Grupo Empresarial San José, S.A. and Subsidiaries

Report on Limited Review

Half-Yearly Condensed Consolidated Financial Statements and Interim Directors' Report for the six-month period ended 30 June 2018

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Note 2). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Note 2). In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Grupo Empresarial San José, S.A., at the request of the Board of Directors,

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Grupo Empresarial San José, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated balance sheet as at 30 June 2018, and the condensed consolidated income statement, condensed consolidated statement of recognized income and expenses, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2018 are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, pursuant to Article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw attention to Note 2.1 to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2018 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2018. Our work was confined to checking the 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.

Other Matters

This report was prepared at the request of the Board of Directors of the Parent in relation to the publication of the half-yearly financial report required by Article 119 of the Consolidated Spanish Securities Market Law, approved by Legislative Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Antonio Sánchez-Covisa Martín-González

26 July 2018

Translation into English of the condensed half-yearly consolidated Financial Statements for the period ending 30 June 2018 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails. In-house translation, under its sole responsibility and not deemed official.

Grupo Empresarial San José, S.A. and Subsidiaries

Condensed Half-Yearly Consolidated Financial Statements and Condensed Interim Directors' Report for the period ending 30 June 2018.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

Condensed Consolidated Balance Sheet at 30 June 2018 and 31 December 2017

(Thousand of euros)

ASSETS	Note	30-6-2018	31-12-2017
NON-CURRENT ASSETS:			
Intangible assets	6	**18,998**	**19,581**
Consolidated goodwill	6.1	**9,984**	**9,984**
Property, plant and equipment	7	**67,327**	**45,349**
Investment property	8	**2,390**	**3,297**
Investments in associates and joint ventures	9.1	**40,815**	**50,373**
Equity investments in associates		40,815	49,918
Loans to related companies		-	455
Long-term investments		**81,904**	**123,481**
Deferred tax assets		**34,999**	**35,135**
TOTAL NON-CURRENT ASSETS		**256,417**	**287,200**
CURRENT ASSETS:			
Inventories	10	**107,398**	**104,704**
Trade and other receivables		**252,299**	**258,412**
Trade receivables for sales and services	9.3	222,330	227,314
Related companies receivables	17	2,122	234
Sundry accounts receivable		3,739	5,639
Public administrations		24,108	25,225
Investments in associates and joint ventures	9.2	**76,850**	**91,206**
Short-term accruals		**2,380**	**2,720**
Cash and cash equivalents		**212,814**	**220,134**
TOTAL CURRENT ASSETS		**651,741**	**677,176**
TOTAL ASSETS		**908,158**	**964,376**

EQUITY AND LIABILITIES	Note	30-6-2018	31-12-2017
EQUITY:			
Share capital		**1,951**	**1,951**
Issurance premium		**155,578**	**155,578**
Reserves		**(150,222)**	**(157,772)**
Translation differences		**(65,326)**	**(60,365)**
Equity-Valuation adjustments		**131**	**(67)**
Profit for the year		**6,700**	**11,440**
Total Equity		**(51,188)**	**(49,235)**
Minority interests		**23,388**	**20,866**
TOTAL EQUITY	11	**(27,800)**	**(28,369)**
NON-CURRENT LIABILITIES			
Long-term provisions	12	**30,962**	**30,313**
Long-term debt	13	**379,098**	**420,096**
Bonds and other securities		69,067	102,463
Bank loans and overdrafts		305,794	314,009
Other financial liabilities		4,237	3,624
Deferred tax liabilities		**17,943**	**19,541**
Long-term accruals		**864**	**904**
TOTAL NON-CURRENT LIABILITIES		**428,867**	**470,854**
CURRENT LIABILITIES:			
Short-term provisions	12	**35,678**	**37,895**
Short-term debt	13	**64,393**	**65,828**
Bonds and other securities		32,394	33,426
Bank loans and overdrafts		28,779	29,069
Other financial liabilities		3,220	3,333
Payable to Group and associated companies	17	**5,932**	**5,838**
Trade and other payables		**395,466**	**406,579**
Trade payables		361,076	379,128
Tax payables		21,140	19,524
Other currents liabilities		13,250	7,927
Short-term accruals		**5,622**	**5,751**
TOTAL CURRENT LIABILITIES		**507,091**	**521,891**
TOTAL EQUITY AND LIABILITIES		**908,158**	**964,376**

Notes 1 to 18 of the accompanying notes are an integral part of the Condensed Consolidated Balance Sheet at 30 June 2018.

Translation into English of the condensed half-yearly consolidated Financial Statements for the period ending 30 June 2018 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails. In-house translation, under its sole responsibility and not deemed official.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

Condensed Consolidated Income Statement for half years 2018 and 2017

(Thousand of Euros)

	Note	30-6-2018	30-6-2017
CONTINUING OPERATIONS			
Revenue	5	**329,878**	**332,041**
Change in inventories of finished goods and work	10	**57**	**(475)**
Work performed by the Group for its property, plant and equipment		**3**	**-**
Procurements		**(214,193)**	**(220,263)**
Cost of raw materials and other consumables used		(70,522)	(103,830)
Works performed by other companies		(143,729)	(116,535)
Impairment of goods held for resale, raw materials and other supplies		58	102
Other operating income		**1,768**	**509**
Staff costs		**(53,843)**	**(53,296)**
Other operating expenses		**(44,082)**	**(37,044)**
Impairment losses and changes in provisions for trade		(886)	959
Other operating expenses		(43,196)	(38,003)
Depreciation and amortisation charge	6,7 & 8	**(2,450)**	**(4,042)**
Excessive provisions		**1,154**	**59**
Impairment and gains or losses on disposal of non-current assets	7 & 8	**3,373**	**159**
PROFIT FROM OPERATIONS		**21,665**	**17,648**
Finance income	16.2	**6,824**	**8,754**
Finance costs		**(10,503)**	**(11,929)**
Fair value variation on financial instruments		**(2)**	**-**
Exchange differences		**8,786**	**(509)**
Impairment and gains or losses on disposal of financial instruments	9.1 & 9.2	**(7,464)**	**(1,731)**
FINANCIAL PROFIT		**(2,359)**	**(5,415)**
Entities valued by the equity method profit	9.1	**(954)**	**(364)**
PROFIT (LOSS) BEFORE TAXES		**18,352**	**11,869**
Income Tax	15	(6,203)	(3,987)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**12,149**	**7,882**
PROFIT (LOSS) ATTRIBUTABLE TO EXTERNAL PARTNERS		**5,449**	**(84)**
PROFITS / (LOSSES) OF THE YEAR		**6,700**	**7,966**

Accompanying notes 1 to 18 form an integral part of
The Condensed Consolidated income Statement al 30 June 2018

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES
FOR HALF YEAR 2018 AND YEAR 2017
(Thousand of Euros)

	Note	30/06/2018	30/06/2017
CONSOLIDATED PROFITS / (LOSSES) OF THE YEAR		**12,149**	**7,882**
Income and expenses recognised directly in equity		**(1,268)**	**(11,593)**
-For cash flow hedges		86	(12)
-Translation differences		(1,349)	(11,584)
-Other		11	-
-Tax effect		(16)	3
Transfer to income statement		**(6,155)**	**129**
-For cash flow hedges		148	183
-Translation differences	3	(6,294)	-
-Other		(9)	(11)
-Tax effect		-	(43)
TOTAL RECOGNISED INCOMES / (EXPENSES)		**4,726**	**(3,582)**
a) Attributable to Parent		1,937	(1,419)
b) Attributable to minority interests		2,789	(2,163)

Accompanying notes 1 to 18 form an integral part of the condensed consolidated statement of recognized income and expenses at 30 June 2018.

