9,383)
Makalu Desarrollos Inmobiliarios, S.L.	(6,612)	-	(5,829)	(1,309)
Corsabe, S.L.	-	(1,401)	587	(588)
Cresca, S.A.	-	(572)	1,855	-
Kantega Desarrollos Inmobiliarios, S.A.	-	-	(680)	(859)
Other	98	(284)	16	546
	(48,048)	(864)	(36,579)	(11,734)

15.6 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 18) due to the application of IAS 32 and 39.

15.7 Shares of the Parent

At 31 December 2014 and 2013, the Group did not hold any treasury shares.

In year 2014, no transactions with treasury shares took place.

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15.8 Minority interests

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

	Thousand of Euros	
Company	Total Minorities Interests	Profit/ (Loss) for the year attributed to minority
Construction subgroup	22,042	(2,182)
San Josoé Desarrollos Inmobiliarios subgroup	987	(182)
Comercial Udra subgroup	(142)	(138)
Udra Medios subgroup	(158)	(29)
San Josd Concesiones y Servicios subgroup	-	-
San Josiones y a y Medio Ambiente subgroup	1,573	(97)
	24,302	(2,628)

Breakdown of this item for years 2014 and 2013 is as follows:

	Thousand of Euros	
	2014	2013
Opening balance	15,299	20,635
Changes in the scope of consolidation (Note 2.4)	7,602	(825)
Profit/(Loss) for the year	(2,628)	(3,340)
Exchange rate differences	3,983	(1,309)
Dividends	(2,902)	-
Adjustments attributable to minority interests and other	2,948	138
Closing balance	24,302	15,299

15.9 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 is around 150-200%, taken to be the result of dividing net financial debt by equity (corrected based on impairment of property assets).

At 31 December 2014 and 2013, the Group was achieving this parameter, as shown below:

	Thousand of Euros	
	31/12/2014	31/12/2013
Non-current bank borrowings and other financial liabilities (Note 17)	477,699	230,531
Current bank borrowings and other financial liabilities (Note 17)	77,972	1,595,512
Cash and cash equivalents (Note 14.2)	(203,260)	(159,581)
Total Net	352.411	1,666,462
Amended net equity:	309,720	416,743
Financial debt (%)	114%	399%

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15.10 Equity of the Parent

According to Article 363 of the Companies Act (LSC), companies must be dissolved whenever losses have reduced its equity to less than the half, except whether the same is increased or is reduced to a sufficient extent, and provided it is not precedent to request the bankruptcy declaration. As stated in Article 36 of the Commercial Code, net equity for such purposes is the amount that qualifies as such in the financial statements, plus the amount of the non required subscribed capital, as well as the nominal amount and issuance premiums or the assumption of the subscribed capital that is accounted as liabilities. Likewise, adjustments due to changes in cash flow hedges shall not be classified as net equity.

On the other hand, according to article 20 of Royal Decree 7/1996, as of 7 June, participating loans qualify as net equity for capital decrease and settlement of companies pursuant to trade regulations.

On 30 December 2014 the Group has entered into the modifying novation agreement of the syndicated credit facilities, as well as bilateral liabilities with a large majority of its financial creditors. Pursuant to this agreement, three separate financing agreements have been assumed (see Note 17.3), and the amortisation calendar has been amended, being adapted to the cash flow of the Group. Said agreement includes certain resolutory terms and conditions.

On 11 May 2015 legal approval was granted as from 13 February 2015 by the Trade Court No 2 of Pontevedra (see Note 17.3). Thus, the Group SANJOSE complies with the main preliminary condition set out in the novation agreement.

The Directors of the Company consider that the remaining outstanding conditions will be fulfilled in the short term, within the deadline established by the novation agreement and in compliance with the terms and conditions set out therein since most conditions depend on decisions of the Group, reason for which these financial statements are drafted as a running company.

At 31 December 2014, the parent records a negative net equity amounting to EUR 33,7 million. However, it is not in the situation of asset imbalance pursuant to art. 327 of the Companies Act to the extent that it records an equity loan amounting to EUR 100,000 thousand (see Note 17.3), received from creditor financial institutions in order to strengthen its financial position.

16. Non-current provisions

Breakdown of this item in the accompanying consolidated balance sheet for years 2014 and 2013 is as follows:

	Thousand of Euros
Balance at 31 December 2012	**44,725**
Provisions	16,134
Applications	(1,198)
Reversals	(452)
Reclassifications and other	(422)
Balance at 31 December 2013	**58,787**
Reclassifications held-for-trading	(45,805)
Provisions	8,191
Applications	(30)
Reversals	(88)
Reclassifications and other	(256)
Balance at 31 December 2014	**20,799**

Further, at 31 December 2014"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

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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.

17. Bank borrowings and debt instruments and other marketable securities

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

Year 2014:

	Thousand of Euros		
	Debts and accounts payable	Derivative financial instruments	Total
Non-current financial liabilities:			
Bank borrowings (Note 17.1)	473,386	-	473,386
Derivatives (Note 18)	-	31,697	31,697
Other Financial Liabilities	4,313	-	4,313
Total non-current	477,699	31,697	509,396
Current Financial Liabilities			
Bank borrowings (Note 17.1)	76,364	-	76,364
Other Financial Liabilities	1,608	-	1,608
Total current	77,972	-	77,972

Year 2013:

	Thousand of Euros		
	Debts and accounts payable	Derivative financial instruments	Total
Current Financial Liabilities			
Bank borrowings	222,320	-	222,320
Derivative financial instruments	-	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	1,592,246	-	1,592,246
Derivative financial instruments	-	75	75
Other Financial Liabilities	3,266	-	3,266
Total current	1,595,512	75	1,595,587

"Other current financial liabilities" and "Other non-current financial liabilities" include mainly EUR 197 thousand and EUR 50 thousand, respectively, in relation to long term borrowings with associates. Likewise, the non-current portion includes the balance of current accounts with shareholders accruing market interest rate tied to Euribor and with no defined maturity.

17.1 Bank borrowings

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

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	Thousand of Euros	
	31/12/2014	31/12/2013
Non-current:		
Finance leasing (Notes 7 and 10)	884	1,605
Bank loans and credit facilities	9,795	89,272
Syndicated credit facilities(Spain) (see Note 17.3)	350,000	-
Syndicated credit facilities (Chile) (Note 17.3)	112,707	131,443
Total non-current	473,386	222,320
Current:		
Finance leasing (Notes 7 and 10)	723	1,124
Syndicated credit facilities(Spain) (see Note 17.3)	-	1,311,805
Syndicated credit facilities(Chile) (see Note 17.3)	16,836	16,745
Payables from discounted notes and bills	16,014	46,797
Bank loans and credit facilities	36,355	30,917
Mortgage loans secured by inventories (Note 13 and 17.2)	6,436	184,858
Total current	76,364	1,592,246
TOTAL	549,750	1,814,566

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 2014 the following:

- A balance for EUR 8,444 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 LAlba ST-4, S.A.'s Policy Project (see Notes 10 and 2.6). Said plant acts as collateral for credit facilities.

"Bank loans and credit facilities" from current liabilities of the attached consolidated balance sheet at 31 December 2014 and 2013 includes EUR 6,036 thousand and EUR 8,023 thousand, respectively, for financial expenses pending settlement at year-end close.

17.2 Mortgage loans

The Group provides as collateral for mortgage loans real estate assets for a total net cost amounting to EUR 10,372 thousand.

Mortgage loans secured by investment property

As a consequence of the classification of the real estate division as noncurrent asset held for sale (see Note 12), the Group did not have mortgage loans secured by investment property at 31 December 2014.

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 2014 is as follows:

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	Thousand of Euros		
	Maturity		
	Short-term	Short-term	Total
Mortgage loans secured by urban developments under construction			
Of the Parent	-	-	-
Of Subsidiaries	-	-	-
	-	-	-
Mortgage loans secured by completely executed buildings:			
Of the Parent	-	-	-
Of Subsidiaries	131	6,305	6,436
	131	6,305	6,436
Mortgage loans secured by lands and plots of land:			
Of the Parent	-	-	-
Of Subsidiaries	-	-	-
Total mortgage loans secured by inventories (Note 13)	131	6,305	6,436

These mortgage loans bear annual floating interest at a market rate, which in 2014 ranged from 3% to 3.56%.

The outstanding principal of these loans at 31 December 2014 matures approximately as follows:

Thousand of Euros				
Year 2015	Year 2016	Year 2017	Year 2018 and following	TOTAL
131	203	210	5,892	6,436

17.3 Syndicated credit facilities

Syndicated credit facilities in Spain

The SANJOSE Group concluded in year 2009 the renegotiation of the bank borrowings for a total amount of EUR 2,210 million 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

On 30 December 2014, Group SANJOSE and its main subsidiaries have entered into modifying novation agreements for its financial debt with a large majority of its creditor banks, which represent a percentage greater than 75% of the financial liabilities and 80% of collaterals affected by such agreements.

Said agreements have involved the novation of the syndicated credit agreement signed in April 2009, as well as a series of bilateral funding agreements. The terms and conditions of the new financing are detailed pursuant to the following three separate financing agreements:

a) **Contract "Constructora San José, S.A."**

Syndicated credit contract assumed by "Constructora San José, S.A." and arranged into the following stretches:

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Stretch A: for a total amount of EUR 250 million and having a maturity of five years, renewable for another year (provided certain terms are satisfied), with a progressive payment schedule;

Thousand of Euros					
Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	TOTAL
-	-	23,100	20,700	206,200	250,000

A set of working capital credit facilities: a set of working capital credit facilities, including discounts, confirming and guarantees, available to Constructora San José, S.A and companies within its scope of consolidation:

- Trade and financial discount tranche amounting to EUR 49 million.
- Confirming stretch amounting to EUR 28.8 million.
- Tender and performance guarantees amounting to EUR 241.4 million.
- Financial bank guarantees amounting to EUR 98 million for recurrent financial bank guarantees and USD 8 million for non-recurrent financial bank guarantees.
- Stretch B: an additional funding credit facility for the execution of guarantees amounting to EUR 10 million.

As a consequence of the debt, "Constructora San José, S.A." is released from the sole guarantees granted to financial creditors of "San José Desarrollos Inmobiliarios, S.A.U.". Likewise, it is subject to the fulfilment of compulsory minimum financial ratios regarding EBITDA and the debt status as from 31 December 2015.

b) Contract "Grupo Empresarial San José, S.A."

Pursuant to the modifying novation agreement of the debt of Grupo SANJOSE, the Company assumed a EUR 100 million participating loan with a 5-year bullet maturity, while being released from the guarantees granted pursuant to the previous financing agreement.

Early repayment of the amount of this agreement includes certain descending repayment charges or discounts of nominal value according to early repayment instalments.

The part of this contract not attended at maturity shall be converted into shares of Grupo SANJOSE with a limit of 35% of total social capital of the company. This conversion shall be instrumented by means of warrants which the Board of Directors of Grupo SANJOSE shall submit to the Shareholders General Meeting for final approval. Said warrants entitle holders the right to subscribe newly issued shares of Grupo SANJOSE by offsetting credit claims which were pending repayment at maturity date (including capitalised interest). Conversion shall take place at market price of shares of Grupo SANJOSE by reference to the weighted average price of the previous 20 sessions prior to the maturity date.

Warrants will not be listed on any secondary markets and shall only be transferable with debt of Grupo SANJOSE.

The commitment of the issuance of the warrants has been formalized in an agreement that reflects the conditions and terms for issuance and the rules for their eventual conversion into shares of Grupo San José.

Additionally, in the context of the financial restructuring operation, and by agreement between the parties, the Parent Company acquired an obligation to pay its subsidiary "Constructora San José, SA" EUR 75 million, in return for a right of recovery for "San José Desarrollos Inmobiliarios, SAU", which was contributed at closing date as an increase in equity of the investee. The agreement also provides for the repayment of the loan by delivering stakes in the Company "Developments Urbanisticos Udra, S, A, U," whose fair value, determined by an independent expert, is much higher than that recorded under the books by the Company.

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c) San Jose Desarrollos Inmobiliarios, S.A.U.

Synduicated credit facilities amounting to EUR 270 million with maturity within 5 years and with a progressive amortisation Schedule assumed by "San José Desarrollos Inmobiliarios, S.A." as debtor.

The remaining debt under the financing agreement signed in 2009 not included in any of the three agreements described above (i.e. approximately EUR 741 million), will be cancelled by capitalising such debt in "San José Desarrollos Inmobiliarios, S.A.".

Prior to the capitalization, Grupo San José shall transmit to the lenders of "San José Desarrollos Inmobiliarios, S.A." all the shares of "San José Desarrollos Inmobiliarios, S.A." which it holds, at a 1 EUR price.

Due to the commitment to sale of the Group of its stake in "San José Desarrollos Inmobiliarios, S.A." and pursuant to IFRS 5, assets and liabilities of the Group provided by this company and its subsidiaries shall be classified as noncurrent assets held for sale and discontinues operations (see Note 12).

The modifying novation agreement is subject to sundry conditions which require court approval in accordance with the provisions of Additional Fourth Provision of the Bankruptcy Act, obtaining various certificates and supplementary reports, renewal and cancellation of certain personal and real guarantees and the granting of new collaterals and the issuance of warrants, the deadline for compliance extends from January to June 2015 approximately.

On 11 May 2015 legal approval was granted as from 13 February 2015 by the Trade Court No 2 of Pontevedra. Thus, the Group SANJOSE complies with the main preliminary condition set out in the novation agreement.

The Directors of the Company consider that the remaining outstanding conditions will be fulfilled in the short term, within the deadline established by the novation agreement and in compliance with the terms and conditions set out therein.

Although reference to Group assets that guarantee syndicated debt as a result of novation agreement is discussed in Notes 7, 8 and 13, the companies alien the Real Estate Division Group are released from the guarantees provided within the framework of the syndicated loan of 2009, being only borne by new sections of syndicated debt assumed by them. During 2015 and in the normal course of the terms of the refinancing agreement, those guarantees shall be formally released.

Syndicated credit facilities in Chile

At 10 February 2011, the group company "Concesionaria San Jos-Tecnocontrol S.A." entered into a syndicated credit funding agreement in Chilean pesos with a total of eight banking entities, acting "Banco Bilbao Vizcaya Argentaria, Chile" as leader arranger, for a total amount of EUR 185 million.

Object of said funding agreement is the execution under concession regime of a health care project in Chile "Programa de Concesiones en Infraestructura Hospitalaria, Hospital de Maip, Hospital de la Florida", awarded to Grupo SANJOSE by the Ministry of Public Works of Chile. Loan shall be provided as works take place. At 31 December 2014, the amount available amounts to EUR 129,543 thousand. The group keeps EUR 174 thousand as bank deposit limited to technical advance of the project (see Note 14.2).

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 2014 matures approximately as follows:

Thousands of Euros (*)					
Year 2015	Year 2016	Year 2017	Year 2018	Outstanding	Total
16,836	17,630	18,347	19,064	57,665	129,543

(*) Gross amounts prior to deducing borrowing costs, amounting to EUR 3,262 thousand at 31 December 2014.

Such repayment schedule will be modified as a result of the operation of bonds issued in Chile by the Group company "Concesionaria San José-Tecnocontrol S.A." on 24 March 2015 (see Note 27)

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18. 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 2014, 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.

Interest rate derivatives contracted by the Group and effective at 31 December 2014 and 2013, together with their fair values at said date, are the following:

Year 2014:

			Thousand of Euros		
Company	Financial Instrum.	Maturity	Initial par value	Remaining par value at 31.12.2014	Balance at 31.12.2014 (Note 17.1)
Efficient Hedges:					
Sociedad Concesionaria San José – Tecnocontrol, S.A	CCS-uf	30/06/2021	169,621	133,222	-11,634
Comercial Udra subgroup	CCS-usd	10/7/2013	774	774	109
Poligeneració Parc de l'Álba, S.A.	Swap	15/12/2021	15,451	9,138	-1,529
Sociedad Concesionaria San José – Tecnocontrol, S.A.	Swap	30/06/2021	163,470	133,222	-18,534
TOTAL			349,316	276,356	-31,588

Year 2013:

			Thousand of Euros	
Company	Financial Instrum.	Maturity	Initial par value	Balance at 31.12.2013
Efficient Hedges:				
Sociedad Concesionaria San José – Tecnocontrol, S.A	CCS-uf	30/06/2021	169,621	-13,256
Comercial Udra subgroup	CCS-usd	Year 2014	774	-75
Poligeneració Parc de l'Álba, 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	2/1/2024	10,000	-474
SJ D.Inmob., S.A.	Swap	9/10/2017	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			469,090	-30,212

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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-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 hold 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 2014 and 2013 the change in fair value of Derivative Financial Instruments allocated as Hedge Elements for their effective portion accumulated in Equity amounts to EUR 24,385 thousand and EUR 20,533 thousand, respectively

During 2014 and 2013, EUR 5,440 thousand and EUR 2,222 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 put 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 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

Derivatives of the Group are classified as Level 2.

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No transfers from Level 1 to Level 2 have taken place during year 2014. Neither had taken place inputs or outputs of Level 3 at 31 December 2013.

<u>Sensitivity analysis of interest rate and exchange rate</u>

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

a) In the case of interest rate swaps arranged by the Group, the change in the interest rate curve in the euro currency.

b) In the case of foreign exchange swaps arranged by the Group, the change in the interest rate curve of the Chilean peso (CLP) or the average rate on camera, while currency swaps depend on the average rate camera and exchange rate change between Unidades de Fomento (UF) and the Chilean peso (CLP).

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

- *Sensitivity analysis of "Poligeneraciò Parc de L'Álba, S.A."*

Sensitivity analysis in thousands of euros at 31/12/2014	
Basic Scenario T/i EUR	-1,149
Basic Scenario T/i EUR	-1,618

- *Sensitivity analysis of "Sociedad Concesionaria San José-Tecnocntrol, S.A.."*

Sensitivity analysis in thousands of euros at 31/12/2014

CCS	
Basic Scenario + 100 bp CLP curve	-5,006
Basic Scenario - 100 bp CLP curve	5,261
Basic Scenario + 10% TC CLF/CLP	-18,090
Basic Scenario + 10% TC CLF/CLP + 100 bp CLP curve	-23,096
Basic Scenario + 10% TC CLF/CLP - 100 bp CLP curve	-12,829
Basic Scenario - 10% TC CLF/CLP	18,090
Basic Scenario - 10% TC CLF/CLP + 100 bp CLP curve	13,084
Basic Scenario - 10% TC CLF/CLP - 100 bp CLP curve	23,351
Swap	
Basic Scenario TC + 100 bp CLP curve	4,685
Basic Scenario TC - 100 bp CLP curve	-4,912

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 the UP, the negative value will increase.