Translation into English of the condensed half-yearly consolidated Financial Statements for the period ending 30 June 2018 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails. In-house translation, under its sole responsibility and not deemed official.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR HALF YEAR 2018 AND YEAR 2017

(Thousand of Euros)

	Note	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 Equitty attributable to parent	Minority interests	Total Equity
Balance at December 31, 2016		**1,951**	**155,578**	**263**	**(156,231)**	**(15,774)**	**3,888**	**(43,421)**	**(262)**	**10,082**	**(43,926)**	**21,297**	**(22,629)**
Distribution of profit for year 2016:													
-To reserves		-	-	-	(41,659)	50,788	953	-	-	(10,082)	**-**	-	**-**
Other equity movements		-	-	-	-	-	-	-	32	-	**32**	(1)	**31**
Total recognized income/expenses (1S-2017)		-	-	-	-	-	-	(9,476)	91	7,966	**(1,419)**	(2,163)	**(3,582)**
Balance at June 30, 2017		**1,951**	**155,578**	**263**	**(197,890)**	**35,014**	**4,841**	**(52,897)**	**(139)**	**7,966**	**(45,313)**	**19,133**	**(26,180)**
Distribution of profit for year 2016:													
-To reserves		-	-	-	-	-	-	-	-	-	**-**	-	**-**
-Dividend payment		-	-	-	-	-	-	-	-	-	**-**	(1,030)	**(1,030)**
Variation of the consolidation perimeter		-	-	-	-	(398)	398	-	-	-	**-**	693	**693**
Other equity movements		-	-	-	-	-	-	-	(8)	-	**(8)**	1	**(7)**
Total recognized income/expenses (2S-2017)		-	-	-	-	-	-	(7,468)	80	3,474	**(3,914)**	2,069	**(1,845)**
Balance at December 31, 2017		**1,951**	**155,578**	**263**	**(197,890)**	**34,616**	**5,239**	**(60,365)**	**(67)**	**11,440**	**(49,235)**	**20,866**	**(28,369)**
Adjustments for the first application IFRS 15 y IFRS 9		-	-	-	-	(3,890)	-	-	-	-	**(3,890)**	(6)	**(3,896)**
Balance at January 1, 2018		**1,951**	**155,578**	**263**	**(197,890)**	**30,726**	**5,239**	**(60,365)**	**(67)**	**11,440**	**(53,125)**	**20,860**	**(32,265)**
Distribution of profit for year 2017:													
-To reserves		-	-	-	401	11,249	(210)	-	-	(11,440)	**-**	-	**-**
-Dividend payment		-	-	-	-	-	-	-	-	-	**-**	(261)	**(261)**
Variation of the consolidation perimeter	3	-	-	-	-	(3,291)	3,291	-	-	-	**-**	-	**-**
Other equity movements		-	-	-	-	8,641	(8,641)	-		-	**-**	-	**-**
Total recognized income/expenses at 30 June 2018		-	-	-	-	-	-	(4,961)	198	6,700	**1,937**	2,789	**4,726**
Balance at June 30, 2018		**1,951**	**155,578**	**263**	**(197,489)**	**47,325**	**(321)**	**(65,326)**	**131**	**6,700**	**(51,188)**	**23,388**	**(27,800)**

Accompanying notes 1 to 18 form an integral part of the consoslidated financial statements and the consolidated statement of changes in equity at 30 June 2018.

Translation into English of the condensed half-yearly consolidated Financial Statements for the period ending 30 June 2018 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails. In-house translation, under its sole responsibility and not deemed official.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR HALF YEARS 2018 Y 2017

(Thousand of Euros)

	Note	Half year 2018	Half year 2017
Cash flows from operating activities:			
(+) Profit (Loss) before tax		18,352	11,869
(+) Depreciation and amortisation charge		2,450	4,042
(+/-) Changes in operating allowances		(131)	(1,069)
(-) Financial income		(6,824)	(8,754)
(+) Financial costs		10,503	11,929
(+/-) Exchange differences		(8,786)	509
(+/-) Result of changes in value of financial instruments		2	-
(+/-) Result of companies accounted for using the equity method		954	364
(+/-) Result of companies accounted for using the equity method		7,464	1,731
(+/-) Other gains or losses		(3,938)	1,771
Total Cash Flows from operating activities		**20,046**	**22,392**
Other adjustments			
(-) Income tax paid in the year		(3,946)	(611)
(+/-) (Increase) / Decrease in working capital			
Current Assets			
a) (Increase) / Decrease in inventories		(1,685)	(658)
b) (Increase) / Decrease in debtors and other receivables		(2,731)	919
c) (Increase) / decrease in other non financial current assets		672	782
Current Liabilities			
a) (Increase) / Decrease in trade payables		(12,807)	(44,127)
b) (Increase) / decrease in other non financial current liabilities		(53)	267
(+/-) Other collections / (payments) due to operating activities		1,969	(4,734)
1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES		**1,465**	**(25,770)**
Investments:			
(-) Intangible assets		(213)	(558)
(+) Property, plant and equipment		(1,569)	(2,541)
(-) Shares and other financial assets		(5,159)	(1,610)
Total Investments		**(6,941)**	**(4,709)**
Dividends received		**-**	**2,287**
Disposals:			
(+) Intangible assets		-	-
(+) Property, plant and equipment		205	799
(+) Shares and other financial assets		1,346	-
Total Disposals		**1,551**	**799**
Other collections / (payments) due to financing activities		**46,820**	**39,415**
2. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES		**41,430**	**37,792**
Increase / (decrease) in borrowings		**(47,924)**	**(52,187)**
Non Current		(9,074)	(510)
Current		(38,850)	(51,677)
Net interests:		**(2,291)**	**(3,223)**
Received		2,350	3,509
Paid		(4,641)	(6,732)
Other collections / (payments) due to financial activities		**-**	**(6,399)**
3. TOTAL NET CASH FLOWS FROM FINANCIAL ACTIVITIES		**(50,215)**	**(61,809)**
TOTAL CASH FLOWS FOR THE YEAR		**(7,320)**	**(49,787)**

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**220,134**	**251,839**
Changes in the year		(7,320)	(49,787)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**212,814**	**202,052**

Accompanying notes 1 to 18 form an integral part of the Condensed Consolidated Cash Flow Statement at 30 June 2018.

Grupo Empresarial San José, S.A. and Subsidiaries

Notes to the Condensed Half-Yearly Consolidated Financial Statements for the period ending 30 June 2018.

1. Activities of the Group

Grupo Empresarial San Jose, S.A. (hereinafter "the Parent") 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 from "Udra, S.A." into "Grupo Empresarial San Jose S.A.", which was duly formalised by means of a public deed dated 17 July 2009.

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

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

Activities

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

1. Development of all forms of real estate construction.

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

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

4. Lease of all manner of assets.

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

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

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

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

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

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

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

12. Facilities 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 the 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. (holding company), which in turn mainly participates in: "Constructora San José, S.A." (construction activity), "San José Energía y Medio Ambiente, S.A." (energy activity), "San José Concesiones y Servicios, S.A." (services) and "Desarrollos Urbanísticos Udra, S.A." (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 are included in these notes to the financial statements.

2. Basis of presentation of the Condensed Half-Yearly Consolidated Financial Statements

2.1 Accounting principles

The Consolidated Financial Statements of "Grupo Empresarial San José, S.A." and Subsidiaries (Grupo SANJOSE or "the Group") for the year ending 31 December 2017 were elaborated by the Directors of the Parent at the meeting of the Board of Directors which took place on 28 February 2018 and passed by resolution of the General Meeting held on 21 June 2018, pursuant to the provisions under the International Financial Information Regulations adopted by the European Union, in compliance with Regulations (CE) No 1606/2002 of the European Parliament and the Board (hereinafter "NIIF-UE", detailed on Notes 2 and 4 of the accompanying consolidated notes to the financial statements), taking into considerations the accounting regulations and standards and assessment criteria of the NIIF-UE, so that they provide a true and exact image of the equity and financial situation of Grupo SANJOSE at 31 December 2017 and its transactions, and the changes net equity and in the consolidated cash flow statement during the year ending on said date.

These Condensed Half-Yearly Financial Statements comply with IAS 34 on Interim Financial Information and have been drafted by the Directors of the Parent on 26 July 2018, pursuant to provisions under Article 12 of Royal Decree 1362/2007.

According to IAS 34, the interim financial information is prepared with the sole purposes of updating the content of the latest annual financial statements prepared by the Group, with special emphasis on new activities, events and circumstances that occurred during the first half of 2018 and not duplicating the information released previously in the consolidated financial statements for the year 2017. Therefore, for a proper understanding of the information included in these Condensed Half-Year Financial Statements, they should be read in conjunction with the financial statements of the Company for the year 2017.

The Directors of the Parent consider that, due to the nature of the business of the Group and within its international level, the effect of seasonality is null.

Grupo San Jose's consolidated financial statements were prepared according to the accounting records of the Parent and 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 accounting policies and method applied in the elaboration of these Condensed Half-Year Financial Statements are the same as those applied to the consolidated financial statements for year 2017.

Enforcement of new accounting standards:

During the first half of year 2018 the following standards and interpretations, compulsory as from year 2018 onwards and adopted by the European Union, became in force and have been applied by the Group in the elaboration of the accompanying condensed interim consolidated financial statements:

New standards, amendments and interpretations compulsory for year starting as of 01 January 2018:

Adopted for use within the EU		**Compulsory application as from:**
New standards		
IFRS 15 income from contracts with clients (released in May 2014)	New income recognition standard (It replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31).	1 January 2018
IFRS 9 Financial instruments (released in July 2014)	It replaces former classification requirements, evaluation of assets and liabilities, accounting hedges of IAS 39.	1 January 2018
Amendments and/or understanding		
Amendment of IFRS 2 Classification and assessment of share-based payments payments (released in June 2016)	Limited modifications that clarify specific issues such as the effects of accrual conditions on share-based payments to be settled in cash, the classification of share-based payments when it has net settlement clauses and some aspects of changes in the type of payments based on shares.	1 January 2018
Amendment IFRS 4 Insurance contracts (released in September 2016)	It allows entities within the scope of IFRS 4 the option of applying IFRS 9 ("overlap approach") or its temporary exemption.	1 January 2018
Amendment IFRS 40 Reclassification of real estate investments (released in December 2016)	The amendment clarifies that a reclassification of an investment from or to real estate investment is only permitted when there is evidence of a change in its use.	1 January 2018
IFRS 1 Implementation of IFRS for the first time (released in December 2016)	Elimination of some short-term exemptions (improvements to IFRS 2014-2016 cycle).	1 January 2018
IAS 28 on Investments in associates or joint ventures (released in December 2016)	Qualification in relation to the option to value at fair value (improvements to IFRS 2014-2016 cycle).	1 January 2018

IFRIS 22 – Transaction and advances in foreign currencies (released in December 2016)	It sets the date of the transaction, in order to determine the exchange rate applicable in transactions with foreign currency advances.	1 January 2018

The enforcement of these standards and regulations has not had any significant impact on the accompanying condensed interim consolidated financial statements.

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.:

Adopted for use within the EU		**Compulsory application as from**:
New standards		
IFRS 16 Leases (released in January 2016)	New leasing standard which replaces IAS 17. Lessees shall include all leases under the balance sheet as financed purchases.	1 January 2019
Amendments and/or understanding		
Amendment IFRS 9 Features of the early redemption with negative offset (released in October 2017)	This amendment will allow the valuation at amortised cost of some financial assets prepayable in advance for an amount less than the outstanding amount of principal and interest on said principal.	1 January 2019
Non-adopted for use within the EU		
New standards		
IFRS 17 Insurance contracts (released in May 2017)	It replaces IFRS 4 and reflects the principles of registration, valuation, presentation and disclosure of insurance contracts so that the entity provides relevant and reliable information for allowing users to determine the effect that contracts have on financial statements.	1 January 2021
Amendments and/or understanding		
IFRIC 23 Uncertainty about tax treatments (published in June 2017)	This interpretation clarifies how to apply the registration and measurement criteria of IAS 12 when there is uncertainty about the acceptability by the tax authority of a specific tax treatment used by the entity.	1 January 2019
Amendment IAS 28 on Investments in associates or joint ventures (released in October 2017)	It clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if the equity method is not applied.	1 January 2019
Improvement IFRS Cycle 2015-2017 (released in December 2017)	Minor amendments of a series of standards.	1 January 2019.
Amendment of IAS 19 – Amendment - reduction or liquidation of a plan (released in February 2018)	It details how to calculate the cost of the service for the current period and the net interest for the remainder of an annual period when a modification, reduction or liquidation of a defined benefit plan occurs.	1 January 2019.

IFRS 15 and IFRS 9 establish the new model for the revenue recognition derived from contracts with customers, as well as new criteria relating to the recognition and valuation of financial assets. The detailed impact by captions of the consolidated summary balance sheet of the first application of the aforementioned IFRS 15 and IFRS 9, has been as follows:

	Thousands of Euros			
	Balance at 31 December 2017	**Impact first application IFRS 15**	**Impact first application IFRS 9**	**Balance at 1 January 2018**
Non current Assets	**287,200**	**-**	**274**	**287,474**
Deferred tax assets	35,135	-	274	35,409
Current Assets	**677,176**	**(3,075)**	**(1,095)**	**673,006**
Trade receivables and others	258,412	(3,075)	(1,095)	254,242
Total Assets	**964,376**	**(3,075)**	**(821)**	**960,480**
Equity	**(28,369)**	**(3,075)**	**(821)**	**(32,265)**
Equity attributable to parent	(49,235)	(3,071)	(819)	(53,125)
Minority interests	20,866	(4)	(2)	20,860

IFRS 15 establishes the new revenue recognition model derived from customer contracts. The application of IFRS 15 "Revenue from contracts with customers" as of 1 January 2018 has had a negative impact on the consolidated reserves of the Group for an amount of EUR 3,075 thousand, mainly as a result of the reestimation of the Income previously recognised under IAS 11 "Construction Contracts" and IAS 18 "Revenue" that did not meet the requirements to be recognised as income under the new standard, which establishes more restrictive criteria for income recognition as of 1 January 2018 , mainly for demanding the existence of approval by the client.

The estimated impact mainly deals with the cancellation of previously recognized income from modifications in construction contracts not approved by the client, which, in accordance with the regulations in force at the end of 2017 (the aforementioned IAS 11 and IAS 18), were recorded when there were reasonable expectations that the client's approval would occur in the future. Said expectations have been based to date on the past experience of previous contracts with the same client and on works of similar characteristics, as well as on the evaluation that is carried out at the time of the procurement with each counterpart, in the existence and content of the negotiations with the client and, additionally, whenever it is possible to assess with sufficient reliability the amount of the consideration to which one is entitled.