Fair value of financial instruments

<u>Fair value of financial instruments at amortised cost:</u>

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

<u>Applicable pricing techniques and hypothesis to measure fair value:</u>

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 (Swap of 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.

19 Trade payables and other payables

19.1 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.

During year 2014, the Group has paid supplies within an average term of 62 days upon the provision of services.

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:

	Euros			
	2014		2013	
	Amount	%	Amount	%
Payments executed within maximum legal payment term	243,427	95%	340,141	98%
Outstanding	11,651	5%	7,940	2%
Total payments to suppliers for the year	**255,078**	**100%**	**348,110**	**100%**
PMPE (days) (*)	42		47	
Amount of deferred payments which exceed maximum legal payment term.	2,734	1%	4,565	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, modified by Law 11/2013, of 26 July, about default payment measures, maximum payment time in 2014 it is 30 days, extendable to 60 days if there is agreement between the parties.

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

19.2 Other current liabilities

Other current liabilities" includes mainly the accounts payable relating to joint ventures and advances to customers (see Note 19.3). It also includes the provisions totalling EUR 4,721 thousand and EUR 4,599 thousand, at 31 December 2014 and 2013, respectively, for remuneration payable.

19.3 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 2014 and 2013 amount to EUR 5,639 thousand and EUR 8,531 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 13). Most of the advances received from customers had been guaranteed by financial guarantees.

At 31 December 2014 and 2013 this item includes "Amounts Billed in Advance for Construction Work" totalling EUR 110,028 and thousand and EUR 66,678 thousand, respectively, (see Note 14.1) 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.

20. Risk exposure

20.1 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 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.

20.2 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.

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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 17 and 18).

20.3 Foreign currency risk exposure

At 31 December 2014, 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.

20.4 Liquidity risk exposure

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

The 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 month	1-3 months	3-12 months	1-5 years	More than 5 years
Hedgind Derivates	Interest SWAP	-138	0	-4,065	-10,919	-314
	CCS	0	0	771	-4,736	-2,784
Derivatives designated as trading	Interest SWAP	0	0	-447	-1,218	-41

Maturity dates of the remaining financial liabilities are listed in Note 17.

On 30 December 2014 the Group has entered into the modifying novation agreement of the syndicated credit facilities, as well as bilateral liabilities with a large majority of its financial creditors. Pursuant to this agreement, three separate financing agreements have been assumed (see Note 17), and the amortisation calendar has been amended, being adapted to the cash flow of the Group. Signed financing agreement was submitted to the trade Court of Pontevedra for the legal approval. On 11 May 2015 legal approval was granted as from 13 February 2015 by the Trade Court No 2 of Pontevedra (see Note 17.3).

At 31 December 2014, the Group records a positive working capital amounting to EUR 134.1 million, what guarantees its feasibility regarding all current financial liabilities included within the accompanying consolidated balance sheet.

The treasury budget of the Group for year 2015 largely depends on the final terms and conditions of the agreement formalised with the financial entities.

21. 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 2014, the following SANJOSE group companies filed consolidated tax returns, acting "Grupo Empresarial San Jose, S.A." as the head of the consolidated tax group:

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- 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.U.
- Basket King S.A.U.
- Arserex 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. (antes, Fashion King S.A.U.)
- Running King S.A.U.
- Udramedios S.A.U.
- Xornal de Galicia, S.A.U.
- Xornal Galinet, S.A.U.
- San Jose Desarrollos Inmobiliarios, S.A.U.
- Asesoramiento y Gestión Integral de Edificios, S.A.U. (AGEINSA).
- Azac, S.A.U.
- Hotel Rey Pelayo, S.L.
- Lardea, S.L.
- Parquesol Construcciones, Obras y Mantenimientos, S.L.
- Sofía Hoteles, S.L.U.
- Urbemasa, S.A.U.
- Inmoprado Laguna, S.L.U.
- Altiplano Desarrollos Inmobiliarios, S.L.U.
- 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.

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21.1 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 2010 open for review.

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 2014.

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.

21.2 Income tax

The balance of "Income Tax" in the accompanying consolidated income statement for 2014 and 2013 was determined as follows:

	Thousand of Euros	
	2014	2013
Profit/(Loss) before tax	7,123	(219,621)
Increases at individual companies	10,989	-
Decreases at individual companies	(4,645)	(3,855)
Elimination trade consolidation	(59,024)	(4,487)
Non recorded losses tax credit	-	1,724
Equity method	-	11,734
Offset of prior years' tax losses	(543)	(66)
Taxable profit	(46,100)	(214,571)
Less taxable profit of companies not resident in Spain	(23,151)	5,431
Tax loss of consolidated group resident in Spain	(69,251)	(209,140)
Prior setting (30%)	20,775	(62,742)
Plus - deductions	-	(188)
Accrued tax expense	20,775	(62,930)
Regularisation previous year and change of tax rate	(52,263)	2,231
Non resident tax expense	(18,115)	(340)
Tax expense	(49,603)	(61,039)

21.3 Tax loss carry forwards

At 31 December 2014 total tax loss carry forwards pending Offset amounts to EUR 197,134 thousand, the Group records under "Deferred tax assets" in the accompanying consolidated balance sheet at 31 December 2014 a tax credit arising from said tax loss carry forwards amounting to EUR 23,749 thousand.

The Directors of the Parent consider that the tax Group, pursuant to current Business Plan and the consolidation of the international activity of the Group (main in the Middle East, Asia and America), and based on the current financing structure (see Note 17.3), will be able to offset tax loss carry forwards in a term of 9 years.

The detail of the tax loss carry forwards of the consolidated companies at 31 December 2014 is as follows:

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Company	Year of inclusion	Thousand of Euros Tax losses
Grupo Empresarial San José, S.A. and Subsidiaries Without real estate activity	From 1997 to 1999	0
	2000	0
	2001	0
	2002	349
	2003	66
	2004	914
	2005	418
	2006	1,389
	2007	9,088
	2008	56,905
	2009	49,167
	2010	9,416
	2011	6,192
	2012	2,914
	2013	2,015
	2014	
Total consolidated tax group		**138,833**
Spanish companies not included in the consolidated tax group	From 1997 to 1999	65
	2000	61
	2001	85
	2002	52
	2003	735
	2004	33
	2005	543
	2006	192
	2007	1,100
	2008	337
	2009	241
	2010	427
	2011	199
	2012	714
	2013	263
	2014	177
Total Spanish companies not included in consolidated tax groups		**5,224**
Foreign companies	From 1997 to 1999	1,053
	2000	461
	2001	
	2002	795
	2003	3,548
	2004	5,376
	2005	1,116
	2006	1,496
	2007	6,009
	2008	502
	2009	387
	2010	745
	2011	2,464
	2012	3,082
	2013	5,318
	2014	20,725
TOTAL companies not resident in Spain		**53,077**
TOTAL		**197,134**

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.

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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 compromising the bank syndicate in Spain (see Note 17.3), will be able to offset tax loss carry forwards

Deferred tax assets and liabilities

The deferred tax assets recognised in the accompanying consolidated balance sheet at 31 December 2014 and 2013 arose as a result of the following:

	Thousand of Euros	
	31/12/2014	31/12/2013
Non deductible financial profit /(loss)	511	13,836
Financial Instruments	-	4,292
Concessions and projects in progress	13,392	-
Non deductible amortisation	414	948
Impairment of financial stakes	2,152	15,960
Receivables	4,453	
Other items	1,439	7,929
Tax credit carry forwards	4,431	8,029
Tax loss carry forwards (Note 21.3)	23,749	148,009
	50,539	199,003

The balance of "Deferred tax liabilities" at 31 December 2014 relates basically to the following items:

1. Acknowledgement of tax credits arising from negative tax bases declared by companies of the Group.
2. Offset pending application
3. Difference between concessions and projects in progress in certain countries.
4. The differences between accounting and fiscal criteria within the Spanish regulation regarding receivables, financial profit/(loss) and amortisations.

The deferred tax assets recognised in the accompanying consolidated balance sheet at 31 December 2014 and 2013 arose as a result of the following:

	Thousand of Euros	
	31/12/2014	31/12/2013
Reassessment of assets	-	40,762
Different criteria projects in progress	10,395	-
Deferral for reinvestment of extraordinary gains	1,147	3,219
Backlog provisions	457	-
Deferred consolidation profit and other	11,969	-
Accelerated amortisation	1,581	
Other adjustments	3,433	8,705
	28,982	52,686

The balance of "Deferred tax liabilities" at 31 December 2014 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 Group 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.

4. Different criteria of projects in progress in different regulations.

21.5 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 391 thousand as an increase in the income tax asset accrued in 2014, as follows:

Item	Year of inclusion	Thousand of Euros
Earned by the consolidated tax group Grupo Empresarial San Jose S.A.		
Double taxation tax credit	2014	318
Tax credits for donations	2014	73
		391

At 31 December 2014 the following tax credits remain outstanding:

Earned by the consolidated tax group Grupo Empresarial San Jose S.A.	**Year of inclusion**	**Thousand of Euros**
Double taxation tax credit	2014	318
Tax credits for donations	2014	73
Double taxation tax credit	2013	11
Tax credits for donations	2013	4
Double taxation tax credit	2012	5
Tax credits for donations	2012	10
R&D tax credit	2012	14
R&D tax credit	2011	268
Double taxation tax credit	2011	18
Tax credit for training activities	2011	0.4
Tax credits for donations	2011	82
Double taxation tax credit	2010	164
Tax credits for donations	2010	45
Tax credit for training activities	2010	0.3
R&D tax credit	2010	368
Tax credit for environmental actions	2010	386
Double taxation tax credit	2009	657
Tax credits for donations	2009	42
Tax credit for training activities	2009	1
Tax credits for reinvestment of extraordinary gains	2008	104
Double taxation tax credit	2008	2,259
R&D tax credit	2008	329
Tax credits for donations	2008	193
Tax credit for training activities	2008	4
Tax credit for fairs	2008	27
Tax credits for reinvestment	2008	104
Tax credit for training activities	2007	0.2
Double taxation tax credit	2007	4
Tax credit for fairs	2007	12
Tax credits for reinvestment	2005	271
Total		**5,774**

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

Reinvestment requirements relating to the full amount of the tax credits for the reinvestment of extraordinary gains earned by the Group during the period 2003 to 2008, inclusive, had been met in full by 31 December 2013 within the periods established by current tax legislation

21.6 Tax receivables and payables

The detail of the Group's tax receivables and payables at 31 December 2014 is as follows:

	Thousand of Euros			
	31/12/2014		31/12/2013	
	Current	Non-current	Current	Non-current
Tax assets:				
Deferred tax assets	658	50,539	5,834	199,003
Tax receivables				
VAT receivables	13,580	-	14,354	-
Sundry receivables	623	-	5,437	-
	14,203	-	19,791	-
Total tax assets	**14,861**	**50,539**	**25,625**	**199,003**
Tax liabilities				
Deferred tax liabilities	1,797	28,982	1,170	52,686
Tax payables				
Tax payable as a result of tax assessments			692	-
VAT payables	9,157	-	16,876	-
Personal income tax payable	1,394	-	1,086	-
Sundry payables	585	-	-	-
Social Security payables	1,303	-	2,466	-
	12,439	-	21,120	-
Total tax liabilities	**14,236**	**28,982**	**22,290**	**52,686**

21.6 20. 7 Restructuring transactions

Restructuring operations have 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.

Transaction executed within 2013.

On 3 December 2013 took place the merger trough absorption of the company Inmobiliria Europea de Desarrollos Urbanisticos 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 Inmobilitaria 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 Desasarrollo 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.

2.- Merger trough 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 absorpbed companies

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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 trough 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 Tecnologias S.A..

5.- On 16 June 2009 took place the merger trough 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 trough 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 trough 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 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 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..

22. Guarantee commitments to third parties

At 31 December 2014 and 2013, the Group had received from banks and insurance companies guarantees provided to third parties amounting to EUR 353 million and EUR 242 million (mainly project and definite tender and performance bonds to public and private bodies). EUR 0.2 million of which correspond to the parent company and the rest to the subsidiaries at the previous years.

In addition, some associates have guarantee commitments to third parties, related to the corresponding business for EUR 12,298 thousand, which correspond to a guarantee registered by "Desarrollo Urbanístico Chamartín, S.A." before the Community of Madrid Tax Department to guarantee the suspension of the collection proceeding in order to file a claim before the Regional Tax Appeal Board in Madrid against the liquidation derived from the payment record and receipt received on 23 December 1998 for Estate and Property Transfer Tax for the tender agreement for the urban development of the RENFE rights at the Chamartín railroad building.

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

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23. Income and expenditure

23.1 Income

The detail of "Revenue" in the accompanying consolidated income statements for 2014 and 2013 is as follows (in thousands of Euros):

	Thousand of Euros	
	2014	2013 (*)
Construction:		
-Civil works	35,708	55,232
- Residential	52,937	47,808
-Non Residential	286,189	313,663
- Industrial	6,775	10,423
	363,609	427,126
-Real Estate	32,229	44,254
Concessions and Services	40,695	108,285
Energy	11,321	11,586
Consolidation adjustments and other	17,228	(65,287)
Net Revenue	**465,082**	**525,964**

(*) Reformulated data (see Note 4.23)

51.9% and 55.6.% of construction revenues refer to sales to the public sector in years 2014 and 2013, respectively.

In year 2014, EUR 20 million of the more than EUR 465 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 2014 and 2013 amounts to EUR 1,868.5 million and EUR 2,983.6 million, respectively, being the detail as follows:

	Million of Euros	
	2014	2013
Construction:		
Civil works	201.2	356.5
Residential	33.6	38.7
Non Residential	635.8	745.7
Industrial	5.9	13.3
Subtotal construction	876.6	1,154.2
Concessions and Services. (**)	321.7	1,194.3
Energy	670.3	635.1
Total Backlog	1,868.5	2,983.6
Details by type of client:		
-Public-sector	63.41%	60.58%
-Private-sector	36.59%	39.42%
Details by geographical area:		
-Domestic market	48.38%	30.47%
-International market	51.62%	69.53%

(*) 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.

(**) Pursuant to the economic model of concessions

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From the above total backlog of the Group, the "Loa Roads" in Chile to be executed under concession regime and amounting to EUR 172 million have not been included within the construction activity. Although it has been awarded to the Group, the believes that on basis of prudence said figures shall not be disclosed until the actual start of the project

Further, the Group has a construction and energy backlog for a total value of EUR 49.4 million and EUR 180.8 million at 31 December 2014 and 2013, respectively, arising from its participation in companies integrated within theses consolidated financial statements by the equity method.

23.2 Procurements and other external expenses

The breakdown of "Procurements" in the consolidated income statements for 2014 and 2013 is as follows:

	Thousand of Euros	
	2014	2013 (*)
Procurement of raw materials and other supplies	142,005	177,581
Changes in the impairment of inventories (Note 13)	(943)	603
Works performed by other companies	141,352	156,650
Total procurement	**282,414**	**334,834**

(*) Reformulated data (see Note 4.23)

"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 expenditure" in the consolidated income statements for 2014 and 2013 is as follows:

	Thousand of Euros	
	2014	2013 (*)
R&D expenditure	23	516
Utilities	5,842	6,268
Repair and maintenance services	103	750
Transport and freight costs	803	788
Insurance premiums and banking services	3,102	2,972
Independent professional services	19,203	15,998
Leases	9,354	9,223
Advertising and publicity	2,610	2,743
Other Services	19,981	22,527
Taxes and income tax	5,320	5,921
Other operating expense	8,311	3,518
Total	**74,562**	**69,171**

(*) Reformulated data (see Note 4.23)

23.3 Staff costs

The detail of "Staff Costs" is as follows:

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	Thousand of Euros	
	2014	2013 (*)
Wages and salaries	61,810	66,577
Termination benefits	4,772	2,713
Employer social security costs	12,811	14,427
Other social costs	2,018	2,771
Total	**81,411**	**86,488**

(*) Reformulated data (see Note 4.23)

The average workforce by professional category is as follows:

	2014		2013	
Category	Men	Female	Men	Female
University graduates	289	94	299	98
University three-year degree graduates	302	74	333	89
Clerical staff	66	108	106	125
Officers and technical personnel	1,234	45	1,228	45
	1,891	**321**	**1.966**	**357**

The average workforce at 31 December 2014 amounted to 2,309 of which 1,985 were men and 324 women

23.4 Compensation in kind

At 31 December 2014 there was no significant compensation in kind.

23.5 Share-based payment

There are no share-based payment systems.

23.6 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 2014, the Group had acquired future lease payment obligations under finance leases entered into amounting to EUR 1,607 thousand, most of which will be amortised in the following six years. Said balance is included under "Bank borrowings" (see Note 17.1).

23.7 Finance Income

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

	Thousand of Euros	
	2014	2013 (*)
Interest on receivables	21,569	9,678
Income from equity investments	651	742
Other Finance Income	-	-
	22,220	**10,420**

(*) Reformulated data (see Note 4.23)

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"Other financial income" for the year 2014 it includes mainly the financial revenues from updating the accounts receivable from the Chilean Ministry of Public Works as a result of the deferral of payment for the construction of hospitals in Chile, amounting approximately to EUR 13,290 thousand (see Note 14.4.3).

"Interests on receivables" for year 2014 and 2013 includes approximately EUR 2.6 million and EUR 3 million corresponding to interests on short-term deposits. The reminder corresponds mainly to late interest for deferral of collection to customers and settlement of exchange rate hedge instruments.

23.8 Finance Expense

Breakdown is as follows.

	Thousand of Euros	
	2014	2013 (*)
Interests on payables	18,297	26,141
Other Finance Expense	-	-
	18,297	**26,141**

(*) Reformulated data (see Note 4.23)

At 31 December 2014, under this item there are EUR 1,583 thousand arising from the settlement of interests of the syndicated credit (see note 17.3).