In the event that IFRS 15 had not became applicable as from 1 January 2018, the effect in the condensed consolidated financial statements as of 30 June 2018 would be as follows: a) Increase in reserves amounting to EUR 3,075 thousand and; b) Increase of the item "Customers for sales and provision of services" under current assets, for the same amount.

In addition, the aforementioned IFRS 15 establishes the obligation to identify the different performance obligations included in the same contract when clearly differentiated activities are carried out under the same contract. The Group, after analyzing its portfolio of contracts, has concluded that in general there is no more than one performance obligation in the contracts it carries out, since either integration services are provided for the different services performed, or because such services are highly interrelated. Similarly, as established by the regulations, the Group has developed a homogeneous method to recognize revenues in contracts with similar characteristics.

With respect to IFRS 9, regarding the recognition and valuation of financial assets, the impact derived from the first application had a negative effect on reserves amounting to EUR 821 thousand. This impact comes, fundamentally, from the application of the impairment model of financial assets that the new regulations establish must be estimated based on the expected credit loss instead of the credit loss incurred, as included in IAS 39 "Financial Instruments: recognition and valuation. "

In the event that IFRS 9 had not became applicable as from 1 January 2018, the effect in the condensed consolidated financial statements as of 30 June 2018 would be mainly an increase in reserves amounting to EUR 784 thousand.

IFRS 9 develops a new valuation scheme in the area of hedge accounting, which may imply that, in certain cases, hedging operations are defined as transactions that under the previous regulations did not meet the requirements to be considered as hedges. Given the type of financial instruments that the Group uses to mitigate the financial risks to which it is exposed, no new transactions have been identified that should be considered as hedging in application of IFRS 9.

On the other hand, IFRS 16 "Leases" that is first applied on 1 January 2019. establishes that for the lessor all leases (except for certain exceptions for reduced amount or duration) generate an asset for the right of use and a liability for the future payment obligations incurred. At the date of preparation of these condensed consolidated financial statements, the Group continues with the evaluation of its impact.

2.2 Responsibility for the information and use of estimates

Consolidated results and the determination of consolidated equity are sensitive to accounting principles and policies, valuation and estimation criteria followed by the Parent Company's Directors for the preparation of the Condensed Consolidated Financial Statements. Main accounting principles and policies and assessment criteria are detailed on Note 4 to the consolidated financial statements for year 2017.

In the preparation of the accompanying condensed 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 estimations have been made according to the nest available information regarding:

1. The corporate tax expense that, in accordance with IAS 34, is recognised in interim periods based on the best estimate of the weighted average tax rate that the Group expects for the annual period

2. The useful life of the property, plant and equipment and intangible assets.

3. Measurement of goodwill arising on consolidation.

4. 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).

5. Assessment of potential impairment losses by independent professionals at 30 June 2018. These valuations are carried out pursuant to the method of discount of cash flows for equity for rent and the dynamic residual method for real estate stocks, methods that comply with the criteria established by The Royal Institution of Chartered Surveyors (RICS).

6. The probability of occurrence and the amount of uncertain or contingent liabilities.

7. The classification of operation and financial leases.

8. The fair value of certain non-listed assets.

9. The fair value of certain financial instruments.

10. The fair value of assets and liabilities resulting from business combinations.

11. The probability of recovery of financial loans.

12. Management of financial risk.

Although these estimates were made on the basis of the best information available at the date of analysis, 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.

During the first half of 2018 no significant changes are expected in accounting assessments and forecasts used by the Group at the end of the consolidated financial statements for year 2017.

2.3 Currency

These Condensed Half-Year Consolidated Financial Statements are presented in Euros, since this is the functional currency of the main economic environment where the Group operates. Foreign operations are recognised in accordance with the policies established under Note 4.14 of the financial statements for year 2017.

The breakdown of the closing and average exchange rates of the period used to prepare the Condensed Half-Year Financial Statements at 30 June 2018 is as follows:

Country	Currency	Exchange rate at 30/06/2018	Average exchange rate half year 2018
The United States /Eas	US Dollar (USD)	1.1648	1.2052
Argentina	Argentine Peso (ARS)	33.5398	26.2802
Mexico	Mexican Peso	22.9215	22.9836
Cape Verde	Cape Verde Escudo	110.265	110.265
Panama	Panamanian Balboa	1.1648	1.2052
Uruguay	Uruguayan Peso	36.3612	35.1111
Paraguay	Guaraní	6,553.51	6,695.21
Peru	Peruvian Sol	3.79099	3.90219
Chile	Chilean Peso (CLP)	749.160	739.015
Brazil	Brazilian Real	4.4990	4.1353
India	Indian Rupee	79.8491	79.1861
Nepal	Nepalian Rupee	128.010	126.209
United Arab Emirates	UAE Dirham	4.2777	4.4261
Colombia	Colombian Peso	3,423.42	3,452.73
Morocco	Morocco Dirham	11.0244	11.1938
Bolivia	Boliviano	7.9222	8.2246

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

2.4 Provisions and contingent liabilities

Information on provisions, contingent liabilities and guarantees given to third parties during 2017 is provided in Notes 15, 21 and 22.10 of the notes to the Financial Statements of the Group for year 2017. In addition to that discussed in Note 12, during the first half of 2018 no significant changes regarding the information contained in the consolidated financial statements of the Group for year 2017 have taken place.

2.5 Relative importance

In determining the information to be disclosed in these Notes on the sundry items of the Condensed Consolidated Financial Statements or other matters, the Group has, in accordance with IAS 34, taken into account the materiality principle.

2.6. Condensed Consolidated cash flow statement

The following terms are used in the consolidated cash flow statement:

1. Cash flows: inflows and outflows of cash and cash equivalents.

2. Operating activities: activities that constitute the main source of revenue of the Company and other activities that cannot be classified as investment or financing

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

4. Financing activities: activities that produce changes in the size and composition of the equity capital and borrowings of the Company.

For the purpose of elaborating the condensed consolidated cash flow statements, cash in hand and deposits held at call with banks have been classified as "cash and cash equivalents", as well as short term highly liquid investments that are easily convertible into amounts of cash and which are subject to an insignificant risk of changes in value.

2.7 Comparison of information

Information recorded on the Condensed Half-Year Financial Statements for the period ending 30 June 2017 and 31 December 2017 is provided for comparison purposes only with that provided for the sex-month term ended 30 June 2018.

2.8 Events after the reporting period

There are not significant events occurring after 30 June 2018 which could impact the Condensed Half-Yearly Consolidated Financial Statements and the Notes to the same.

In any case, it should be noted that, although as of June 30, 2018, the operations that the Group has in Argentina are not considered to be hyperinflationary, it is probable that in later closures this situation will take place, and the methodology described in IAS 29 should be applied. for these environments. In case Argentina will be finally classified as a hyperinflationary economy, the Group Management will determine its quantitative impact, which will be reflected in its consolidated financial statements of subsequent closures.

3. Changes in the compositions of the Group

Note 2.4 and Exhibits I, II and III to the consolidated financial statements for year ending on 31 December 2017 provide relevant information on Group companies consolidated at that date and on the companies accounted for using the equity method.

During the first semester of 2018, the main change within the scope of consolidation has been the following: partial split of the associated company "Cresca, S.A.":

- On 29 January 2018, the Extraordinary Shareholders' Meeting of the investee company rectified and definitively approved the partial spin-off of the company in favour of its shareholders, having been made public and duly registered on 9 February 2018.

- The SANJOSE Group, through its investee "Casado Agropecuaria, S.A.", has received the assets and liabilities resulting from said spin-off, by virtue of its participation in 50% of the capital stock of "Cresca, S.A.".

- With the improvement of the spin-off transaction, the Group, as the receiving party of the assets and liabilities derived from the spin-off, has obtained control over the agricultural business (corresponding to its percentage of participation) carried out previously by the associated company, over which it did not have control. The Group has identified this transaction as a business combination in the terms of IFRS 3. Main changes as a result of this transaction are as follows:

  1. Reduction in the cost for which the Group had registered its participation in the associated company "Cresca, S.A." at 31 December 2017, in the amount of EUR 10,340 thousand.

  2. Increase of the cost of land for EUR 18,318 thousand. IFRS 3 requires the recognition of assets and liabilities received in the spin-off process at their fair value on the date of the transaction. Once the valuation and allocation process has been reviewed, and according to valuation reports from independent third parties, it has been concluded that this effect is focused on the valuation of the lands received in the spin-off process, having recorded a EUR 3,427 thousand increase in the cost, recognising a benefit for said amount, recorded under "Impairment and profit/(loss) from disposal of fixed assets" within the condensed consolidated income statement for the first half of year 2018 (see Note 7).

  3. Likewise, current assets and liabilities registered at its fair value have been received for a net amount of EUR 733 thousand, as well as a financial debt for an amount of EUR 4,133 thousand (eliminated at the consolidated level, as the creditor is a Group company).

  4. In addition, and as established under IAS 28, paragraph 23, and IAS 21, paragraph 48, the Group has transferred from the consolidated equity into the consolidated income statement for the first half of year 2018, the amount of translation differences that were associated with the participation in "Cresca, SA" prior to the date of the transaction, associated with the net assets and liabilities that were spun off, as they were realised as a result of the transaction. A positive result amounting to EUR 6,294, has been recorded under item "Translation differences" within the condensed consolidated income statement for the first half of year 2018.

4. Distribution of the profit of the Parent

The proposed distribution of the parent's profit for year 2017, prepared by the Directors of the Parent Company, at its meeting held on 28 February 2018, has been approved by the General Meeting of Shareholders held on 21 June 2018, being the details as follows:

	Thousands of Euros
Distribution basis:	
Profit for the year	401
Distribution:	
To offset losses from previous years	401

5. Segment information

Note 6 to the consolidated financial statements of the Group for year ending on 31 December 2017, details the criteria used by the Company to define its operational segments. There have been no changes in the segmentation criteria.

Information on main segments:

Next, information by activity segments for the first half of 2018 and 2017 is provided:

<u>*30 June 2018:*</u>

	Thousands of Euros					
	Construction	Real estate and property development	Energy	Concessions and Services.	Adjustments and other	TOTAL
External sales	283,569	1,624	4,710	24,687	15,288	**329,878**
Inter-segment sales	2,264	-	-	-	(2,264)	**-**
Net Revenues:	**285,834**	**1,624**	**4,710**	**24,687**	**13,024**	329,878
EBITDA	**12,223**	**40**	**1,449**	**1,524**	**5,158**	**20,393**
Amortisation	(1,172)	(38)	(706)	(345)	(190)	**(2,450)**
Provisions	1,022	10	20	3	(706)	**349**
Profit/(Loss) after disposal	1	-	(55)	-	3,427	**3,373**
Profit/(Loss) from operations	**12,075**	**12**	**707**	**1,182**	**7,689**	**21,665**
Financial income	5,431	644	-	5,575	(4,827)	**6,824**
Financial costs and similar expenses	(6,347)	(139)	(275)	(3,650)	(92)	**(10,503)**
Translation differences and other	(1,660)	39	-	205	2,737	**1,320**
Profit/(loss) from associates	-	-	-	-	(954)	**(954)**
Profit/(Loss) before tax	**9,499**	**556**	**433**	**3,312**	**4,553**	**18,352**

<u>*30 June 2017:*</u>

	Thousands of Euros					
	Construction	Real estate and property development	Energy	Concessions and Services	Adjustments and other	TOTAL
External sales	290,309	3,472	5,939	23,511	8,810	**332,041**
Inter-segment sales	1,083	-	-	80	(1,163)	**-**
Net Revenues:	**291,392**	**3,472**	**5,939**	**23,591**	**7,647**	**332,041**
EBITDA	**13,216**	**1,094**	**1,901**	**851**	**3,319**	**20,381**
Amortisation	(2,734)	(128)	(889)	(194)	(97)	**(4,042)**
Provisions	1,550	185	(70)	99	(670)	**1,094**
Profit/(Loss) after disposal	214	-	-	1	-	**215**
PROFIT FROM OPERATIONS	**12,246**	**1,151**	**942**	**757**	**2,552**	**17,648**
Financial income	4,255	1,001	-	7,182	(3,684)	**8,754**
Finance expense and similar expense	(7,129)	(378)	(309)	(4,858)	745	**(11,929)**
Translation differences and other	(4,754)	27	(22)	(2,036)	4,545	**(2,240)**
Profit/(loss) from associates	-	570	-	-	(934)	**(364)**
Profit before tax	**4,618**	**2,371**	**611**	**1,045**	**3,224**	**11,869**

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:

<u>*30 June 2018:*</u>

	Thousands of Euros					
	Construction	**Real estate and property development**	**Energy**	**Concessions and Services**	**Adjustments and other**	**TOTAL**
Balance sheet:						
Non-current assets:						
Intangible assets	2,010	1,601	15,924	1,821	7,626	**28,982**
Property, plant and equipment	13,557	5	9,868	674	43,223	**67,327**
Real estate investments	592	1,795	-	-	3	**2,390**
Deferred tax assets	19,419	1,872	2,057	2,513	9,137	**34,999**
Other	12,152	35,816	3	70,275	4,472	**122,718**
Current assets:						
Inventories	70,351	30,528	(162)	809	5,871	**107,398**
Receivables	224,862	2,648	2,282	13,156	9,352	**252,299**
Other current assets	3,565	1,676	37	854	(1,658)	**4,473**
Short-term financial investments	6,655	6	1	63,012	5,082	**74,757**
Cash and cash equivalents	146,585	26,154	2,330	24,813	12,932	**212,814**
Total Assets						
In Spain	220,889	39,732	32,340	9,710	28,710	**331,380**
In foreign countries	278,860	62,371	-	168,216	67,331	**576,778**
Total Activo	**499,749**	**102,103**	**32,340**	**177,926**	**96,040**	**908,158**
Non-current liabilities:						
Long-term payables	190,196	2,829	7,265	69,149	109,659	**379,098**
Deferred tax liabilities	6,634	105	1,416	10,386	(598)	**17,943**
Other non-current liabilities	13,555	1,337	1,148	4,695	11,091	**31,826**
Current liabilities:						
Short-term debts	22,773	4,227	861	32,394	4,137	**64,393**
Trade payables	373,061	9,097	1,504	10,368	7,057	**401,088**
Other current liabilities	20,112	5,866	1,037	7,595	7,000	**41,611**
Total Liabilities						
In Spain	388,098	5,648	13,231	4,860	122,575	**534,412**
In foreign countries	238,234	17,814	-	129,728	15,770	**401,546**
Total Pasivo	**626,332**	**23,462**	**13,231**	**134,588**	**138,345**	**935,958**
Additions to fixed assets:						
In Spain	673	-	28	-	37	**738**
In foreign countries	435	-	-	7	602	**1,044**
	1,108	**-**	**28**	**7**	**639**	**1,782**