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

The detail is as follows:

	Thousand of Euros	
	2014	2013 (*)
Gains/Losses on write-offs of fixed assets (Note 7)	1,755	(141)
Impairment of fixed assets (Note 7)	(4)	19
Goodwill impairment (Note 9)	(739)	-
Intangible assets impairment (Note 10)	63	(94)
Investment property impairment (Note 8.1)	-	7,575
Other	(393)	-
	682	7,359

(*) Reformulated data (see Note 4.23)

23.10 Changes in operating provisions

Breakdown of this item in the accompanying consolidated balance sheet for years 2014 and 2013 is as follows:

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Year 2014:

	Thousand of Euros		
	Insolvencies (Note 14)	Other operating provisions	Total
Balance at 31 December 2013	**29,269**	**37,696**	**66,965**
Reclassifications held-for-trading	(3,759)	(4,541)	(8,300)
Provisions	5,855	16,556	22,411
Applications	(910)	(1,112)	(2,022)
Reversals	(2,121)	(5,338)	(7,459)
Transfers and other	(86)	(336)	(422)
Balance at 31 December 2014	**28,248**	**42,925**	**71,173**

Year 2013:

	Thousand of Euros		
	Insolvencies (Note 13)	Other operating provisions	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**

Current provisions classified under "Short-term provisions" include estimated amounts to face possible business contingencies. During 2014 and 2013, EUR 816 thousand and EUR 880 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.

23.11 Change in inventories of finished goods and in progress

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

	Thousand of Euros	
	2014	**2013 (*)**
Changes in inventories for recorded expenses /sales	2,216	15,465
Changes in the inventories due to impairment (Note 13)	(12)	503
In-house work on assets	(423)	(159)
Total	**1,781**	**15,809**

(*) Reformulated data (see Note 4.23)

23.12 Impairment and gains or losses on disposals of financial investments

Further, recorded impairment for year 2014 amounts to EUR 1,149 thousand and refers mainly to financial investments recorded by the Group as "Investments hold for sale" (see Note 14.4.1).

Further, it also records impairment for the stakes in companies accounting for the equity method (see Notes 11 and 14.4).

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23.13 Audit fees

In 2014 and 2013 the expense corresponding to the financial audit services and other services provided to the Group by Deloitte, S.L. and companies associated of the same, as well as fees for audit services for independent financial statements of associated and related companies was as follows:

Year 2014:

Description	Thousand of Euros	
	Services provided by the main auditor	Services provided by other auditing firms
Audit services	299	108
Other verification services	147	-
Total audit services and related services	**446**	**108**
Tax and fiscal advice services	-	-
Other Services	-	-
Total	**446**	**108**

Year 2013:

Description	Thousand 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**

24. 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:

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	Thousand of Euros	
	2014	2013
Assets:		
Antigua Rehabitalia, S.A.	-	16,425
Makalu Desarrollos Inmobiliarios, S.L.	-	20,407
Cresca, S.A. (Note 14.4.2)	8,019	5,950
Pinar de Villanueva, S.L.	-	456
Other	10	11
Liabilities:		
Panamerican Mall, S.A.	698	-
Pontegrán, S.A.	-	9,757
Other	1,068	338
Transactions:		
Income	253	1
Expenses	2,806	49

The item "Other" recorded under liabilities at 31 December 2014 corresponds mainly to current bank accounts at financial entities and people linked to the Group through joint ventures.

The main item under Assets corresponds to a loan granted by the Group to its investee "Cresca, S.A.U.", under the equity method (see Note 14.4.2).

Expenses correspond mainly to expenses incurred into by the JVs of the Group in Abu Dhabi for a total amount of EUR 2,542 thousand.

25. Remuneration

25.1 Remuneration of Directors

The detail of the remuneration of all kinds earned in 2014 and 2013 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:

	Thousand of Euros	
Type of Directors	2014	2013
Executive board members	2,592	2,403
Independent board members	183	268
Other external board members	12	8
Total	**2,787**	**2,679**

In year 2014, total remuneration consists of wages and salaries and commissions and other items amounting to EUR 2,470 thousand, EUR 237 thousand and EUR 80 thousand, respectively.

The amount for 2014 and 2013 includes Directors' remunerations for the furtherance of their duties as Senior Management for EUR 2,470 thousand and EUR 2,470 thousand and EUR 2,260 thousand, respectively.

At 31 December 2014 and 2013, 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.

Breakdown of ownership interest in companies with similar activities and activities and functions of Directors and associates.

In connection with the participation of the Directors of the Company or persons linked to them, in the share capital of companies alien to the same; or if they perform the same business activity or any other similar activity on their own account; or if the same in their own name or any third parties acting on their behalf have performed with the Company or any Group company transactions other than those in the normal course of business or under non usual market conditions must indicate that the Directors or any other persons linked to them:

- Have not performed on their own account or for any other third parties the same business activity or any other similar activity.
- Do not hold stake on their own account or for any other third parties con companies with the same business activity or any other similar activity.
- Have not performed with the Company or any Group company transactions other than those in the normal course of business or under non usual market conditions.

At year-end 2014 neither the members of the Board of Directors of the Company or any third parties related to them, as defined in the Companies Act , have reported to the other members of the Board of Directors any conflict of interests, either direct or indirect, with the interests of the Company.

25.2 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 2014 and 2013 as follows:

Number of people	Thousand of Euros
Year 2014:	
14 Executives	1,955
Year 2013:	
12 Executives	1,804

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

26. 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.

27. Events after the reporting period

On 24 March 2015, the Group company "Concesionaria San Jose-Tecnocontrol, S.A.", was awarded the contract for the execution, repair, maintenance and operation of two public hospitals in Chile and has successfully completed the issuance of dematerialised infrastructure bonds with a total value of UF 6,302,000 (approximately EUR 226.9 million).

The issue of bonds has been carried out in two tranches: Tranche A amounting to UF 5,597,000 (approximately EUR 201.5 million) and a cover rate of 2.95%; and Tranche B for an amount of UF 705,000 (approximately EUR 25.4 million) and a cover rate of 4.00%. Both tranches have been fully subscribed. Maturity date is 30 June 2021.

With the bond issue SANJOSE Group achieved three objectives:

i) To obtain an adequate credit rating of bonds through the provision, with funds from the bonds, of a series of project accounts and the replacement by the concessionaire of bank debt with recourse by non-recourse bank debt.

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ii) To improve the funding of the concessionaire, reducing the finance expense for the company and improving the flow of dividends. Part of the funds from the bond issue will be used to repay in full the capital collected in advance from the Chilean syndicated credit facilities and the early termination of derivative syndicated loan (SWAP) and the subsequent bank debt.

iii) To offset in advance the debt of the company due to the syndicated credit facilities of the company, novated last 30 December 2014, which will reinforce and confirm the commitment of Constructora San José, SA with its creditors, and shall allow the company improving its financial structure and lower its costs.

As indicated in Note 17.3, on 30 December 2014, Group SANJOSE and its main subsidiaries entered into a modifying novation agreement of the syndicated credit loan signed in April 2009, as well as a set of bilateral contracts bilateral, with a large majority of its creditor banks. Such novation agreement includes several terms and conditions to be fulfilled, among which highlights the court approval in compliance with the Fourth Additional Provision of the Bankruptcy Act.

In this regard, the court approval has been granted on 11 May 2015 dated 13 February 2015 and issued by the Commercial Court No. 2 of Pontevedra. Thus, the Group SANJOSE complies with the main preliminary condition set out in the novation agreement.

The Directors of the Company consider that the remaining outstanding conditions will be fulfilled in the short term, within the deadline established by the novation agreement and in compliance with the terms and conditions set out therein.

There are no other significant events occurred after 31 December 2014 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 (Thousand of Euros)
				Direct	Indirec.	Other	
1681 West Avenue, LLC	Not audited	Delaware (USA)	Real Estate Development	-	100	-	791
Alexin XXI, S.L.U.	Not audited	Bilbao (Vizcaya).	Real Estate Development	-	100	-	3
Aprisco Salvador Inv. Hoteleiros e Imobiliários, Ltda.		Brazil	Construction and Real Estate Development	-	100	-	4,090
Argentimo, S.A.	Deloitte, S.L.	Buenos Aires (Argentina)	Real Estate Development	-	100	-	20,932
Arserex, S.A.U.	Deloitte, S.L.	Madrid	Trade and distribution of sport items	-	100	-	2,844
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
Cadena de Tiendas, S.A.U.	Not audited	Pontevedra	Trade, distribution, import and export of clothes	100	-	-	60
Carlos Casado, S.A.	Auren	Buenos Aires (Argentina)	Real Estate Development	-	52.19	47.81	25,393
Cartuja Inmobiliaria, S.A.U.	Deloitte, S.L.	Seville	Construction	-	100	-	3,884
Centro Comercial Panamericano, S.A	Deloitte Argentina	Buenos Aires (Argentina)	Real Estate Development	-	100	-	10,202
CIMSA Argentina, S.A.	Deloitte Argentina	San Luis (Argentina)	Civil works	-	100	-	(764)
Comercial Udra, S.A.U.	Deloitte, S.L.	Pontevedra	Trade	100	-	-	1,748
San José Panamá, S.A (former Constructora Panameña de Aeropuertos, S.A).	Bustamante y Bustamante	City of Panama (Panama)	Construction	-	100	-	228
Constructora San José Argentina, S.A.	Deloitte Argentina	Buenos Aires (Argentina)	Construction	-	96.947	3.053	754
Constructora San José Brazil, Limitada.	Not audited	Salvador de Bahía (Brazil)	Construction and Real Estate Development	-	100	-	415
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	75	-	25	4
Constructora Udra Limitada	Deloitte, S.L.	Monaco (Portugal)	Construction, maintenance and repair	7	70	23	245
Desarrollos Urbanísticos Udra, S.A.	Not audited	Pontevedra	Real Estate Development	100	-	-	20,200

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Company	Company Auditor	Address	Activity	% of voting rights controlled by Parent companies			Ownership cost (Thousand of Euros)
				Direct	Indirect	Other	
Eraikuntza Birgaikuntza Artapena, S.L.U.	Deloitte, S.L.	Vitoria Gasteiz	Construction	-	100	-	435
Eskonel Company, S.A.	Not audited	Uruguay	Energy	-	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
Fotovoltaica El Gallo 10, S.L.	Not audited	Burgos	Energy	-	82.97	17.03	14,543
Gestión de servicios de la Salud S.L.	Not audited	-	Hospital services	-	100	-	90
Grupo 4	Not audited	Madrid	Real Estate Development Without activity	-	100	-	180
Hospes Brasil Participaciones e Empreendimientos Lda		Brazil	Construction and Real Estate Development	-	100	-	423
Inmobiliaria 2010, S.L.	Deloitte Perú	Lima (Peru)	Construction and Real Estate Development	-	100	-	1,294
Inmobiliaria Americana de Desarrollos Urbanisticos, S.A.U.	Not audited	Pontevedra	Real Estate Development	-	100	-	60
Inmobiliaria Europea de Desarrollos Urbanísticos, S.A.U.	Not audited	Pontevedra	Real Estate Development	-	100	-	9,184
Inmobiliaria Sudamericana de Desarrollos Urbanísticos, S.A.	Deloitte, S.L.	Buenos Aires (Argentina)	Real Estate Development	-	100	-	680
Inversión SanJose Chile Limitada	Not audited	Santiago de Chile (Chile)	Investment and real estate	-	100	-	22
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
Outdoor King, S.A.U.	Not audited	Madrid	Manufacturing, storage and distribution of goods	-	100	-	60
O&M Parc de LÀlba ST-4, S.A.	Not audited	Barcelona	Construction, remodelling and maintenance of facilities	-	65	-	39
Parsipanny Corp. S.A	-	Uruguay	Real estate and agriculture and livestock	-	51.72	48.28	722
Poligeneraciones parc de L´Alba ST-4	Deloitte, S.L.	Barcelona	Construction, implementation and maintenance of electric energy power stations	-	76	14	4,024
Pontus Euxinus Tehnologii Renovabile, S.R.L.	Not audited	Bucarest (Romania)	Production and trade of electric energy by renewable energy resources	-	75	-	8
Puerta de Segura, S.A	-	Uruguay	Industrial, 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
Running King, S.A.U.	Not audited	Pontevedra	Trade, distribution, import and export of clothes	-	100	-	1
José BAU GmBH	Wisbert & Partner	Berlin (Germany)	Construction	-	84	16	435

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Company	Company Auditor	Address	Activity	% of voting rights controlled by Parent companies			Ownership cost (Thousand 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 José France, S.A.S.	Not audited	Le Haillan (France)	Holding company	-	100	-	982
San José Maroc, S.A.R.L.A.U.	-	Rabat (Morocco)	Construction	-	100	-	5
San José Perú, S.A.C.	Deloitte, S.L.	Lima (Peru)	Construction	-	100	-	9,075
SanJosé Congo, S.A.	-	Republic of Congo	Construction	-	70	-	10
Sáo José Mozambique, Sociedade Limitada	Not audited	Mozambique	Construction	-	100	-	142
San José Tecnologías Chile Ltda.	-	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
Sanjose Mahavir Supreme Building One Private Limited	Not audited	New Delhi (India)	Construction	-	51	-	-
San José Real Estate Development, LLC	Not audited	Delaware (USA)	Real Estate 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
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	Mullroser (Germany)	Construction	100	-	-	730
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)	Maintenance 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 Medios, S.A.U.	Not audited	Pontevedra	Edition, production, reproduction and release of books, newspapers, magazines and video	100	-	-	1,500
Udra Mexico S.A. de C.V.	Not audited	Mexico	Construction company		100	-	9,165
Vision King S.A.U. (former Fashion King, S.A.U.)	Not audited	Madrid	Trade, distribution, import and export of clothes	-	100	-	60
Xornal de Galicia, S.A.	Not audited	Galicia	Press	-	92.73	7.27	5,653
Xornal Galinet, S.A.	Not audited	A Coruña.	Press	-	100	-	1,100
Zivar, investimentos inmobiliarios C.	Not audited	Portugal	-Real Estate	-	52.5	-	2,609

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Appendix II
Associates accounted for using the equity method

Company	Audit company	Address	Activity	% of voting rights controlled by Parent companies			Ownership cost (Thousand of Euros)
				Direct	Indirect	Other	
Corporación San Bernat SCR,SA	Audihispana	Barcelona	Shareholding	-	28	-	4,205
Desarrollo Urbanistico Chamartín, S.A.	Deloitte, S.L.	Madrid	Real Estate Development	-	24.459	72.5	23,341
Fingano, S.A.	-	Uruguay	Real Estate Development	-	10	-	-
Drilpen, S.A.	-	Uruguay	Real Estate Development	-	10	-	-
Vengano, S.A.	-	Uruguay	Real Estate Development	-	10	-	-
Panamerican Mall, S.A.	KPMG	Buenos Aires (Argentina)	Real Estate Development	-	20	80	17,914
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

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Appendix III

1. Joint ventures:

Joint ventures	Ownership %	Certificates issued/income (100% JV)	Status
CAMINO	100%	-	In progress
UTE ELECTROTECNO	90%	-	In progress
UTE EUGENIA MONTIJO	90%	-	In progress
QUIROGA	50%	-	In progress
PEDRIZAS	95%	-	In progress
BOÑAR	10%	-	In progress
UZQUIZA	90%	-	In progress
UTE SANTA MARTA MAGASCA	60%	-	In progress
PINOFRANQUEADO	60%	-	In progress
GUADALORCE	100%	-	In progress
NG. FORESTAL	60%	-	In progress
UTE IES BARRIO BAJO	80%	-	In progress
UTE CRUZ ROJA	100%	-	In progress
UTE CEJOYSA	60%	-	In progress
UTE TORRELAGUNA	50%	-	In progress
UTE HOSPITAL DE LUGO	50%	-	In progress
UTE VIVIENDAS DEHESA VIEJA	50%	-	In progress
UTE HOSPITAL ALMANSA	100%	-	In progress
UTE DIPUTACION MALAGA	50%	-	In progress
UTE ALMANJAYAR	75%	-	In progress
UTE CASA DE NIÑOS	100%	-	In progress
UTE A.I. LA NAVA	100%	-	In progress
UTE AEROPUERTO MENORCA	50%	-	In progress
UTE PROLONG AVDA ALVARO DOMEQ	100%	-	In progress
UTE ESTACION PINAR DEL REY	100%	-	In progress
UTE AVDA EUROPA JEREZ	100%	-	In progress
UTE LA GRANJA JEREZ	100%	-	In progress
UTE PISCINA PARLA	100%	-	In progress
UTE VIVIENDAS ALCOSA	100%	-	In progress
UTE PABELLON CABANES	100%	-	In progress
UTE UMBRETE	100%	-	In progress
UTE CCB MALLORCA	55%	-	In progress
UTE EL PUERTO DE SANTA MARIA	100%	-	In progress
UTE AUTOVIA A-50 SALAMANCA	100%	-	In progress
UTE PUERTO DE LA ATUNARA	80%	-	In progress
UTE CEIP BEETHOVEN	100%	-	In progress
UTE ESCOLA BRESSOL	100%	-	In progress

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UTE EJIDILLO VIVEROS INTEGRALES CSJ	60%	-	In progress
UTE AUTOVIA 45 ENCINAS REALES	70%	-	In progress
UTE ESTADI MUNICIPAL MONTCADA	100%	-	In progress
UTE EMBALSE CONTRERAS	50%	-	In progress
UTE CEIP SAN JOSE CALASANZ-BIGASTRO	100%	-	In progress
UTE CENTRO DE SALUD LUCERO EN MADRID	100%	-	In progress
UTE INGENIERIA INDUSTRIAL	50%	-	In progress
UTE HOSPITAL DEL VALLE DEL GUADIATO	100%	63	In progress
UTE HOSPITAL VALLE DE LOS PEDROCHES	100%	-	In progress
UTE URBANIZACION HOSPITAL GUADIX	100%	-	In progress
UTE ESPEJO DE LA PARTICIPACION DE ALDAIA	100%	-	In progress
UTE PLATAFORMA AVE OCAÑA	70%	10	In progress
UTE ZONA COMERCIAL AEROPUERTO MENORCA	50%	-	In progress
UTE COLEGIO ALAMEDA DE OSUNA	65%	-	In progress
UTE AUTOVIA VERIN FRONTERA PORTUGUESA	50%	-	In progress
UTE RONDA SUROESTE	50%	-	In progress
UTE EL TEJAR	70%	-	In progress
UTE ESCUELA UNIVERSITARIA DE MAGISTERIO	100%	-	In progress
UTE ESCUELA TECNICA SUPERIOR DE INGENIERIA - UV	100%	-	In progress
UTE HOTEL COLON SEVILLA	70%	-	In progress
UTE SAN JOSÉ EJIDILLO ZONA E	60%	-	In progress
UTE NAVE INDUSTRIAL VICALVARO	60%	-	In progress
UTE HOSPITAL DE GANDIA	70%	-	In progress
UTE HOSPITAL JUAN CANALEJO FASE 2	50%	-	In progress
UTE PALACIO JUSTICIA PATERNA	60%	-	In progress
UTE SAN JOSE EL EJIDILLO IFEMA	60%	-	In progress
UTE ZONAS VERDES FERROL SAN JOSÉ EJIDILLO	60%	-	In progress
UTE REHABILITACION DEL TEATRO SAN FERNANDO	100%	-	In progress
CASTELL DE CASTELLS	70%	-	In progress
UTE ENCAUZAMIENTOS ARROYOS MALAGA	60%	-	In progress
UTE REHABILITACIÓN POBOADO MINEIRO DE FONTAO	100%	-	In progress
UTE CASCO HISTORICO CARTAGENA	60%	-	In progress
UTE SAN JOSE EL EJIDILLO PASEO DE EUROPA	70%	-	In progress
UTE KULTUR ETXEA HONDARRIBIA	100%	-	In progress
UTE FACULTAD DE CIENCIAS	100%	-	In progress
UTE RADIODIAGNOSTICO H.U.V.R.	50%	-	In progress
UTE PASEO MARITIMO ALGECIRAS	70%	-	In progress
UTE SAN JOSE-EBA CLINICA IMQ	100%	-	In progress
UTE SAN JOSE EL EJIDILLO PLAZA CASTILLA	60%	-	In progress
UTE MIAMAN PONTE AMBIA	70%	3,349	In progress
UTE SAN JOSE EL EJIDILLO VALLADOLID	60%	1,509	In progress
UTE EDIFIC AERONAUTIC SUPPLIERS VILLAGE	80%	-	In progress
UTE GUARD Y PABELLON CUBIERTO	75%	-	In progress
UTE HOSPITAL ALBACETE	37.5%	-	In progress

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EDIFICIO IKEA TELDE	55%	-	In progress
W88 UTE ETAP MONFORTE DE LEMOS	50%	185	In progress
W89 UTE VILLANUEVA DE LA JARA	50%	-	In progress
UTE EDIFICIO BINTER TENERIFE	45%	-	In progress
UTE SAN JOSE CARTUJA NUEVO AMATE	100%	-	In progress
UTE HOSPITAL CRUZ ROJA BILBAO	100%	-	In progress
UTE ESTACIÓN INTERMODAL VITORIA	100%	-	In progress
UTE EDIFICIO INTERDEPARTAMENTAL II UIB	50%	-	In progress
UTE HUERTA DEL PRADO	60%	-	In progress
UTE JARDIN DE LAS PALABRAS	60%	-	In progress
UTE CAMPUS CIENTIFICO DE LINARES	80%	3,065	In progress
UTE CONST SAN JOSE Y CYM YAÑEZ SA (Edificio Lanzadera)	100%	-	In progress
UTE DESTRIANA	60%	-	In progress
UTE SAN JOSE EJIDILLO D	60%	108	In progress
UTE SAN JOSE EL EJIDILLO DASOTEC	57.5%	90	In progress
UTE MOB Y EQUIP EDIF TERMINAL AEROP GRAN CANARIA	60%	157	In progress
UTE RESIDENCIAS REAL MADRID	50%	617	In progress
UTE SAN JOSE EL EJIDILLO IFEMA 2	60%	121	In progress
UTE BADAIA	70%	-	In progress
UTE EDAR GANDARIO	50%	1,101	In progress
UTE BENIGANIM	50%	1,132	In progress
UTE SAN JOSE EL EJIDILLO XARDINS FERROL	60%	1,016	In progress
UTE REFORMA IES SANTA TERESA	85%	1,278	In progress
UTE INSTALACIONES TERMICAS HOSPITAL CABRA	100%	586	In progress
UTE ACCESO IRCIO ACTIVIDADES	50%	1,467	In progress
UTE FEDERACION FUTBOL CEUTA	90%	399	In progress
UTE PARQUE NORTE	60%	379	In progress
UTE EL PRADO	50%	-	In progress
UTE CIUDAD CULTURA EDIFICACIÓN	50%	-	In progress
WORLD TRADE CENTER	20%	-	In progress
UTE CIUDAD DE LA LUZ	20%	-	In progress
UTE METRO LIGERO MADRID	30%	-	In progress
UTE HOSPITAL ASTURIAS	43%	53	In progress
UTE VALDEBEVAS LOTE 6	50%	-	In progress
W43 UTE PROYECTO Y OBRAS DE LA EDAR DE ARANJUEZ NORTE	50%	-	In progress
UTE EL REGUERON	33.34%	-	In progress
UTE W92 externa VARIANTE PAJARES LOTE SUR	60%	11,395	In progress
X07 UTE COLEGIOS DOS HERMANAS	50%	33	In progress
UTE REGADIO PARAMO BAJO	50%	-	In progress
UTE PASARELA PUENTE DE LOS FRANCESES	50%	-	In progress
UTE ANILLO NORTE ESTACION DELICIAS	62.5%	-	In progress
UTE ENSANCHE BARAJAS	50%	-	In progress
UTE HOSPITAL VIRGEN PUERTO PLASENCIA	81.815%	-	In progress
UTE PARQUE DE BOMBEROS	51%	-	In progress

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UTE CENTRO LUDICO-ACUATICO EN MONTECERRAO	50%	-	In progress
UTE CENTRO INVESTIGACION MIERES	60%	-	In progress
UTE AMPLIACION AEROPUERTO DE VIGO	50%	2,255	In progress
JTE EDIFICIO MULTIUSOS TELDE	60%	-	In progress
UTE RECREC. AEROP. ALICANTE	50%	-	In progress
EMTE SERVICE SAU Y TECNOCONTROL SERVICIOS UTE 18/1982 MANTENIMIENTO P S MAR	50%	-	In progress
UTE INST.ELECTRICAS NOVO HOSP.LUGO	34%	-	In progress
UTE INST.COMUNICAC. NOVO HOSP.LUGO	50%	-	In progress
UTE HOSP.VERGE CINTA	100%	-	In progress
UTE TRAUMA V.HEBRON	100%	-	In progress
UTE UNIVERSIDAD DE SANTIAGO	80%	-	In progress
UTE DESALADORA EL MOJON	25%	-	In progress
UTE POLIGENERACION CERDANYOLA DEL VALLES	95%	-	In progress
UTE GSC-TECNOCONTROL PLANTA COLMENAR	50%	-	In progress
UTE TECNO-ELECNOR CABILDO INSULAR	50%	-	In progress
UTE TECNO-MOELCA AE.FUERTEVENTURA	55%	-	In progress
UTE IMHUCA HOSPITAL DE OVIEDO	36.67%	621	In progress
JTE TERMINAL SUD CLIMA	50%	-	In progress
TORRE IBERDROLA	30%	18	In progress
UTE CENTRAL ELECTRICA AE. SANTIAGO	60%	-	In progress
UTE MOV.TIERRAS, IKEA GC FASE II	55%	-	In progress
UTE CYMITEC SERV.CENTRALES CIUDAD DE LA CULTURA SANTIAGO	50%	3	In progress
JTE O/ PARQUE LINEAL RIVAS	75%	-	In progress
UTE ARROYO DE LA VEGA AMPLIACION EDAR	50%	-	In progress
JTE NUEVA TERMINAL AEROP.DE BARCELONA (CEN)	33.33%	-	In progress
Total		**31,002**	

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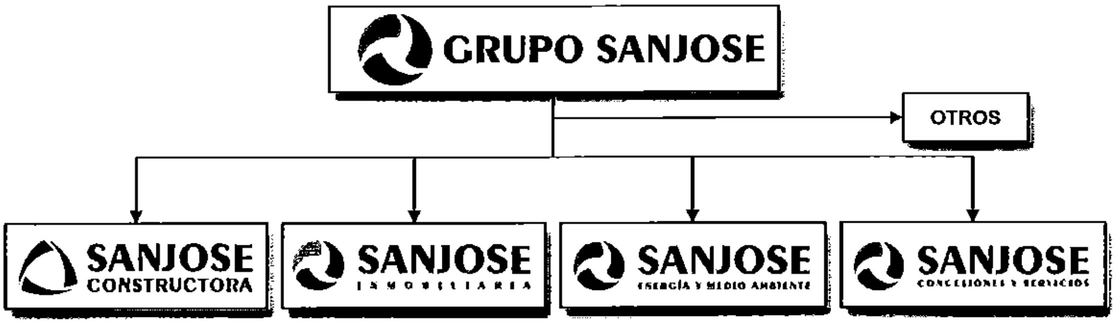
GRUPO EMPRESARIAL SAN JOSE, S.A. AND SUBSIDIARIES

Consolidated Directors' Report for year 2014

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 of the Company 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, in sound collaboration with the non-member Directors of the Company.

In the context of the agreement of the Group refinancing, signed on December 30, 2014, the Real Estate Division of the group has been classified by the Directors as asset held for sale assets on the consolidated balance sheet at year-end 2014, which according to the normal development of the deadlines set out in this agreement, will be sold during the year 2015 to the financial creditors of the Group, as part of the compensation for the syndicated loan.

1.2. Performance

The business of Grupo SANJOSE is designed with the aim of creating 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 Group 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 2014 were Portugal, Chile, India, Cape Verde, Argentina, Middle East and Peru, among other. Tender purposes of the Group have extended to other countries, where interesting business opportunities have been studied.

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.
- Maintaining 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.

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- Priority to solvency and profitability over growth policies

The company has the following objectives by activity:

Construction: To continue influencing the process of regional diversification, combined with the search for greater efficiencies in cost structure. The clear objective of the Group is to become an established multinational companies group, maintaining required quality requirements and remain in compliance with strict deadlines, likewise increasing international presence in countries with sustainable growth, high economic solvency which present interesting business opportunities. Also, regarding that the national economy is recovering and due to the improvement of the macroeconomic forecasts, the group wants to promote the new business opportunities arising within the national territory.

Real estate: Despite the difficult situation in the sector, the Group seeks to continue the sale of its promotions, while retaining the scope of minimum performance standards and increase efficiency in the occupation of the leased premises. This division of the Group, is currently committed for sale to the syndicated financial creditors of the Group, as part of the refinancing agreement signed on December 30, 2014.

Concessions: Group SANJOSE is positioned this business line internationally. Notably Chile Hospitals, whose completion and commissioning for operation during 15 years, occurred in the second half of 2013.

Energy: In addition to the multigeneration 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 began the construction of the first park, nearly ended in 2014, while the second has begun begin during the year 2014, with the forecast to be completed in the first half of 2015. These projects ensure a return to 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. Market performance

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:

From 1998 **to the first semester 2007**	**From the second semester 2007** **to present**
• 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	• Change: slowdown in GDP growth and employment. • Instability within the UE • Restrictions to credit. Lack of liquidity . • High offer. • Increased cost of banking financing. 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.

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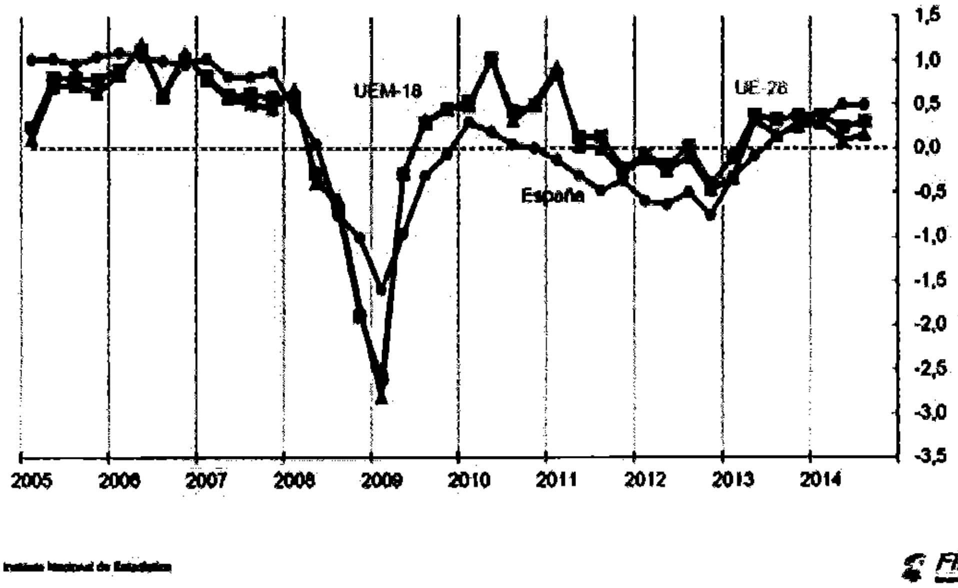
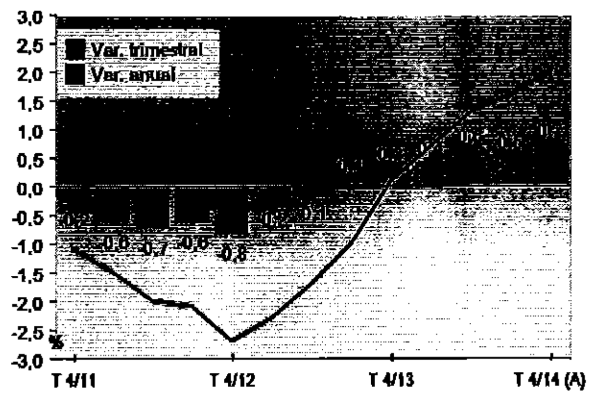
Spanish GPD evolution vs European Union



Year 2013 involved a turning point for the domestic 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. Likewise, during the four quarters of year 2014 the estimated growth was 0.4%, 0.6%, 0.5% and 0.7% respectively (data provided by INE), following the increasing trend, until reaching 2% GDP, over the expectations of the Banco de España (1.3% for 2014 and 2% for 2015) and of the IMF (1.3% for 2014 and 1.7% for 2015).

Gross Domestic Product (GPD)



Volumen encadenado ref. 2008
Datos corregidos efecto calendario

Data: INE

The economic activity shows signs of recovery since the second half of last year, yet these indications are not enough for the country to abandon the critically status for the time being. In any case, Spain is beginning to pop out of the crisis, with an increasing recovery, but it does not get rid of something like a depression in the labour market, with unemployment rates over 20% at least until the end of following year. The European Commission has dramatically improved the outlook for the Spanish economy, which shall undergo a steady increase of 2.3% in 2015, representing the largest upward revision of the eurozone.

By components, domestic demand continued its expansionary course from July to September for the third consecutive quarter, contributing 2.5 percentage points to annual GDP growth (three tenths higher than the previous quarter), while net foreign demand maintains its negative contribution, draining 0.9 points to annual growth. Domestic

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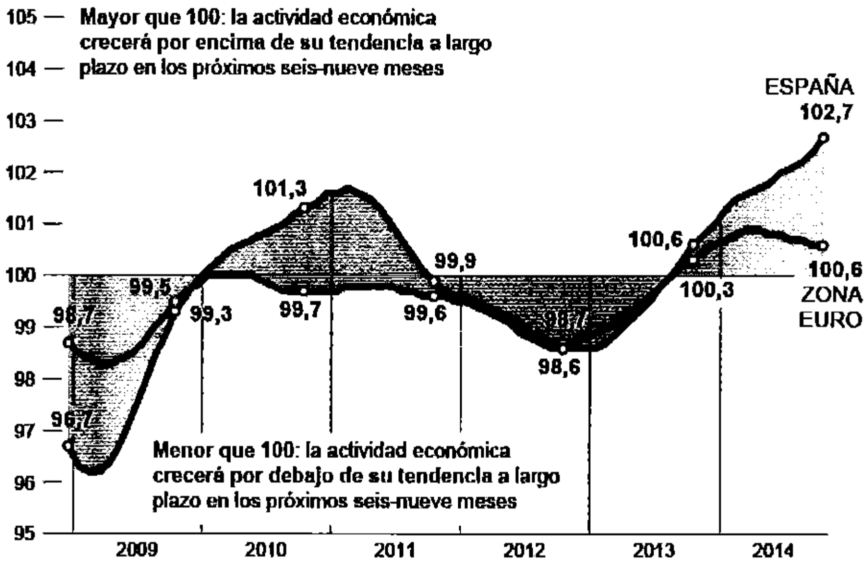
demand is strengthened by the recovery of private consumption and investment. Demand-despite the sensational internal devaluation, prospects for recovery and the rebound of the employment feed consumption-, improving financial conditions and plummeting oi,l explain this improvement, although the external sector is the bad news : moderated its contribution to growth.

Also, recent leading indicators compiled by the Organization for Economic Cooperation and Development (OECD), reinforced the idea of growth. The experts of this international organization, which groups 34 industrialized countries, summarized data used to anticipate short-term progress in the economic activity of a country in the next six to nine months. In the case of Spain, elected by the OECD indicators are the utilization of industrial capacity, production in the construction sector, service sector prices, stock prices and vehicle registration. According to the October data, distributed by OECD, growth prospects of the Spanish economy continues to accelerate.

OECD Indicator



The synthesis of these leading indicators results in a value of 102.67, the highest in the last three decades. When the synthetic indicator is above 100, and it grows, clearly anticipates an expansion stage, above the long-term potential growth is attributed to an economy. That does not mean that GDP will grow more than in the past decade (between 3% and 4% annually), but in 2015 clearly exceed potential growth is estimated to Spain (between 1% and 2% per annum), decreased as a result of the crisis.

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), and its annual variation rate (Ministry of Economy indicator):

Construction GVA

	Valor			% sobre el total		
	2011	2012	2013	2011	2012	2013
España	91.132,0	80.827,0	73.203,0	9,5	8,6	7,8
Zona euro	501.966,0	492.112,0	478.830,0	5,9	5,8	5,6
Unión Europea	686.091,0	679.564,0	662.212,0	6,0	5,9	5,7

Unidades: Millones de euros.
Fuente: Idescat y Eurostat.