31 December 2017:

	Thousands of Euros					
	Construction	Real estate and property development	Energy	Concessions and Services	Adjustments and other	TOTAL
Balance sheet:						
Non-current assets:						
Intangible assets	1,919	-	17,638	1,522	8,486	29,565
Property, plant and equipment	12,670	8	10,092	2,225	20,354	45,349
Real estate investments	602	2,692	-	-	3	3,297
Deferred tax assets	18,751	1,786	2,061	3,405	9,132	35,135
Other	22,064	34,992	5	105,950	10,843	173,854
Current assets:						
Inventories	66,850	33,271	-	1,130	3,453	104,704
Receivables	228,752	2,735	2,790	15,533	8,602	258,412
Other current assets	2,305	-	55	138	8,693	11,191
Short-term financial investments	4,735	24	1	77,543	432	82,735
Cash and cash equivalents	166,477	26,820	4,232	12,151	10,454	220,134
Total Assets						
In Spain	224,296	38,940	36,874	10,347	36,861	347,318
In foreign countries	300,829	63,388	-	209,250	43,591	617,058
	525,125	**102,328**	**36,874**	**219,597**	**80,452**	**964,376**
Non-current liabilities:						
Long-term payables	198,875	2,840	7,858	102,546	107,977	420,096
Deferred tax liabilities	4,588	-	1,422	11,375	2,156	19,541
Other non-current liabilities	17,636	1,373	1,284	9,651	1,273	31,217
Current liabilities:						
Short-term debts	20,325	8,218	892	33,427	2,966	65,828
Trade payables	378,983	8,796	2,148	9,447	7,205	406,579
Other current liabilities	20,922	5,846	799	8,683	13,234	49,484
Total Liabilities						
In Spain	412,890	5,815	14,403	4,052	123,446	560,606
In foreign countries	228,439	21,258	-	171,077	11,365	432,139
	641,329	**27,073**	**14,403**	**175,129**	**134,811**	**992,745**
Additions to fixed assets:						
In Spain	1,027	-	599	83	(6)	1,703
In foreign countries	1,992	-		10	390	2,392
	3,019	**-**	**599**	**93**	**384**	**4,095**

There are no significant non-operating assets.

Information on secondary segments:

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

	Thousands of Euros					
	Net Revenue		Total assets		Additions to property, plant and equipment and investment property	
	Jun.-18	Jun.-17	Jun.-18	Dic.-17	Jun.-18	Jun.-17
Spain	163,053	132,447	331,379	347,318	738	1,256
Portugal	30,087	28,758	38,725	31,505	7	10
Cape Verde	7,192	20,325	16,438	20,786	-	920
Argentina	8,050	5,453	78,475	64,038	735	202
Bolivia	-	-	7	-	-	-
The United States	-	-	841	911	1	-
Peru	3,132	2,807	58,931	57,125	85	-
Brazil	-	-	6,693	8,119	-	-
Panama	-	-	345	548	-	-
France	-	-	403	402	-	-
Germany	-	-	41	41	-	-
Chile	45,806	43,119	227,454	274,298	29	20
India	5,703	12,322	8,078	5,570	2	-
Abu Dhabi	64,911	79,672	126,387	127,785	184	691
Nepal	-	-	5,168	11,181	-	-
Timor	56	62	2,740	3,462	-	-
Morocco	-	-	70	69	-	-
Mozambique	-	-	85	76	-	-
Colombia	-	-	7	-	-	-
Mexico	1,022	3,976	2,908	6,960	1	-
Malta	867	3,100	2,982	4,182	-	-
TOTAL	**329,878**	**332,041**	**908,158**	**964,376**	**1,782**	**3,099**

Note 2.3 details the main foreign currencies of the countries where the Group operates. From total assets at 30 June 2018 and 31 December 2017, EUR 534,628 thousand and EUR 580,928 thousand, respectively, correspond to assets in a currency other than the Euro. Likewise, from total revenue for the first half of year 2018 and year 2017, the activity developed in said countries amounts to EUR 135,871 thousand and EUR 167,736 thousand, respectively.

6. Intangible assets

Breakdown of intangible assets within the consolidated balance sheet at 30 June 2018 and 31 December 2017 as follows:

	Thousands of Euros	
	30.06.2018	31.12.2017
Goodwill on consolidation (Note 6.1)	9,984	9,984
Concession agreements (Note 6.2)	14,664	15,073
Other items of property, plant and equipment (Note 6.3)	4,334	4,508
Total	**28,982**	**29,565**

6.1 Consolidation goodwill

The breakdown of the item "Consolidation goodwill" of the condensed half-year balance sheets for 30 June 2018 and 31 December 2017, by company, is as follows:

	Thousands of Euros	
	30.06.2018	**31.12.2017**
Cartuja Inmobiliaria, S.A.U.	600	600
San José Perú Inmobiliaria, S.A.	1,601	1,601
Constructora San José, S.A.	7,662	7,662
Otros	121	121
Total net	**9,984**	**9,984**

During the first half of year 2018 no significant changes have been recorded under this item in the accompanying condensed consolidated balance sheet, as well as not loss due to impairment has been recorded.

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.

6.2 Concession agreements

This item mainly includes investments made with regards to concession agreements, for which the consideration received by the Group consists of the right to charge a fixed and a variable stake, which is based on market rates and other parameters established by applicable regulations, as well as the degree of use of the facilities, assuming the risk of recovery of the investment made (assuming the risk of demand). Further, it includes costs incurred into by the Group for the achievement of administrative and other licenses and permits.

Breakdown of this item for the first half of year 2018 is as follows:

	Thousands of Euros		
	Cost	Amortisation	Net
Balance at 31 December 2017	**27,042**	**(11,969)**	**15,073**
Additions	27	(436)	(409)
Disposals	(3,000)	3,000	-
Balance at 30 June 2018	**24,069**	**(9,405)**	**14,664**

Withdrawals correspond to write-off of assets associated with concession agreements, as they come to an end. It mainly corresponds to assets of the Group company of the "Tecnocontrol Servicios, S.A.U.", allocated to the provision of services rendered under concession regime at Torrecárdenas Hospital during the first half of 2018, being fully amortised.

At 30 June 2018 there are no significant investment commitments in intangible assets.

6.3 Other intangible assets

Breakdown of this item for the first half of year 2018 is as follows:

	Thousands of Euros		
	Cost	Amortisation	Net
Balance at 31 December 2017	**7,853**	**(3,345)**	**4,508**
Additions	-	(140)	(140)
Exchange rate differences	(79)	45	(34)
Balance at 30 June 2018	**7,774**	**(3,440)**	**4,334**

During the first half of year 2018, no significant changes have been recorded under this item.

7. Property, plant and equipment

Breakdown of this item for the first half of year 2018 is as follows:

	Thousands of Euros			
	Cost	Accumulated amortisation	Impairment	Net
Balance at 31 December 2017	**97,179**	**(51,806)**	**(24)**	**45,349**
Additions	1,755	(1,827)	-	(72)
Disposals	(378)	172	-	(206)
Transfers	23,486	(1,219)	-	22,267
Exchange rate differences	(792)	781	-	(11)
Balance at 30 June 2018	**121,250**	**(53,899)**	**(24)**	**67,327**

The transfer line includes the tangible fixed assets, mainly land, received as a result of the perfection of the partial split operation of the associated company "Cresca, S.A." (see Note 3), amounting to EUR 21,745. This amount includes EUR 3,427 thousand corresponding to the adjustment of fair value of the land received by the Group according to provisions under IFRS 3.