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Activities GDP and GVA

Período		VAB por ramas de actividad												
			Industria			Servicios								
	PIB	Agricultura (2)	Total (3)	Manufacturera	Construcción	Total	Comercio (4)	Informac. y comunicaciones	Financ. y de seguros	Inmobiliarios	Profesionales (5)	AA.PP. y otros (6)	Artistic. y recreat. (7)	Impuest. netos s/ los productos
Tasas de variación anual en % (datos corregidos)														
2010	0,0	2,1	3,6	0,0	-14,5	1,3	1,5	3,9	-3,3	2,0	-1,4	2,4	1,4	0,1
2011	-0,6	4,2	0,1	-0,9	-12,7	1,1	1,3	-0,5	-2,0	3,0	2,7	0,5	0,8	-5,2
2012	-2,1	-12,8	-3,8	-4,0	-14,3	0,2	0,4	2,6	-3,4	2,4	-0,5	-0,6	-0,3	-4,4
2013	-1,2	15,6	-1,8	-1,1	-8,1	-1,0	-0,7	-2,8	-7,8	1,1	-1,1	-1,3	1,5	-1,5
2014 (1)	1,2	8,6	0,9	1,8	-2,8	1,2	2,7	1,2	-5,2	1,0	1,8	0,4	2,1	1,5
2012 II	-2,1	-16,4	-3,4	-4,1	-14,8	0,4	0,2	2,6	-2,5	2,0	0,2	-0,1	0,2	-4,4
III	-2,1	-13,4	-4,3	-3,9	-14,0	0,3	0,7	3,5	-4,2	2,4	0,0	-0,9	-0,4	-4,2
IV	-2,5	-12,1	-4,2	-4,1	-12,7	-0,5	0,0	1,6	-4,9	2,6	-3,2	-1,3	-1,9	-4,2
2013 I	-2,2	5,3	-3,3	-2,9	-8,8	-1,5	-1,5	-3,2	-6,2	1,7	-2,4	-1,9	-0,3	-2,9
II	-1,7	21,9	-2,4	-1,2	-9,6	-1,6	-1,5	-2,9	-9,1	1,6	-2,4	-1,8	1,1	-1,5
III	-1,0	17,2	-0,9	-0,6	-8,0	-1,1	-0,8	-3,5	-7,9	0,3	-1,0	-0,9	1,4	-1,1
IV	0,0	18,4	-0,5	0,4	-6,0	0,0	0,9	-1,6	-8,2	0,8	1,3	-0,7	3,8	-0,6
2014 I	0,7	13,9	0,3	1,6	-6,1	0,8	1,7	1,3	-5,6	0,9	1,1	0,2	3,7	0,6
II	1,3	3,8	1,4	2,0	-1,8	1,3	3,1	0,6	-5,0	1,0	1,7	0,4	1,6	1,5
III	1,6	8,4	0,9	1,9	-0,4	1,6	3,3	1,9	-6,0	1,2	2,7	0,6	0,9	2,4

(1) Periodo disponible. (2) Agricultura, ganadería, silvicultura y pesca. (3) Industrias extractivas; industria manufacturera; suministro de energía eléctrica, gas, vapor y aire acondicionado; suministro de agua, actividades de saneamiento, gestión de residuos y descontaminación. (4) Comercio al por mayor y al por menor; reparación de vehículos de motor y motocicletas; transporte y almacenamiento; hostelería. (5) Actividades profesionales, científicas y técnicas; actividades administrativas y servicios auxiliares. (6) Administración pública y defensa; seguridad social obligatoria; educación; actividades sanitarias y de servicios sociales. (7) Actividades artísticas, recreativas y de entretenimiento; reparación de artículos de uso doméstico y otros servicios.
Fuente: INE. CNE-2010.

It can be seen as this sector has a negative impact on economic growth in recent times. After falling 9.2% last year, with a forecast of a decline of 3.3% for this year. The good news is that the Ministry of Economy estimates that construction will grow 3.1% in 2015, which will be accompanied by a slight increase in public investments.

The turnaround of the Spanish economy has been well seen from the outside. The risk premium (the difference with the Spanish bond in ten years tine compared to the German title within the same period, the more common index to assess risk premium), which had already fallen to 220 points at the end of 2013, fell in January 2014 below the psychological barrier of 200 points, standing at year end at 107 points, recording a decline of 52% and close to the shortest distance since 14 May 2010 when it reached 108.4 basis points.

This has been reflected in an increased of foreign investment, which closed 2013 data, has resulted in an increase in total net investment, which reached the figure of € 15.398 million, which represented an increase one 598, 1% (Data from the Ministry of Economy) with respect to 2012. The investment flow is concentrating mainly on four sectors: finance and insurance, manufacturing, real estate and construction. These four activities collected 57% of the investment in 2013. The productive foreign investment in Spain in the past year amounted to 15,500 million euros according to preliminary government estimates. The figure is slightly lower than in 2013, although it is good, considering an unfavorable international context with the collapse of oil prices, the appreciation of the dollar against the euro or the conflicts in the Middle East and Ukraine. Spanish forecast points to a decline of 3%, not knowing the final data for December, which is positive after the negative context of EU investment in the first two quarters of 2014.

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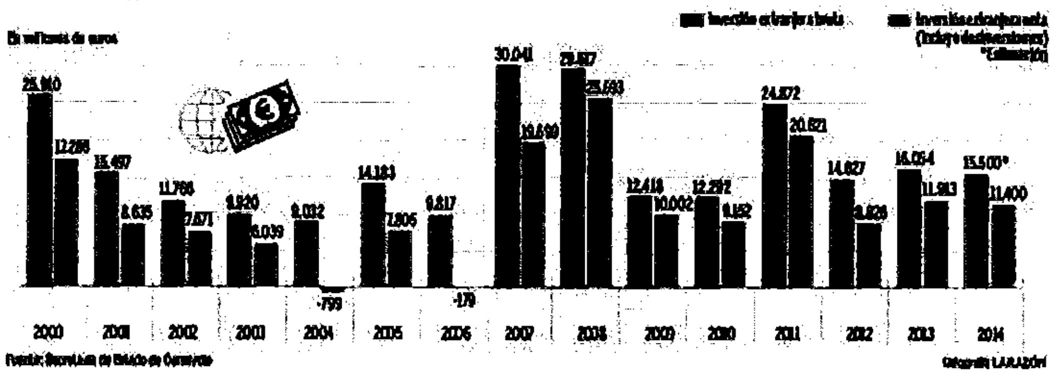
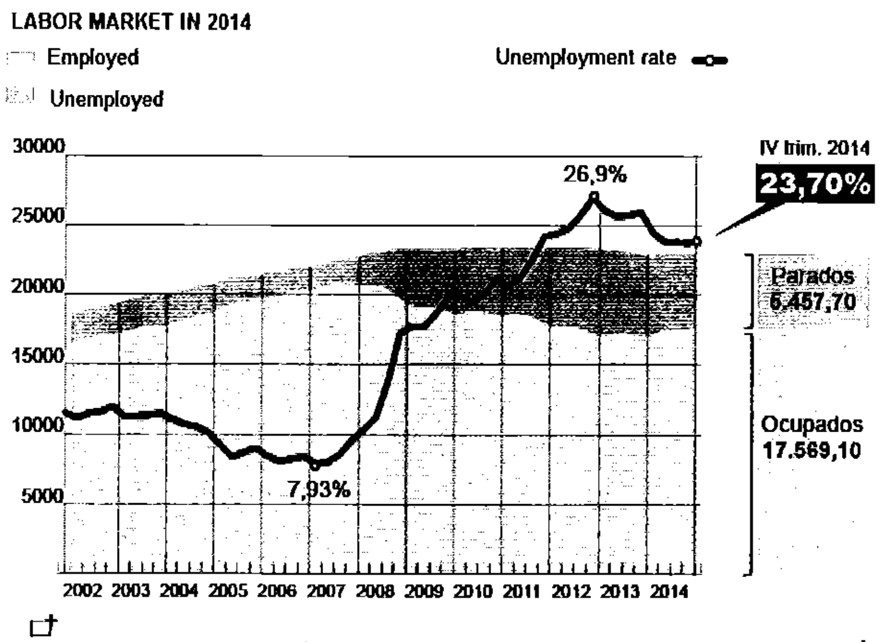
Foreign Investment



Investments have been made in both real estate assets (most notably a marked trend of Asian investors, who spent 50 million euros in Spain in 2013 and only in the first half of 2014, already had invested 368 million. As reflected in the purchase of Edificio España in Madrid- data EL PAIS), and Spanish companies, taking significant positions in listed companies, belonging to the IBEX35.

In order to consolidate the economy's new trend, aspects such as employment, public debt and public deficit shall be improved.

With regard to employment, in year 2013 unemployment fell below 26.03% in December. The decline has continued in 2014, with an unemployment rate standing at 23.70%. The decline has been accompanied by an increase in the employed population of 2.53% (data INE), which positively reinforces this decline:



Fuente: Instituto Nacional de Estadística (INE). EL PAÍS

This has resulted in a decrease in the number of unemployed, bringing the total number of unemployed in the 5,458 thousands of pepople (Dato INE). In addition, the construction sector, the main industry of the Group, is the sector with the largest annual decline in the unemployment rate, down 23.36% over 2014

The public debt reached at the end of the third quarter of 2014, 96.8% of GDP, which is the highest figure in the country's history. It has increased by 5% compared to that recorded at the end of 2013, having exceeded one trillion Euros. We must clarify that the recent big increase in debt is the outcome of the change in the calculation methodology, which undergoes the incorporation of some public companies, which until now were not taken into consideration for being technically considered market companies.

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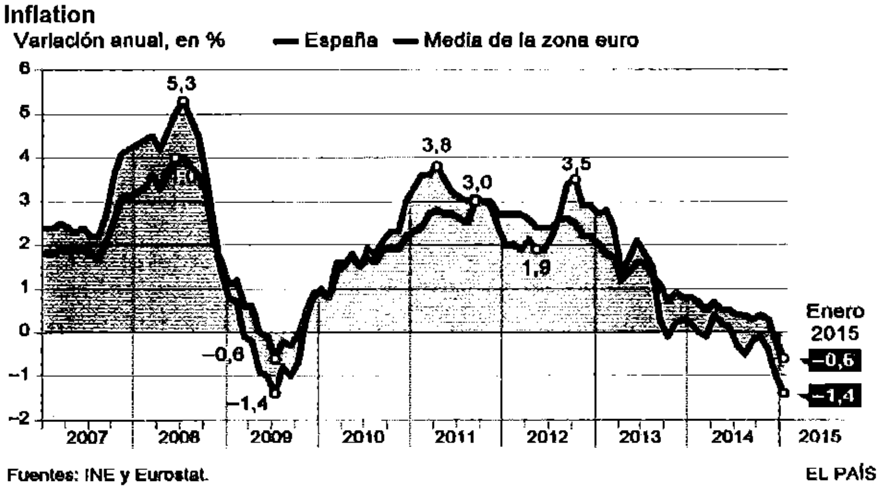
In terms of public deficit, in the absence of knowing the final data, the Government through the Secretary of State for Economic and Business Support, has assured that Spain will close 2014 with a percentage lower than 5.5% of GDP, meeting the target set by the European Commission, 5.8%. Still, one should not lose sight of the goal set by the European Commission of 4.2% for 2015 and 3% in 2016. Spain must make a severe adjustment to reach said objective.

Spain's CPI in 2014 stood at -1.4%, which is the lowest annual rate. This raises fears of possible deflation not only in Spain but in the euro area which should monitor closely the European Central Bank, which could lead to a rise in interest rates. The drop in prices is due to the drop in oil prices as well as a series of several years with low consumption levels, although now increasing in the second half of 2014. Yet companies from many sectors are reacting with the same prices content to increase their share.



Although there is still a long way to go to regain full economic activity in Spain, recovery is already a fact and this is confirmed by the IMF which has estimated for early 2015 a growth forecast of 2% for Spain and 1.8% for the year 2015 and 2016.

As for the euro area, the forecast is 1.2% and 1.4% for the years 2015 and 2016, respectively, with Germany and Spain leading the recovery.

The IMF predicts that the global economy will grow in 2015 between 3.5% and 3.7%, which represent a loss of 2/10 of its previous forecast, due to the downward revision of the expanding emerging economies.

The growth forecast for 2015 according to the IMF is 2.8% for the Middle East; 1.3% for Latin America (waiting rebound to 2.3% in 2016), 6.3 %% for India and 5.2% for the area of Indonesia. These projections highlight the successful internationalization policy of SANJOSE Group.

Given this macroeconomic situation, the Group remains the basic lines of its activity, the strive for the improvement in profitability, being flexible in adapting its structure to the reality in Spain today, and also strengthening its intention to present a business with a diversification and increasing internationalization. At year-end 2014, the volume of foreign business stood at 57% of total group turnover compared to 49% for the year 2013.

The main national markets in which the Group operates, continue to be heavily affected by the crisis, although the beginning of the economic recovery is starting to be felt:

- In the construction sector, in 2013 the tendering of public works amounted to EUR 13,111million of Euros (SEOPAN data) which means an increase of 43.4% over 2013 (9,142 millon of Euros). Though the data is positive, there is still a long way to go to reach EUR 46,690 million that was in 2006.

- During 2014, prices in real estate decreased reaching an accumulated price adjustment of 35.6% (data INE) since the beginning of the crisis (2007). In 2014, the volume of housing sales increased by 19.6% over sales occurred in the year 2013, reaching 376,870 transactions according to the General Council of Notaries data. The index of housing prices (IPV) according to the INE, with data up to the third quarter of 2014, showed an improvement of 1.6% from the IPV at year-end 2013. In absolute terms, and in January 2015 has ended with a decline of 2.7% in the average price of the finished housing (new and used). The figure is below the level of January 2014 and is the first time since June 2008, which lowers less than 3%, according to Tinsa index IMIE General and Major Markets, which forecasts the gradual stabilization of the average price.

The SANJOSE group operates in sectors, countries and socio-economic and legal environments which involve the assumption of different levels of risk caused by these determining factors. Thus, it controls such risks in order to avoid involving a loss of profitability of its shareholders or creating an issue for its customers. As control tools, is has instruments to identify risks well in advance or avoid or minimise the same.

SANJOSE Group has increased its portfolio to reach 1,918 million euros, ensuring their future both short, with the execution of work, and long term, with concessions and energy projects that will contribute recurring revenues.

2.2. Main figures of the GROUP

Next are enclosed the main consolidated figures of Grupo SANJOSE for year 2014:

Consolidated Balance Sheet

Thousands of Euros

	Grupo SANJOSE				
	Dec. 14		Dec. 13		
	Amount	%	Amount	%	Var.
Intangible assets	20,311	0.8%	18,564	0.8%	9.4%
Property, plant and equipment	51,955	2.2%	54,848	2.2%	-5.3%
Real state investments	3,882	0.2%	487,349	19.8%	-99.2%
Investments accounted	59,552	2.5%	106,403	4.3%	-44.0%
Long term finantial investments	171,441	7.1%	181,636	7.4%	-5.6%
Deferred taxes assets	50,539	2.1%	199,003	8.1%	-74.6%
Goodwill on consolidation	9,984	0.4%	13,207	0.5%	-24.4%
TOTAL NON-CURRENT ASSETS	367,664	15.3%	1,061,010	43.0%	-65.3%
Non-current assets held for sale	1,432,728	59.6%	0	0.0%	
Inventories	77,402	3.2%	864,224	35.1%	-91.0%
Trade and other receivables	241,311	10.0%	311,672	12.6%	-22.6%
Other short term finantial investments	82,883	3.4%	68,758	2.8%	20.5%
Cash and cash equivalents	203,260	8.5%	159,581	6.5%	27.4%
TOTAL CURRENT ASSETS	2,037,584	84.7%	1,404,235	57.0%	45.1%
TOTAL ASSETS	2,405,248	100.0%	2,465,245	100.0%	-2.4%

Thousands of Euros

	Dec. 14		Dec. 13		
	Amount	%	Amount	%	Var.
Equity attributable to shareholders of the parent	18,243	0.8%	50,880	2.1%	-64.1%
Minority interest	24,302	1.0%	15,299	0.6%	58.8%
TOTAL EQUITY	42,545	1.8%	66,179	2.7%	-35.7%
Long term provisions	20,799	0.9%	58,787	2.4%	-64.6%
Long term finantial liabilities	373,386	15.5%	222,320	9.0%	67.9%
Derivative financial instruments	31,697	1.3%	30,137	1.2%	5.2%
Deferred taxes liabilities	28,982	1.2%	52,686	2.1%	-45.0%
Other long term liabiliteis	4,313	0.2%	8,211	0.3%	-47.5%
TOTAL NON CURRENT LIABILITIES	459,177	19.1%	372,141	15.1%	23.4%
Liabilities related to non current assets held for sale	1,432,728	59.6%	0	0.0%	
Short term provisions	42,925	1.8%	31,977	1.3%	34.2%
Short term finantial liabilities	76,364	3.2%	1,592,246	64.6%	-95.2%
Payables to related companies	1,766	0.1%	9,892	0.4%	-82.1%
Trade accounts and other current payables	349,743	14.5%	392,810	15.9%	-11.0%
TOTAL CURRENT LIABILITIES	1,903,526	79.1%	2,026,925	82.2%	-6.1%
TOTAL EQUITY & LIABILITIES	2,405,248	100.0%	2,465,245	100.0%	-2.4%

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Management Equity: has been incorporated under this heading the figure of EUR 100 million for the equity loan of "Grupo Empresarial San José, SA", being this reclassification the only difference between this balance management and balance contained in the states summarized consolidated financial SANJOSE Group.

Consolidated income statement:

Thousands of Euros

	Grupo SANJOSE		
	Dec. 14	**Dec. 13**	**Var.(%)**
Revenue	465,082	525,964	-11.6%
Operating cash flow (EBITDA)	33,828	32,934	2.7%
EBITDA margin	4.3%	7.3%	
Ordinary operating profit (EBIT)	11,422	24,888	-54.1%
EBIT margin	3.1%	3.4%	
Earnings before tax of continued operations	7,123	10,544	-32.4%
Income Tax	-49,603	-5,527	--
Profit (Loss) from continuing operations	-42,480	5,017	--
Profit (Loss) from discontionued operations	-80,202	-163,599	-51.0%
Consolidated result	-122,682	-158,582	-22.6%
Minority Interest	-2,628	-3,340	-21.3%
Net profit attributable to the Parent Company	-120,054	-155,242	-22.7%

Revenue

SANJOSE income of the Group for 2014 stood at 465.1 million euros, representing a reduction of 11.6% over the previous year.