As of 30 June 2018, and 31 December 2017, certain properties act as a guarantee for part of the syndicated loan of the Group for an amount of EUR 25.2 million, on both dates (see Note 13.4). During the first half of year 2018, no significant changes have been recorded under the nest cost of said items.

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.

At 30 June 2018 the Group does not hold any purchase commitments of property, plant and equipment.

8. Property investment

Breakdown and details of this item for the first half of year 2018 are as follows:

	Thousands of Euros			
	Cost	Accumulated amortisation	Impairment	Net
Balance at 31 December 2017	**5,752**	**(2,430)**	**(25)**	**3,297**
Additions	-	(47)	-	(47)
Exchange rate differences	(1,507)	647	-	(860)
Transfers and others	-	-	-	-
Balance at 30 June 2018	**4,245**	**(1,830)**	**(25)**	**2,390**

8.1 Mortgaged investment property

At 30 June 2018 and 31 December 2017, the Group does not have real estate assets as collateral for mortgage investments.

In addition to this, certain investment property act as collateral of the syndicated loan of the Group for EUR 781 thousand at both dates (see Note 13.4). During the first half of year 2018, no significant changes have been recorded under the nest cost of said items.

8.2. Fair value of financial instruments

Each year the Group commissions studies from independent valuers to determine the fair values of its investment property at the balance sheet date. At 30 June 2018 and 31 December 2017, 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 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, both, during the first half of 2018 and during year 2017, no significant changes have been recorded in the assessment of real estate investments.

At 30 June 2018 and 31 December 2017, the fair value of the Group 's inventories based on the aforementioned study amounted to EUR 74.7 million and EUR 86.3 million, respectively. Said amount, at 30 June 2018 and 31 December 2017, includes EUR 37.1 million and EUR 37.4 million, respectively, corresponding to real estate investments of investees according to the Groups' ownership interest.

8.3 Insurance policy

The Group takes out insurance policies to cover the possible risks to which substantially all its inventories are subject. Directors consider that contracted coverage insurance at 30 June 2018 is sufficient

9. Financial Assets

9.1. Non-current financial assets

The detail of the non-current financial assets of the Company at 30 June 2018 is as follows:

	Thousands of Euros				
	Other financial assets at fair value with changes in income statement	Financial assets held available for sale	Loans and receivables	Investments until maturity	Total
Equity instruments	40,815	3,328	-	-	**44,143**
Credits and loans granted	-	-	-	-	**-**
Other financial assets	-	-	-	78,576	**78,576**
Total	**40,815**	**3,328**	**-**	**78,576**	**122,719**

Investments accounted for using the equity method

The Group's most significant investments in associates at 30 June 2018 and 31 December 2017 were as follows:

	Thousands of Euros	
	30.06.2018	**31.12.2017**
Distrito Castellana Norte, S.A. (DCN)	31,965	27,797
Panamerican Mall, S.A. (PM)	3,388	6,220
Pinar de Villanueva, S.L.	5,442	5,541
Cresca, S.A. (Note 3)	20	10,360
Total net	**40,815**	**49,918**

The breakdown under this item in the condensed consolidated financial statements for the first half of 2018 is as follows:

	Thousands of Euros
Balance at 31 December 2017	**49,918**
Loss for the year	(954)
Additions	4,624
Changes in the scope of consolidation (N	(9,614)
Distribution of dividends	(1,385)
Exchange rate differences	(1,774)
Balance at 30 June 2018	**40,815**

During the first-half of year 2018, the AGM of the investee “Distrito Castellana Norte, S.A.” has agreed on a capital increase for EUR 18,871 thousand, granted through public deed on 30 January 2018. The Group, through its associate “Desarrollos Urbanísticos Udra, S.A.U.”, has subscribed and paid up the totality of its shares, for a total value of EUR 4,624 thousand. Therefore, it keeps its 24.46% participation within the share capital of “Distrito Castellana Norte, S.A.”.

The associate “Desarrollos Urbanísticos Chamartín, S.A.” has as main business activity the urban development of the plat of land comprising the area of the “Extension of the Castellana” in Madrid., at is operation. Since its incorporation on 25 November 1993 up to now, the activity of this company has consisted in the development of any activities necessary for the acquisition of land property of the Administrator of Railway Infrastructures (ADIF) and Renfe-Operadora, for its urban development after its disuse for railway purposes within the real estate plan APR 08.03 and APE 05.27, in the municipal term of Madrid.

“Distrito Castellana Norte, S.A.” submitted a review of the PPRI of APR 08.03, having been approved initially by the Governing Board of the City of Madrid on 19 February 2015. During 2016, the decision of the Board of the City of Madrid, at the proposal of the Municipal Planning Commission, has been released, denying its approval, although to date the Group has no information on the Technical reasons underlying this decision.

On 30 November 2016, the investee company, together with the city Council of Madrid, the Community of Madrid, the Ministry of Development and other affected operators, agreed on the creation of a mixed commission with the aim of reaching a common agreement for the preparation of a new Internal Reform Partial Plan that includes a new urban framework for the project.

Likewise, during December 2016, the investee has signed an extension of the contract with ADIF, extending the term agreed on the Basic Agreement on 22 January 2015 for the approval of the Internal Reform Partial Plant within the following two years.

On 27 July 2017, the parties have reached an understanding on the basic guidelines of the future urban planning of the project, thus unblocking the operation. These basic guidelines shall be subject to the development and concretion in a specific modification of the general urban planning plan of Madrid.

To the extent that, there is evidence of an uncertainty in the fair value of the Group's financial holding in this company. However, currently existing expectations are very positive. The Group supports the project as it has been doing since its inception and does not doubt about the recoverability of the amount for which this stake is recorded in its consolidated financial statements. This fact is manifested, among others, to the extent that shareholders have attended the capital increases that have been required in recent years.

Appendix II to the consolidated financial statements of the Group for the year ending 31 December 2017 includes a list of the main ownership interests in associates, detailing name, country and participation percentage. The Group does not consider very relevant the impact on assets, profit or net equity of its participation in these companies. However, next is listed financial information of the main associates of the Group:

At 30 June 2018 (first six months of 2018):

	Millions of Euros	
	DCN	**PM**
Non-current assets	4.3	210.5
Current assets	138.2	24.0
Total Assets	**142.5**	**234.4**
Non-current liabilities	7.5	71.8
Current liabilities	4.1	7.6
Total Liabilities	**11.5**	**79.5**
Income from ordinary activities	0.0	9.3
Profit/(Loss) from continuing operations	-1.5	5.4
Profit/(Loss) for the year	-1.5	5.4

At 31 December 2017 (year ending 31 December 2017):

	Millions of Euros		
	DCN	**PM**	**Cresca**
Non-current assets	4.0	289.0	2.9
Current assets	124.1	16.5	44.0
Total Assets	**128.1**	**305.5**	**46.9**
Non-current liabilities	7.5	66.6	0.0
Current liabilities	7.0	11.9	18.2
Total Liabilities	**14.5**	**78.5**	**18.2**
Income from ordinary activities	0.0	26.4	0.0
Profit/(Loss) from continuing operations	-2.8	66.7	-1.5
Profit/(loss) for the year	-2.8	66.7	-1.5