Thousands of Euros

	Grupo SANJOSE				
Revenues by activity	**Dec. 14**		**Dec. 13**		**Var.(%)**
Construction	381,671	82%	427,126	81%	-10.6%
Real estate and property development	32,229	7%	44,255	8%	-27.2%
Energy	11,321	2%	11,586	2%	-2.3%
Concessions and services	41,468	9%	108,284	21%	-61.7%
Adjustment and other	-1,607	0%	-65,287	-12%	
TOTAL	**465,082**		**525,964**		**-11.6%**

By line activity, the main changes recorded are; Concessions and services (-61.7%), for the completion and delivery of the Hospitals of Chile; Construction (-10.6%) due to the restrictions on the local market both in bidding for public works and private, as well as the delay in the implementation of already contracted projects; Real estate (-27.2%), by the slowdown in the local market and price adjustment.

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Thousands of Euros

Revenues by geography	Grupo SANJOSE Dic. 14		Dic. 13		Var.(%)
National	201,987	43%	270,776	9%	-25.4%
International	263,095	57%	255,188	91%	3.1%
TOTAL	**465,082**		**525,964**		**-11.6%**

By geographical area, and as a consequence of the strategy defined by the Group based on external growth, the figures for the year 2014 established once more the good performance of the international market with an increase of 3.1% over 2013, increasing its weight on total turnover of the Group up to 57%, from the 49% that represented in the year 2013.

This positive trend of sustained international growth in recent periods, moderates the impact of the public tender slowdown in Spain, where revenues fell 25.4% in the period.

Profits:

Grupo SANJOSE's **EBITDA** for year 2014 amounted to EUR 33.8 million, or 7.3% of annual revenue.

Despite the reduced turnover, it is seen an improved profitability over 2013 of 2.7%, which is especially important in the construction business where EBITDA increased 64.2% and it is explained by an improvement in margins in the construction business policy of implementation cost control of the Group.

The breakdown of EBITDA by sector is as follows:

Thousands of Euros

EBITDA by activity	Grupo SANJOSE Dic. 14		Dic. 13		Var.(%)
Construction	18,123	54%	11,034	34%	64.2%
Real estate and property development	10,485	31%	13,335	40%	-21.4%
Energy	2,816	8%	2,630	8%	7.1%
Concessions and services	3,684	11%	8,368	25%	-56.0%
Adjustment and other	-1,280	-4%	-2,433	-7%	
TOTAL	**33,828**		**32,934**		**2.7%**

The net operating profit (EBIT) of SANJOSE Group for the year 2014 amounted to 11.4 million euros, representing a margin of 2.5% compared to the year revenues.

This figure is affected by the EUR 16.9 million recorded as provisions and write-downs that Grupo SANJOSE applies through the application of criteria of maximum prudence regardless of the outcome of the same. Such provisions have not had effect on the cash flows of the group.

Profit/(Loss) before taxes from continuing operations without considering such provisions of Grupo SANJOSE would involve a profit of EUR 24.1 million.

Grupo SANJOSE has registered in the year 2014 EUR 49.6 million as "Corporate tax". This impact that is timely, and that has not affected the Treasury of the period, has been generated as a result of the new corporate tax law passed at the end of the year. In this way, it involved the update of reported tax credits and the accommodation of deferred taxes.

Profit/(Loss) after taxes from continuing activities of Grupo SANJOSE for year 2014 amounts to EUR - 42.5 million.

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Net equity

Net equity of the company at 31 December 2014 amounted to EUR -57.4 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, which implies a participation of -0.88 € per share. In the Company Equity.

Stock market information is available on Note 9.

Backlog

Grupo SANJOSE's future backlog at 31 December 2014 amounts to EUR 1,918 million, which represents 39.4% decrease regarding year 2013 (EUR 3,164 million).

Thousands of Euros

BACKLOG by segment	Grupo SANJOSE Dic. 14		Dic. 13		Var.(%)
Construction	878	46%	1,167	37%	-24.7%
Civil works	203	11%	369	12%	-45.1%
Non residential building	638	32%	746	24%	-14.4%
Residential building	31	2%	39	1%	-19.8%
Industrial	6	0%	13	0%	-55.4%
Energy	718	37%	803	25%	-10.6%
Concessions and services	322	17%	1,194	38%	-73.1%
Maintenance	33	2%	30	1%	8.8%
Concessions	289	15%	1,164	37%	-75.2%
TOTAL BACKLOG	1,918	100%	3,164	100%	-39.4%

Thousands of Euros

BACKLOG by geography	Grupo SANJOSE Dic. 14		Dic. 13		Var.(%)
National	904	47%	909	29%	-0.6%
International	1,014	53%	2,255	71%	-55.0%
TOTAL BACKLOG	1,918		3,164		-39.4%

Thousands of Euros

BACKLOG by client	Grupo SANJOSE Dic. 14		Dic. 13		Var.(%)
Public client	1,232	64%	1,975	62%	-37.6%
Private client	686	36%	1,189	38%	-42.4%
TOTAL BACKLOG	1,918		3,164		-39.4%

The amount relating to the concession agreement "Rutas del Loa" amounting to EUR 172 has been deducted from the total contract backlog for the construction activity. Despite being an existing award of the SANJOSE Group, the company understands that, through the application of criteria of maximum prudence, the final figures of this agreement shall not be disclosed until the effective start of the project.

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The amount relating to the concession agreement "Rutas del Loa" amounting to EUR 855 has been deducted from the total contract backlog for the concession activity. Despite being an existing award of the SANJOSE Group, the company understands that, through the application of criteria of maximum prudence, the final figures of this agreement shall not be disclosed until the effective start of the project.

2.3. Analysis by activity

Construction

This line of activity has generated revenues for EUR 381.7 million during year 2014, representing a 10.6% reduction compared to the same period of the previous year. This reduction focuses on the domestic market, while the construction activity of the group within international markets continues to grow.

EBITDA for year 2014 stands at EUR 18.1 million, notably improving the figure for year 2013, which represents a 64.2% improvement in the profitability of this line of activity, trend that the Group considers sustainable in the coming periods.

Thousands of Euros

CONSTRUCTION	Grupo SANJOSE Dic. 14	Dic. 13	Var.(%)
Revenue	381,671	427,126	-10.6%
Earnings before interest, taxes, D&A (EBITDA)	18,123	11,034	64.2%
EBITDA margin	4.7%	7.1%	
Earnings before interest and taxes (EBIT)	8,448	876	864.7%
EBIT margin	2.2%	5.6%	
Earnings before tax of continued operations	1,887	2,827	-33.3%
Backlog (millions of euros)	**878**	**1,167**	**-24.7%**

The revenue composition of Grupo SANJOSE's construction operations, classified by main project type and geographic area, is as follows:

Thousands of Euros

DETAIL OF CONSTRUCTION REVENUES	National		Internac.		Total	
Civil works	23,846	15%	9,279	4%	33,125	9%
Non residential building	118,431	76%	213,793	95%	332,223	87%
Residential building	3,983	3%	3,096	1%	7,079	2%
Industrial	9,243	6%	0	0%	9,243	2%
TOTAL	**155,503**	**41%**	**226,168**	**59%**	**381,671**	

Construction revenue at international level stands for year 2014 amounts to EUR 226.2 million, with an increase of 8.8% compared to the same period in 2013, and represents 59% of the total of this line of activity (in year 2013 it amounted to 49%).

This trend will continue in the coming years due to the international character of the contract backlog and the significant amount of international tenders which SANJOSE Constructora is participating in through its branches and subsidiaries in more than 20 countries.

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Real Estate

Within this line of activity are included figures relating to the real estate business controlled by Grupo SANJOSE regardless the sub-group San José Desarrollos Inmobiliarios.

As mentioned at the beginning of this report, on 30 December 2014 Grupo SANJOSE reached an agreement with a pool of funding entities whereby San José Desarrollos Inmobiliarios will be taken control over throughout year 2015. For this reason, the assets and liabilities of this sub-group have been classified under the balance sheet as **"Non-current assets held for sale"** and **"Liabilities related to non-current assets held for sale"** while the net contribution of the sub-group to the income statement is recorded under **"Profit/(Loss) from discontinued operations"**

Revenue for year 2014 stood at EUR 32.2 million, which represents a decrease of 27.2% compared to year 2013.

EBITDA amounted to EUR 10.5 million and involves a 21.4% reduction compared to that obtained in the same period of the previous year.

Thousands of Euros

	Grupo SANJOSE		
REAL ESTATE AND PROPERTY DEVELOPMENT	Dic. 14	Dic. 13	Var.(%)
Revenue	32,229	44,255	-27.2%
Earnings before interest, taxes, D&A (EBITDA)	10,485	13,335	-21.4%
EBITDA margin	32.5%	30.1%	
Earnings before interest and taxes (EBIT)	10,748	18,911	-43.2%
EBIT margin	33.3%	42.7%	
Earnings before tax of continued operations	12,656	20,573	-38.5%

Grupo SANJOSE has carried out a reassessment of assets of the real estate division at the end of the semester by an independent expert.

Gross Assets Value (GAV) arising from said analysis shows EUR 251.9 million, being the detail by type of asset as noted down below:

Thousands of Euros

GAV adjust at %participation	Dic. 14		Dic. 13		Var.(%)
Lands	98,550	39%	102,712	42%	-4.1%
Buildings under construction	21,319	8%	11,248	5%	89.5%
Buildings	32,252	13%	38,270	16%	-15.7%
Real state investments	81,589	32%	74,021	30%	10.2%
Property, plant and equipment	18,179	7%	18,222	7%	-0.2%
TOTAL	251,889		244,473		3.0%

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

Energy

Net revenue for year 2014 amounts to EUR 11.3 million.

The EBITDA margin of this business line of activity for year 2014 stands at 24.9%, improving the one obtained in the same period of year 2013, what represents stability and recurrence.

The result is affected by the provisions made as a result of the repayment of expenses activated in projects awarded to the group in this line of activity which, however, are not generating revenues yet.

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Grupo SANJOSE has on this line of activity contracted revenues amounting to EUR 718 million, which are materialised as higher activity of the group in a period of approximately 20 years.

Thousands of Euros

	Grupo SANJOSE		
ENERGY	**Dic. 14**	**Dic. 13**	**Var.(%)**
Revenue	11,321	11,586	-2.3%
Earnings before interest, taxes, D&A (EBITDA)	2,816	2,630	7.1%
EBITDA margin	24.9%	20.1%	
Earnings before interest and taxes (EBIT)	-665	1,100	-160.5%
EBIT margin	-5.9%	11.4%	
Earnings before tax of continued operations	-1,475	179	-924.7%
Backlog (millions of euros)	718	803	-10.6%

Concessions and Services

Net revenue for year 2014 stands at EUR 41.5 million, which represent a decrease of 61.7% compared to the same period in 2013.

EBITDA amounts to EUR 3.7 million, with a margin of 8.9% versus 7.7% in the previous year. The decrease in income compared to year 2013 is justified by the completion of El Carmen Dr. Luis Valentin Ferrada Hospital in Maipu and the Metropolitan Clinical Hospital Dr. Eloisa Diaz Insunza in Florida, both in Chile.

Thousands of Euros

	Grupo SANJOSE		
CONCESSIONS AND SERVICES	**Dic. 14**	**Dic. 13**	**Var.(%)**
Revenue	41,468	108,284	-61.7%
Earnings before interest, taxes, D&A (EBITDA)	3,684	8,368	-56.0%
EBITDA margin	8.9%	27.3%	
Earnings before interest and taxes (EBIT)	-3,272	6,856	-147.7%
EBIT margin	-7.9%	26.8%	
Earnings before tax of continued operations	-387	-12,885	-97.0%
Backlog (millions of euros)	322	1,194	-73.1%

At 2014- year end, the sales portfolio of the group in this line of activity amounts to EUR 322 million.

The amount relating to the concession agreement "Rutas del Loa" amounting to EUR 855 has been deducted from the total contract backlog for the concession activity. Despite being an existing award of the SANJOSE Group, The Company understands that, based on the application of criteria of maximum prudence, the final figures of this agreement shall not be disclosed until the effective start of the project.

2.3 Average payment period to suppliers

The Group has paid to its suppliers during the year 2014 with an average period of 62 days. This figure exceeds in two days the legal average period established by Law 15/2010 and its amendment of 2013 (60 days, as the Company has payment agreements with its suppliers), as a result of punctual payments exceeding this period and whose delay it is due to the overall operational for certain payments of the Company. However, as the Group has this punctual payments identified, it will try to reduce the management time of those payments that result in specific and minimum excesses, adapting in the future such payments to legal deadline.

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

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 2014, debt situation is as follows

Thousands of Euros

NET CASH POSITION		Dic. 14 Amount	%	Dic. 13 Amount	%	Var.
Other short term finantial investments		82,883	29%	68,758	30%	20.5%
Cash and cash equivalents		203,260	71%	159,581	70%	27.4%
	Total cash	286,143	100%	228,339	100%	25.3%
Long term finantial liabilities (**)		473,386	81%	222,320	12%	112.9%
Long term derivative finantial contracts		31,697	5%	30,137	2%	5.2%
Short term finantial liabilities (*) (**)		78,130	13%	1,602,138	86%	-95.1%
Short term derivative finantial contracts		0	0%	75	0%	-100.0%
	Total debt	583,213	100%	1,854,670	100%	-68.6%
TOTAL NCP		297,070		1,626,331		-81.7%

(*)Regardless of their effective date of amortization, financial liabilities are classified as "current" for accounting purposes if they are used to finance assets classified as "current" in the Balance Sheet.

Net debt at year-end 2014 is 297.1 million euros compared to 1626.3 million euros for the year 2013.

Non current financial debt includes EUR 100 million as shareholder loan and the funding of projects without resource to Grupo SANJOSE amounting to EUR 139.1 million at 31 December 2014. EUR129.54 million correspond to the financing of the already commissioned hospitals in Chile, currently in operation. The Group has obtained upon closure of the financial year 2014, the resolution of the Ministry of Public Works of Chile that grants the final commissioning of El Carmen Dr. Luis Valentin Ferrada Hospital in Maipu and the Metropolitan Clinical Hospital Dr. Eloisa Diaz Insunza in Florida, which shall allow the consideration of this debt as non-recourse debt to Grupo SANJOSE in future reports.

Likewise, Grupo SANJOSE and its main subsidiaries have formalized December 30 agreements to restructure its financial debt with a large majority of its creditor banks, which represents a percentage greater than 75% of the financial liability and 80% of the collaterals affected by such agreements.

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Such financial restructuring agreements are based on a viability plan that was favourably reported by both the financial advisor to the lenders and the independent expert appointed by the commercial register and have led to the renewal of the syndicated loan contract signed in April 2009, and all the contracts of bilateral funding.

Arrangements for financial restructuring were formalized with the signing of a Framework Agreement, whose purpose is to regulate the terms and conditions thereof, and three financing agreements governing the three perimeters in which has been divided financial debt group and summarized below:

a) Contract "Constructora San José, S.A."

Stretch A for a total amount of EUR 250 million and having a maturity of five years, renewable for another year, with a progressive payment schedule and a grace period of 28 months of principal payment.

A set of working capital credit facilities, including discounts, confirming and guarantees, available to Constructora San José, S.A, its branches and subsidiaries, both national and international.

The total amount of the financing of working capital, amounted to 425 million euros and aneables Group SANJOSE with sufficient lines to fund its operations contracts and to continue developing its international expansion amount.

b) Contract "Grupo Empresarial San José, S.A."

A second agrrement by which the Company assumed a EUR 100 million participating loan with a 5-year bullet maturity.

Early repayment of the amount of this agreement includes certain descending repayment charges or discounts of nominal value according to early repayment instalments.

The part of this contract not attended at maturity shall be converted into shares of Grupo SANJOSE with a limit of 35% of total social capital of the company. This conversion shall be instrumented by means of warrants which the Board of Directors of Grupo SANJOSE shall submit to the Shareholders General Meeting for final approval.

c) San José Desarrollos Inmobiliarios, S.A.U.

A third agreement of synduicated credit facilities amounting to EUR 270 million with maturity within 5 years and with a progressive amortisation Schedule and a grace period of 22 months of principal payment which sets out the interest capitalisation.

The remaining debt under the financing agreement signed in 2009 not included in any of the three agreements described above (i.e. approximately EUR 743 million), will be cancelled by capitalising such debt in "San José Desarrollos Inmobiliarios, S.A.".

Prior to the capitalization, Grupo San José shall transmit to the lenders of San José Desarrollos Inmobiliarios, S.A. all the shares of San José Desarrollos Inmobiliarios, S.A. which it holds.

These two operations will result in creditors of San José Desarrollos Inmobiliarios, S.A.U. becoming holders of 100% of its share capital.

On 11 May 2015 legal approval was granted as from 13 February 2015 by the Trade Court No 2 of Pontevedra. Thus, the Group SANJOSE complies with the main preliminary condition set out in the novation agreement

Capital resources

The Group does not expect significant changes in its structure, equity and debt o regarding the cost of capital resources during year 2015. However, since the goal of the Group is to reduce debt, this shall involve a significant reduction of equity.

Future contractual obligations

Within the line of real estate, there are commitments for future land purchases amounting to 650,1 million euros.

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4. Main risks

The Group operates in sectors, countries and socio-economic and legal environments that involve the assumption of different levels of risk caused by these conditions. The Group 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 Group has a risk management function through which: i) identifies; ii) measures; iii) controls; iv) monitors and v) evaluates the different types of risk from an integrated and global perspective.

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 Group is exposed as a result of the bank borrowings described in the notes to the consolidated financial statements. In order to minimise exposure to this risk. The Group's financial management has arranged cash flow hedges to protect the Company against foreseeable interest rate increases in the future.

Foreign currency risk: The Group's policy is to borrow in the same currency as that of the cash flows of each business. Consequently, there is currently no significant foreign currency risk. However, noteworthy in this connection are the exchange rate fluctuations arising in translating the financial statements of foreign companies whose functional currency is not the Euro. In view of the Group's geographical expansion over the last few years, exposure to foreign currency risk may arise in the future. Should this risk arise, the best solution will be analysed in order to minimise it by arranging hedges, provided such instruments conform to the Group's corporate criteria.

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

Liquidity risk: Dealt with in detail in section 3 of this report.

5. Events after the reporting period

On 24 March 2015, the Group company "Concesionaria San Jose-Tecnocontrol, S.A.", was awarded the contract for the execution, repair, maintenance and operation of two public hospitals in Chile and has successfully completed the issuance of dematerialised infrastructure bonds with a total value of UF 6,302,000 (approximately EUR 226.9 million).

The issue of bonds has been carried out in two tranches: Tranche A amounting to UF 5.597,000 (approximately EUR 201.5 million) and a cover rate of 2.95%; and Tranche B for an amount of UF 705,000 (approximately EUR 25.4 million) and a cover rate of 4.00%. Both tranches have been fully subscribed. Maturity date is 30 June 2021.

With the bond issue SANJOSE Group achieved three objectives:

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iv) To obtain an adequate credit rating of bonds through the provision, with funds from the bonds, of a series of project accounts and the replacement by the concessionaire of bank debt with recourse by non-recourse bank debt.

v) To improve the funding of the concessionaire, reducing the finance expense for the company and improving the flow of dividends. Part of the funds from the bond issue will be used to repay in full the capital collected in advance from the Chilean syndicated credit facilities and the early termination of derivative syndicated loan (SWAP) and the subsequent bank debt.

vi) To offset in advance the debt of the company due to the syndicated credit facilities of the company, novated last 30 December 2014, which will reinforce and confirm the commitment of Constructora San José, S.A. with its creditors, and shall allow the company improving its financial structure and lower its costs.

As indicated in Note 17.3, on 30 December 2014, Group SANJOSE and its main subsidiaries entered into a modifying novation agreement of the syndicated credit loan signed in April 2009, as well as a set of bilateral contracts bilateral, with a large majority of its creditor banks. Such novation agreement includes several terms and conditions to be fulfilled, among which highlights the court approval in compliance with the Fourth Additional Provision of the Bankruptcy Act.

In this regard, the court approval has been granted on 11 May 2015 dated 13 February 2015 and issued by the Commercial Court No. 2 of Pontevedra. Thus, the Group SANJOSE complies with the main preliminary condition set out in the novation agreement.

The Directors of the Company consider that the remaining outstanding conditions will be fulfilled in the short term, within the deadline established by the novation agreement and in compliance with the terms and conditions set out therein.

There are no other significant events occurred after 31 December 2014 which may have impacted on the accompanying financial statements

6. Future outlook

The changing trend in the business cycle in Spain in the year 2013, growth for the year 2014 and the improvement in GDP occurred during the year, likewise the best forecasts for the following years, suggests that the economy will behave in the 2015 better than in 2014, within a framework of global content growth.

The increase of public calls to tender, with regards to 2013, in combination with the behaviour of the private sector, supported by the improved macroeconomic conditions, at both, national and International level, are positive indicators for the construction sector, which is the main business activity of the Group.

In the real estate business, we see that the price adjustment is bottoming, increasing sales volume and IPV compared to previous years. The increase in domestic demand, boosted by the purchase of homes due to foreign investments, sets a scene with some hope, that the Group to seek to exploit , positioning itself in the market for maintaining and improving the volume of business in the year 2015.

According to the business survey of export made by the Ministry of Finance for the last quarter of 2014, it has improved the opinion of the surveyed companies regarding the evolution of its current order book, as expectations of their portfolios for 3 and twelve months. The behavior of the backlog in the fourth quarter improvement in all destinations, although it still remains negative for European countries not included in the EU-28 (-1.7 points) sign. Forecasts for the next quarter are also more optimistic than in previous quarters, for all target areas considered, except North America and Latin America. As for the one year forecasts, countries considered by greater proportion of Spanish exporters as its main destinations are again Germany (39.0%) and France (36.2%). Therefore, in the international area the SANJOSE Group will continue to diversify geographically and by business trying to promote business opportunities abroad.

According to this trend, in the year 2013 were delivered and put into operation the Hospitals of Chile, in which non-health services will be operated for 15 years, which provide recurring revenue during that period.

Also during 2014, the consortium formed by SANJOSE Construction and Arabtec Constructions LLC equally, has begun work on the new hospital in Al Ain in the UAE, awarded by the Abu Dhabi General Services, Musanada, for 900 million dollars (USD).

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The Group has also completed the design and begun with the rehabilitation and maintenance of the stretch of 133 kilometers long Raebarely - Band of the NH-232 national highway in Uttar Pradesh, the most populous state in India with more than 200 million people . The design and execution of the works on this road were recently awarded to the company by the public entity "National Highways Authority of India," agency administrator's network of national highways in India, amounting to 70 million dollars (USD) and an estimated completion period of 30 months.

In Spain, as part of the Group policy to achieve increased competitive bidding occurred in 2014 and the expected develop in the coming years, the City of Salamanca has awarded to SANJOSE Constructor the award of public works for the completion of enlargement and reform of the Sports Park Aldehuela complex for € 15 million, and the operation of the complex after

The Group will continue working in the same direction, seeking to strengthen its national presence as well as scrutinizing business opportunities in new countries to settle. In any case, for all the above is likely increased international weight in the turnover of the Group.

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 2014.

7. R&D&i activities

Grupo SANJOSÉ aware of the importance of research and development and innovation actives for business competitiveness and success of the Group, has developed several projects in year 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, and 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&R&i projects, highlight, among others, technology applicable to building and civil works, renewable energy and energy efficiency, new materials and construction processes, development of tools for the improvement in the provision of maintenance and services. The Group has achieved de finalisation on developed projects during 2014:

- 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.

During 2014, the Group has made an attempt of promoting the development of technological projects within the framework of international expansion in which the Group moves, given the contraction of domestic investment in the field of research. Also, a reactivation of the portfolio of projects for the year 2015 is expected.

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.

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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 2014.

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:

	2014	2013
Market capitalisation for the period (thousand of Euros)	53,321	78,031
Number of shares (per thousand)	65,026	65,026
Closing price (Euros)	0.82	1.2
Maximum value for the period (Euros)	1.49	1.64
Minimum value for the period (Euros)	0.66	1.05
Total volume of shares (thousands)	24,338	16,888
Total effective traded (thousands of Euros)	27,544	22,711

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 MODEL

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

PARTICULARS OF ISSUER

END OF FISCAL YEAR 31/12/2014

TAX ID. .A-36046993

Company name:

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

Registered office:

ROSALIA DE CASTRO 44 36001 PONTEVEDRA

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MODEL OF ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

A OWNERSHIP STRUCTURE

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 ☒

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
LIBERBANK,S.A.	0	3,605,830	5.55%
JULIA SANCHEZ AVALOS	5,091,103	0	7.83%
MARIA VIRTUDES SANCHEZ AVALOS	5,084,455	0	7.82%
MARIA JOSE SANCHEZ AVALOS	0	3,816,530	5.87%

Name of shareholder	Name of direct shareholder	Number of voting rights
LIBERBANK,S.A.	BANCO CASTILLA LA MANCHA	3,605,830
MARIA JOSE SANCHEZ AVALOS	VALJOYVAL HOLDING ESPAÑA, S.L.	3,816,530

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

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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
JACINTO REY GONZALEZ	16,224,999	15,176,795	48.29
JACINTO REY LAREDO	213,140	0	0.33
ROBERTO ALVAREZ ALVAREZ	23,000	0	0.04
ROBERTO REY PERALES	1,000	0	0.00
RAMON BARRAL ANDRADE	347,200	0	0.53
ENRIQUE MARTÍN REY	102	0	0.00

Name of shareholder	Name of direct shareholder	Number of voting rights
JACINTO REY GONZALEZ	PINOS ALTOS XR.S .L.	15,176,795

% total of voting rights in possession of the Board of Directors	49.19%

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

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

Name of relationship
JULIA SANCHEZ AVALOS
MARIA VIRTUDES SANCHEZ AVALOS

Type of relationship: Parenthood

Brief description:

They are sisters.

Name of relationship
MARIA VIRTUDES SANCHEZ AVALOS
MARIA JOSE SANCHEZ AVALOS

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Type of relationship: Parenthood

Brief description:

They are sisters. Maria José is an indirect shareholder by the Company VALJOYVAL HOLDING ESPAÑA, S.L.

Both have representation in the Board of Directors, through the nominal directors Mr. Enrique Martín Rey.

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

A.6 Indicate whether any side agreements affecting the Company have been disclosed to the Company as provided in Articles 530 y 531 of the Companies Act. If so, provide a brief description and list the shareholders bound by the agreement:

Yes No ☒

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

Yes No ☒

In the event of having recorded a breach of agreement or concerted shares 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
48.292% of the share capital

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

At year-end:

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Number of direct shares	Number of indirect shares	% total social capital
0	0	0.0

(*) Through:

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

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 ☒

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:

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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 ☒

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

Yes No ☒

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

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.

Article 17 COMPANY'S ACT.- Constitution of the Board. Special cases.
1. The General Meeting shall be validly held on first call, when the shareholders present or represented hold at least twenty five percent (25%) of the subscribed capital with voting rights. On second call, shall be validly constituted whatever the capital attending is.
2. In order for the Ordinary or Extraordinary General Meeting to validly agree the increase or reduction of capital and any other modification of the company act, issue bonds, suppression or limitation of the right of emption of new shares, the transformation, merger, spin-off or transfer of assets and liabilities and the transfer of the registered office abroad, it will require on first call the attendance of shareholders present or represented, holding at least fifty percent (50%) of share capital with voting rights. On second call, it will be enough the attendance of twenty five percent (25%) of the share capital, but when shareholders representing less than fifty percent (50%) of capital with voting rights, agreements referred to what is contained in this subparagraph decisions can only be adopted with the affirmative vote of two thirds of the capital present or represented at the Meeting.
3. Any absences occurring once the General Meeting does not affect the validity of the meeting or alter the voting quorum.

Article 13 RULES OF THE BOARD. Constitution of the General Meeting.
1. The General Meeting shall be validly constituted on first call when shareholders present or represented hold at least twenty-five percent (25%) of the share capital with voting rights. On second call, will be valid constitution, regardless of the capital attending the meeting.
For the Ordinary or Extraordinary General Meeting to validly agree

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issuance of bonds, the increase or decrease of capital, transformation, merger or spin-off, dissolution and liquidation of the Company in accordance with the provisions of the Article 260.1.1° of the Corporations Act and, in general, any amendment of the Bylaws it will require on first call, the attendance of shareholders present or represented hold at least fifty percent (50%) of the share capital with voting rights. On second call, be enough, twenty-five percent (25%) of the capital, though, when shareholders representing less than fifty percent (50%) of the capital subscribed the agreements which this paragraph refers, may only validly adopted with the affirmative vote of two thirds of the capital present or represented on the Board .
If for valid constitution of the General Meeting of shareholders or to the valid adoption certain agreements, would be necessary, in accordance with established by legal or Bylaws, the attendance of a certain minimum percentage of share capital and that competition is not reached on second call, or the consent of certain interested shareholders is required and they were not present or represented, the agenda of the General Meeting shall be reduced to rest of the points that do not require that specific minimum attendance of capital or shareholders concerned for the valid constitution of the Meeting and adoption of agreements.
The General Meeting shall be deemed called and validly constituted to deal any matter whenever the whole sahre capital is presented or represented and attendees accept unanimously the celebration.
3. The absence of shareholders once the General Meeting has been constituted, will not affect the validity of the meeting.

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	0.0	0.0	67.53
30/06/2014	56.59	9.62	0.0	0.0	66.21

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

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.

Yes No ☒

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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.

All the information related to the Company's Government, is public at the Company's web page: www.grupo-sanjose.biz.

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	30/06/2014	Voting Rights in Shareholders' Meetings
JACINTO REY LAREDO		Executive Vice-Chairman and CEO	30/10/2006	28/06/2013	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	30/06/2014	Voting Rights in Shareholders' Meetings
ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ		Director	27/06/2008	30/06/2014	Voting Rights in Shareholders' Meetings
JOSE MANUEL OTERO NOVAS		DIRECTOR	28/08/2014	28/08/2014	Voting Rights in Shareholders' Meetings
RAMÓN BARRAL ANDRADE		Director	27/02/2014	30/06/2014	Voting Rights in Shareholders' Meetings

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JAVIER 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
GUILLERMO DE LA DEHESA ROMERO	Director	28/08/2014
JUAN EMILIO IRANZO MARTÍN	Director	27/02/2014

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	APPOITMENTS AND REMUNERATIONS COMMITTEE	CHAIRMAN AND CEO
JACINTO REY LAREDO	APPOITMENTS AND REMUNERATIONS COMMITTEE	VICE-CHAIRMAN AND CEO
JACINTO REY LAREDO	APPOITMENTS AND REMUNERATIONS COMMITTEE	DIRECTOR
ROBERTO REY PERALES	APPOITMENTS AND REMUNERATIONS COMMITTEE	CEO

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Total number of executive board members	4
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	APPOITMENTS AND REMUNERATIONS COMMITTEE	MARIA JOSE SANCHEZ AVALOS AND JULIA SANCHEZ AVALOS

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

EXTERNAL INDEPENDENT DIRECTORS

Personal or Corporate Name of board member:

ROBERTO ALVAREZ ALVAREZ

Profile:

ECONOMIST

Personal or Corporate Name of board member:

ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ

Profile:

ECONOMIST

Personal or Corporate Name of board member:

RAMON BARRAL ANDRADE

Profile:

ECONOMIST

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Total number of external independent directors	3
Total % of Board	33.33

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.

[Text explained in C.1.3.3. External Independent Directors]

Altina Fátima Sebastian González received 20 thousand Euros from the Company as compensation for her professional services rendered.

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.

OTHER EXTERNAL BOARD MEMBERS

Personal or Corporate Name of board member	Committee that proposed the appointment
JOSE MANUEL OTERO NOVAS	APPOITMENTS AND REMUNERATIONS COMMITTEE

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

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:

JOSE MANUEL OTERO NOVAS

Director of:

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

Reason:

Maintenance of high professional relationships with Grupo Empresarial San José, SA

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

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 2014	Year 2013	Year 2012	Year 2011	Year 2014	Year 2013	Year 2012	Year 2011
Executive	0	0	0	0	0%	0%	0%	0%
Independent	0	0	0	0	0%	0%	0%	0%
External	1	1	1	1	33%	25%	20%	20%
Other	0	0	0	0	0%	0%	0%	0%
External	0	0	0	0	0%	0%	0%	0%
Total	1	1	1	1	11.11%	11.11%	12.5%	7.14%

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
The Groups tries to rely on the best professionals within the organisation, both within the parent and the subsidiary companies, regardless their gender.

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
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.

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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.

Mr. Jacinto Rey González as singnificant shareholder has representation within the Board of Directors through himself and his sons Mr. Jacinto Rey Laredo and Mr. Javier Rey Laredo.

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:

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 ☒

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 board member:

MR. JUAN EMILIO IRANZO MARTÍN

Reason:

Incompatible with his position as Director of Red Eléctrica of Spain, given the growing interest of the Group in the energy sector.

Personal or Corporate Name of board member:

MR. GUILLERMO DE LA DEHESA ROMERO

Reason:

Capital requirements Directive 2013/36 / EU that limit the number of directors of the Board that may belong to financial institutions' Boards.

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

Personal or Corporate Name of board member:

MR. JACINTO REY GONZALEZ

Brief Description:

ANY POWERS OF THE BOARD OF DIRECTORS EXCEPT TO THOSE THAT CANNOT BE DELEGATED

Personal or Corporate Name of board member:

MR. JACINTO REY LAREDO

Brief Description:

ANY POWERS OF THE BOARD OF DIRECTORS EXCEPT TO THOSE THAT CANNOT BE DELEGATED

Personal or Corporate Name of board member:

MR. ROBERTO REY PERALES

Brief Description:

ANY POWERS OF THE BOARD OF DIRECTORS EXCEPT TO THOSE THAT CANNOT BE 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
ROBERTO REY PERALES	SAN JOSE COLOMBIA , S.A.S	LEGAL REPRESENTATIVE
ROBERTO REY PERALES	GESTION DE SERVICIOS DE SALUD, S.AU	Sole Director
JACINTO REY GONZÁLEZ	INMOBILIARIA 2010. S.A	Chairman
JACINTO REY GONZÁLEZ	SAN JOSE CONSTRUCTORA PERU S.A.	Chairman
JACINTO REY GONZÁLEZ	SAN JOSE PERU SAC	Chairman
JACINTO REY GONZÁLEZ	CARLOS CASADO. S.A.	Chairman
JACINTO REY GONZÁLEZ	SAN JOSE CONSTRUCTION GROUP INC	Chairman
JACINTO REY GONZÁLEZ	SAN JOSE TECNOLOGIAS PERU, S.A.C	Chairman
JACINTO REY GONZÁLEZ	SOCIEDAD CONCESIONARIA SAN JOSE TECNOCONTROL	Chairman
JACINTO REY GONZÁLEZ	UDRA MEXICO. S.A. DE CV	Sole Director
JACINTO REY GONZÁLEZ	INMOBILIARIA AMERICANA DE DESARROLLOS URBANÍSTICOS. S.A.U.	Sole Director
JACINTO REY GONZÁLEZ	INMOBILIARIA EUROPEA DE DESARROLLOS URBANÍSTICOS. S.A.U.	Sole Director
JACINTO REY GONZÁLEZ	SAN JOSÉ CONCESIONES Y SERVICIOS. S.A.U.	Sole Director
JACINTO REY LAREDO	CONSTRUCTORA SAN JOSE CABO VERDE. S.A.	Director
JACINTO REY LAREDO	SAN JOSE FRANCE. S.A.	Sole Director
JACINTO REY LAREDO	CONSTRUCTORA UDRA LTDA.	Sole Director
JACINTO REY LAREDO	SAN JOSE CONSTRUCTION GROUP INC	CHAIRMAN OF THE BOARD

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JACINTO REY LAREDO	SJB MULLROSER BAUGESELLSCHAFT MBH	Director
JACINTO REY LAREDO	SAN JOSE BAU GMBH	Director
JACINTO REY LAREDO	CONSTRUCTORA SAN JOSE. S.A.	CHAIRMAN AND CEO
JACINTO REY LAREDO	SAN JOSE INDIA INFRASTRUCTURE & CONSTRUCTION PRIVATE LIMITED	Director
JAVIER REY LAREDO	DOURO ATLANTICO SOCIEDADE INMOBILIARIA	Chairman
JAVIER REY LAREDO	PARQUESOL PORTUGAL SGPS, S.A.	Chairman
JAVIER REY LAREDO	AZAC. S.A.U.	Sole Director
JAVIER REY LAREDO	AGEINSA. S.A.	Sole Director
JAVIER REY LAREDO	CONSTRUCTORA SAN JOSE. S.A.	Director
JAVIER REY LAREDO	SAN JOSE DESARROLLOS INMOBILIARIOS. S.A.	Chairman
JAVIER REY LAREDO	COMERCIAL UDRA. S.A.U.	CHAIRMAN AND CEO
JAVIER REY LAREDO	CADENA DE TIENDAS. S.A.U.	Sole Director
JAVIER REY LAREDO	LARDEA. S.L.U.	Director
ROBERTO ÁLVAREZ ÁLVAREZ	PANAMERICAN MALL, S.A.	Vice-chairman
ROBERTO REY PERALES	SOCIEDAD CONCESIONARIA SAN JOSÉ- TECNOCONTROL S.A.	LEGAL REPRESENTATIVE
ROBERTO REY PERALES	CONSTRUCTORA SAN JOSÉ, SA (PONTEVEDRA) REPRESENTAÇÃO EM PORTUGAL	REPRESENTANTE LEGAL
JACINTO REY LAREDO	CONSTRUCTORA SAN JOSÉ, SA (PONTEVEDRA) REPRESENTAÇÃO EM PORTUGAL	LEGAL REPRESENTATIVE
JAVIER REY LAREDO	CARLOS CASADO S.A.	Director
JAVIER REY LAREDO	CONSTRUCTORA SAN JOSÉ, SA (PONTEVEDRA) REPRESENTAÇÃO EM PORTUGAL	LEGAL REPRESENTATIVE
JACINTO REY GONZÁLEZ	DESARROLLOS URBANÍSTICOS UDRA S.A.U.	Sole Director

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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:

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:

Yes No ☒

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)	2,767
Amount of the comprehensive remuneration for the concept of accumulated pension entitlements (in thousands of Euros)	0
Comprehensive remuneration of the Board of Directors (in thousands of Euros)	2,767

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
ANGEL RODRIGUEZ TEJO	DIRECTOR ASSOCIATED COMPANY
JOSE LUIS GOYA ARTETA	DIRECTOR ASSOCIATED COMPANY
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	DIRECTOR- RISKS
FRANCISCO FERNANDEZ FERNANCEZ	DIRECTOR ASSOCIATED COMPANIES

Total of remunerations for senior executives (in thousands of Euros)	1,955

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:

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Personal or Corporate Name of board member	Corporate name of significant shareholder	Position
JACINTO REY GONZALEZ	PINOS ALTOS XR.S .L.	Sole Director

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:

MR. JACINTO REY LAREDO

Personal or Corporate Name of the related shareholder:

MR. JACINTO REY GONZALEZ

Description of the relationship:

FIRST DEGREE FAMILY RELATIONSHIP (FATHER-SON)

Personal or Corporate Name of board member:

MR. JAVIER REY LAREDO

Personal or Corporate Name of the related shareholder:

MR. JACINTO REY GONZALEZ

Description of the relationship:

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 ☒

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:

Yes ☒ No

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:

Description of significant changes
BETTER INFORMATION TO DIRECTORS

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

Article 25º 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 ARTICULE 19 BOARD OF DIRECTORS REGULATIONS

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

Yes No ☒

If so, provide a description of the 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 ☒

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

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Yes ☒ No

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

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

Yes No ☒

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 ☒

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	13
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	4
Number of meetings of the Audit Committee	6
Number of meetings of the Appointments and Remunerations Committee	3
Number of meetings of the International Executive Committee	1

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.

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Attendance of Board Members	10
% 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:

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, trough 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.
It is reported by the Appointments Committee and approved by the full Board; the appointment and dismissal.

	Yes	No
Does the Appointments Committee report on appointments?	X	
Does the Appointments Committee report on removals?	X	

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Does the plenary session of the Board approve appointments?	X	
Does the plenary session of the Board approve removals?	X	

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

Yes ☒ No

Remarks
Article 12 of the Council Regulation states in its last paragraph that the Secretary shall also be responsible for verifying compliance by the Company's corporate governance regulations and interpretations thereof, as provided in this Regulation. He also discussed the recommendations on corporate governance to be formulated at all times for possible incorporation into the internal rules of the Company.

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.

Corresponds to the Audit Committee liaise with the external auditors to receive information on any issues that could jeopardize the independence thereof.
In addition, the appointment of auditors is made possible alternatives always taking as audit firms prestige.

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 ☒

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

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:

Yes ☒ No

	Company	Group	Total
Fees for non-audit work (in thousands of Euros)	127	20	147
Fees for non-audit work/total amount invoiced by the audit firm (in %)	28.6%	4.5%	33.1%

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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 ☒

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	20	220

	Company	Group
Number of years audited by the current auditing company / number of years the company has been audited	100%	100%

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
Article 26 of the Board of Directors Regulations - Disclosure rights 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, trough 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.

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
Article 25 of the Board of Directors Regulations. 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.1.43 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 ☒

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.

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.

There are not agreements.

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.

There are not such agreements.

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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	No	No

	Yes	No
Is the General Meeting reported on clauses authorised?		X

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 COMMITEE

Name	Post	Type
JACINTO REY GONZALEZ	CHAIRMAN	EXECUTIVE
JACINTO REY LAREDO	DIRECTOR	EXEUTIVE
JOSE MANUEL OTERO NOVAS	DIRECTOR	INDEPENDENT

% of executive board members	67
% of nominee board members	0
% of independent board members	33
% of external board members	0

AUDIT COMMITTEE

Name	Post	Type
ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	CHAIRMAN	INDEPENDENT
JOSE MANUEL OTERO NOVAS	DIRECTOR	INDEPENDENT
RAMON BARRAL ANDRADE	DIRECTOR	INDEPENDENT

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% of executive board members	0
% of nominee board members	0
% of independent board members	100
% of external board members	0

APPOITMENTS AND REMUNERATIONS COMMITTEE

Name	Post	Type
RAMON BARRAL ANDRADE	CHAIRMAN	INDEPENDENT
ROBERTO ALVAREZ ALVAREZ	DIRECTOR	INDEPENDENT
JOSE MANUEL OTERO NOVAS	DIRECTOR	INDEPENDENT
JAVIER REY LAREDO	DIRECTOR	INDEPENDENT

% of executive board members	25
% of nominee board members	0
% of independent board members	75
% of external board members	0

INTERNATIONAL EXECUTIVE COMMITTEE

Name	Post	Type
JACINTO REY GONZALEZ	CHAIRMAN	EXECUTIVE
JACINTO REY LAREDO	DIRECTOR	EXECUTIVE
ROBERTO REY PERALES	DIRECTOR	EXECUTIVE

% of executive board members	100
% of nominee board members	0
% of independent board members	0
% of external board members	0

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 female board members							
	Year 2014		Year 2013		Year 2012		Year 2011	
	number	%	number	%	number	%	number	%
Executive committee	0	0%	0	0%	0	0%	0	0%
Audit committee	0	0%	0	0%	0	0%	0	0%
Appointments and remunerations committee	1	33.3%	1	33.3%	0	0%	0	0%
International executive committee	0	0%	0	0%	0	0%	0	0%

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 recommendations of the reports.	X	
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.

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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.

-The explanation continues on H.1-

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.
EXECUTIVE COMMITTEE BOARD MEMBERS ARE: CHAIRMAN, JACINTO REY GONZALEZ, CEO DIRECTOR, JACINTO REY LAREDO, CEO DIRECTOR, JOSE MANUEL OTERO NOVAS, INDEPENDENT

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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
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.

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.

It has not been assigned to anyone.

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:

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:

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:

D.5 Indicate the amount of the transactions with other connected parties.

THOUSAND EUR 0.

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.

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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:

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:

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.

The Group SANJOSE is a group of companies operating globally in various fields of activity: construction, concessions, maintenance, real estate, etc.

To do this, it gives a local address in each of the countries in which it operates, with experienced professionals wuth knowledge related to the country and type of activity. Also has support and control departments at central headquarters, located in Madrid.

The scope of the risk management system covers the entire Group, regardless of the activity and / or geographical region.

E.2 Identify the section of the company in charge of elaborating and executing the Risks Management System.

The Board of Directors formally assumes the ultimate responsibility for the existence and proper application of the Internal Control System.

The role of the Board of Grupo SANJOSE is to approve the policy of control and risk management, and the periodic monitoring of internal information and control systems. This function is transferred to the Audit Committee, which periodically checks the correct design and development of the internal control system, in coordination with the General Directors of each area, as well as the Group CEO.

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E.3 Specify the main risks that could affect the attainment of business objectives.

The main risks to which the Group is exposed, derived of the types of activities developed and the environment where those activities are performed. These risks are:

- Market Risk: in particular,
  a) those relating to the demand for the services and products offered by the Group.
  b) related to the demand for real estate assets and, consequently, the indirect effect it has on the valuation of these assets in the balance sheet of the Group.

- Regulatory Risk: concerning compliance with the legal requirements that affect the development of the activity. The number of countries where the Group operates is high, being subject to the regulatory framework of each country.
  In addition, certain activities developed by the Group have a special regulation.

- Financial Risk: exposure to liquidity risk, currency risk and interest rates.

- Operative Risk: Group activity consists primarily in the design, development and management of construction projects. The Group possesses very demanding controls to ensure the proper conduct of its business controls and the provision of high quality services to its customers.

- Risk Of fraud.

E.4 Indicate whether the company has a risk tolerance level.

The aim of Grupo SANJOSE, regarding the internal control system established, is to identify and minimize the risks to which it is exposed, in a context of cost / benefit of the implemented control processes.

E.5 Identify the risks that materialized during the financial year.

The main risks to which the Group is exposed that have materialized during the year 2014 were:

- Market Risk: having very significant reduction in the level of bidding for public works, as well as the level of private contracting, justified by budgetary constraints measures being carried out, as well as a widespread lack of confidence in the market.

- Business Risk: specifically, liquidity risk. The Group recently signed a financial restructuring in order to ensure the necessary financial stability to develop their activity in the medium and long term. Currently it is under warranty registration and improving other aspects required in the contract mentioned.

E.6 Explain the response and supervision plan for the most threatening risks of the entity.

The internal control system is mainly focused on pre identify the risks to which the Group may be exposed by the intrinsic characteristics of the activity or markets in which it operates, establish the necessary controls to minimize possible contingencies that may arise, and create actions or responses to those contingences once occurred.

In this regard, monitoring and response plans for major risk events they are:

- Demand risk: the commercial department has multiple tools to identify and evaluate new business opportunities, being in full coordination with the Chairman and CEO, as well as the Production Management.

- Financial risks: activity budgets are periodically done and supervise, in particular, estimation related to the Company's cash, in a daily, weekly and monthly basis.

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- Production Risk: there is a system of supervision and authorization in order to avoid assuming risk positions on the bids submitted, as well as supervision during the development and production phase of works.

- Risk of fraud: there is a very strict system laid down, to the granting of powers to the management and employees of the Group, as well as to making payments. Additionally, these actions are reviewed by internal audit of the Group.

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.

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 Financial Department. For controls which may be considered appropriate, especially those made directly by the Finance Department and with a high element of subjectivity, the Board of Directors will require the implementation of appropriate control procedures.

The design, implementation and operation of SCIIF is the responsibility of the General Directorate of Administration and Finance Group, as set forth the San Jose Group Oversight Policy of SCIIF.

Internal Audit Management of Grupo SANJOSE shall be responsible for the monitoring and control of said functions, as well as any other functions entrusted by the Board of Directors or the Audit Committee.

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.

  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, 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.

Grupo SANJOSE has a Code of Conduct that is in the process of approval by the Board of Directors.

The main values in the Code of Conduct refer to:

- Maintaining an unimpeachable standard of integrity in their behaviour and relationships, both outside as inside the 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.

- 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.

  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 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.

  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.

F.2 Financial Reporting Risks Assessment:

Report, at least:

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.

  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 SCIIF at domestic and international levels. Periodically, 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,

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within the consolidated financial statements regarding the Group's "Net revenue" and "Total Assets ", as well as other quantitative criteria / error, fraud, unusual transactions,

For each executed sub processes, risks arising at each stage of the process- sub process and internal controls are identified and documented by a Risk-Control Matrix, which analyses the adequate coverage of financial information reporting objectives (existence and occurrence, integrity, valuation, presentation, disclosure and comparability, rights and obligations).

Said process is updated pursuant to scope of consolidation and business activity results as recorded within the Financial Statements by analysing changes recorded within processes and sub processes.

- The existence of an identification process of scope of consolidation method by taking into account, inter alia, the existence of complex corporate structures and special purpose vehicles.

  The Group has a documented process based on domestic regulation which guarantees the adequate identification of the scope of consolidation through a proper segregation of duties in the request, authorization, recording and reporting of any transaction of incorporation, merger, acquisition or sale of companies and any other corporate 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

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.

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Grupo SANJOSE has revision and authorisation procedures on financial information and internal control SCIFF, being the Board of Directors responsible for the same and having said powers transferred to the Audit committee pursuant to article 16.4. of the Board of Directors' Regulation of GESJ, S.A.

The Audit Committee reviews, analyses and makes comments on the Financial Statements and any other financial information, as well as judgements and estimates, together with the directorate General of Finance and the Internal audit Department and External Auditors in order to verify information reliability and consistency with previous years.

The flow of activities and control tests, even those regarding fraud, of transactions affecting the financial statements, accounting close and specific revision of judgements and estimates included, are duly document by means of the mandatory corporate policies, standards and procedures.

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.

Grupo SANJOSE has policies, standards and procedures of internal control of information systems and security management set within the MSIS or Management System of Safety of Information Systems, in accordance with international standards, such as ISO 27001, ISO27002.

Access to information systems is managed in accordance with the job title of positions, limitations are established by applicable regulations and business needs in order to ensure the reliability of the information. Following corporate policy, Companies of the Group, coordinated by the Director of Systems, define access profiles, modification, validation or query information based on each user's role, assigned under the criteria of an adequate segregation of duties.

Procedures have been established to ensure that installed software cannot be changed without specific permission. All information systems are protected against viruses and software updates are available to prevent hacking into information systems

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.

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.

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.

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.

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.

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.

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.

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.

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

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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.

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.

The Group does not submit the SICFR information issued to the markets, to the external auditors review.

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.

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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

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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.

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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 then 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

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 complaint 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 complaint 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.

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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 ☒

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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 possible 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

The Company demands to its directors sufficient time for perform their dutties, by the retribution paid for the attendance to de Board meetings and Committees.

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

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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 letter referred 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 extentof 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

The composition of the Executive Committee, is linked to the knowledge of the activity and the Group.

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

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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

46 The audits committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant ☒ Explain

47 The audits committee should inform the board on the following points from recommendation 8 before the board takes any of the relevant decisions:

a) The financial information that all listed companies must periodically disclose. The committee should ensure that interim statements are drawn up under the same Accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of shares in special purpose entities or entities resident in countries or territories considered tax havens, and any other analogous transactions or operations which, due to their complexity, might impair the transparency of the group.

c) Transactions that are linked, except where their scrutiny is entrusted to some other supervision and monitoring committee.

See section: C.2.3 and C.2.4

Complaint ☒ Partially complaint Explain

48 The board of directors should seek to present the financial statement to the Shareholders during the General Meeting without reservations or qualifications in the audits report. Should such reservations or qualifications exist, both the Chairman of the Audits Committee and the auditors should clearly inform the shareholders on said reservations or qualifications.

See section: C.1.38

Complaint ☒ Partially complaint Explain

49 The majority of the members of the Appointments –or Appointments and Remunerations Committee if only one exists– should be independent board members.

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See section: C.2.1

Complaint ☒ Partially complaint Explain

50 In addition to the functions listed in the preceding recommendations, the Appointments Committee should be responsible for the following:

a) Evaluating the necessary abilities, knowledge and experience on the Board, consequently defining the roles and capabilities required of the candidates to fill each vacancy, and deciding on the time and dedication necessary for them to properly perform their duties.

b) Appropriately examining or organizing the succession of the chairman and chief executive and, where necessary, making recommendations to the Board for said succession to proceed in a planned and orderly manner.

c) Reporting on the appointments and removals of senior staff that the chief executive may propose to the board.

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

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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.

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.

-Continuation of the explanation included C.2.4-

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:

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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.

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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.

This Report has been approved on by the Board of Directors at its meeting of 03/25/2015.

Indicate whether Board Members voted against or abstained from voting for or against the approval of this Report.

Yes No ☒

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DIRECTORS' SIGNATURES

For the purposes of R.D. 1362/2007 on 19 October (Article 8.1.b and Article 10), the undersigned Directors of Grupo Empresarial San José, S.A. hereby make the following statement of liability:

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

These Consolidated Financial Statements at 31 December 2014 consisting of the Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Financial Statements, presented on 112 sheets of plain paper as well as the Consolidated Directors' Report and the Corporate Governance Report, presented on 71 sheets of officially stamped single-sheet paper were prepared by the Company's Board of Directors on 20 May 2015.

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. José Manuel Otero Novas

Mr. Roberto Alvarez Álvarez

These consolidated financial statements are not signed by Mr.Rey Gonzalez and Mr.Alvarez Alvarez, who attended the Council meeting by videoconference from abroad.

The Secretary

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:*** 2014

The undersigned, as Director of the above mentioned company state that accounting records of the financial statements issued in 184 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

Translator's note: Due to language features, the number of pages of the preceding text does not correspond to the original Spanish version

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Mr. José Manuel Otero Novas

Mr. Roberto Alvarez Álvarez

Mr. Javier Rey Laredo

These consolidated financial statements are not signed by Mr.Rey Gonzalez and Mr.Alvarez Alvarez, who attended the Council meeting by videoconference from abroad.

The Secretary

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CERTIFICATION

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.

In Madrid, on the twenty-fourth of June, two thousand and fifteen

CERTIFICACIÓN

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 veinticuatro de junio de dos mil quince

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Estefanía Calvo Iglesias