A summary of the financial information of the main investees included within the accounting records of the Group is provided next:

30 June 2018:

	Millions of Euros	
	DCN	**PM**
Total net equity	131.0	155.0
% ownership of Grupo SANJOSE	24.46%	20.00%
Net carrying amount of the stake (NCV)	32.0	31.0
Amendments of the NCV and other	-0.1	-27.6
Cost of the Groups' stake	**32.0**	**3.4**

31 December 2017:

	Millions of Euros		
	DCN	**PM**	**Cresca**
Total net equity	113.6	227.0	28.8
% ownership of Grupo SANJOSE	24.459%	20.00%	50.00%
Net carrying amount of the stake (NCV)	27.8	45.4	14.4
Amendments of the NCV and other	-	(39.2)	(4.0)
Cost of the Group's ownership interest	**27.8**	**6.2**	**10.4**

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. In the event of listed companies, the lower quoted value at the end of the financial year or the average quotation of the last quarter is taken as reference of the recoverable value.

Net cost at which interest ownership of the Group is recorded, by associate, at 30 June 2018 and 31 December 2017 is as follows:

Company	Thousands of Euros	
	30.06.2018	**31.12.2017**
Bodegas Altanza, S.A.	994	994
Unirisco SCR, S.A.	407	469
Filmanova, S.A.	-	-
Editorial Ecoprensa, S.A.	835	835
Oryzon Gernomics, S.A. (*)	867	693
Otros	225	178
	3,328	**3,169**

(*) company listed in the Stock Exchange Market

Non-current investments held until maturity

This item includes mainly loans and receivables due to certifications issued by Group company "Sociedad Concesionaria San José-Tecnocontrol, S.A.", for a total amount of EUR 70,159 thousand and EUR 105,446 thousand at 30 June 2018 and 31 December 2017, respectively, as payment of the execution works of the Hospitals of Maipu and La Florida, in compliance with IFRIC12 (see Note 4.3 to the consolidated financial statements for year 2017) for concessions with no demand risk.

The payment of the Chilean Ministry of Public Works is arranged into 8 annual instalments of UF 1.1 million each, having collected instalments on 31 March 2014, 2015, 2016, 2017 and 2018. The Group records the outstanding receivables under non-current or current, based on the maturity of the outstanding instalments, discounting the financial effect of the deferral of collection. During the first half of 2018 and 2017, the Group has recorded finance income arising from the update of said items amounting to EUR 4,062 thousand and EUR 5,245 thousand, respectively.

Further, at 30 June 2018 and 31 December 2017, "Other current financial assets" records a short-term receivable amounting to EUR 38,319 thousand and EUR 39,760 thousand, respectively (see Note 9.2).

The company “Sociedad Concesionaria San José-Tecnocontrol, S.A.” has 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.

At 30 June 2018, this heading also includes an amount of EUR 13,221 thousand, with an associated impairment of EUR 10,956 thousand, corresponding to the Group's collection right against construction customers, for the executed work and investments made prior to the unilateral termination of the contract by the clients. The Group considers that the reasons alleged by the clients lack of legal grounds, setting in motion all the mechanisms contemplated in the respective contracts and in the corresponding legislation for the defence of its interests. No short-term resolution is foreseen. However, acting with prudence, during the first half of the year 2018, the Group has recorded an additional impairment amounting to EUR 5,465 thousand, under the heading " Impairment and gains or losses on disposal of financial instruments" of the condenses consolidated income statement of the first half of the year 2018, attached.

9.2. Current financial assets

The detail of the non-current financial assets of the Company at 30 June 2018 is as follows:

	Thousands of Euros						
	Financial assets held for trading	**Other financial assets at fair value with changes in income statement**	**Financial assets held available for sale**	**Loans and receivables** (Note 17)	**Investments until maturity**	**Hedge derivatives**	**Total**
Créditos y préstamos concedidos	-	-	-	2,093	-	-	**2,093**
Other financial assets	-	-	-	-	74,757	-	**74,757**
Total	**-**	**-**	**-**	**2,093**	**74,757**	**-**	**76,850**

Loans and receivables

This item mainly includes the outstanding collection of the dividend granted by “Panamerican Mall, S.A.”, for a total amount of EUR 1,087 thousand at 30 June 2018 (see Note 9.1).

Current investments held until maturity

This item includes deposits at banks, short-term deposits and other receivables maturing in over three months. At 30 June 2018, it mainly includes amounts arising from short-term taxes amounting to EUR 30,490 thousand, being its use partially restricted in accordance with provisions under the management agreement for the hospitals in Chile, as well as the issuance of bonds in said country, for a total amount of EUR 24,605 thousand. With regards to the outstanding amount, there are not restrictions related to its use.

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 38,319 thousand, at 30 June 2018, as short-term receivable (March year 2019) as remuneration for the construction of the Hospitals of Maipu and La Florida, in Santiago de Chile (see Note 9.1).

Likewise at 30 June 2018 this heading also includes the amount receivable from the Group company "Concesionaria San José Rutas del Loa, S.A.", amounting to EUR 5,666 thousand, as a result of the termination of the contract and execution of the guarantees at first request. The Group considers that the reasons alleged by the client lack legal grounds, setting in motion all the mechanisms contemplated in the contract and in Chilean legislation for the defence of their interests.

In addition, the Group has a provision recorded under the non-current liabilities of the attached condensed consolidated balance sheet, which reasonably covers the contingencies that may arise from this claim process, without significant changes during the first half of the 2018 fiscal year.

9.3 Trade receivables and customer advances

The detail of "Trade receivables for sales and services" at 30 June 2018 and 31 December 2017 is as follows:

	Thousands of Euros	
	30.06.2018	**31.12.2017**
Progress billings receivable and trade receivables for sales and provision of services	168,029	178,345
Executed works pending billing (OEPC)	29,902	37,204
Retentions for guarantees	31,939	21,164
Customers, discounted instruments	24,391	21,158
Impairment	(31,931)	(30,557)
Total	**222,330**	**227,314**
Advances	(87,949)	(118,670)
Total net accounts receivable	**134,381**	**108,644**

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

The item “Executed works pending billing - OEPC” includes executed works pending certification for construction contracts of the Group amounting to EUR 29.902 thousand. This amount includes the differences between the production units executed, valued at sale price, and the certification made to date under the current contract.

"Trade payables" under current liabilities on the condensed consolidated balance sheet at 30 June 2018 and 31 December 2017, includes EUR 87,949 thousand and EUR 118,670 thousand, respectively, corresponding to "Advances from customers" for work certified in advance and advances received for a total amount of EUR 56,547 thousand and EUR 31,402 thousand, respectively, at 30 June 2018. Work certified in advance is recognised as a lower income of the Group, according to the application of the method of recognition of income by progress of work (see Note 4.12 of the accompanying notes to the consolidated financial statements for the year ended 31 December 2017).

10. Inventories

The detail of this item at 30 June 2018 and 31 December 2017 is as follows:

	Thousands of Euros	
	30.06.2018	**31.12.2017**
Acquired property	8,684	9,723
Land and plots of land	60,082	69,623
Raw materials and other supplies	4,940	5,259
Developments under construction	-	-
- Long-cycle developments under construction	-	-
- Short-cycle developments under construction	14,615	-
Completed construction works	8,991	9,066
Advances to suppliers	21,701	22,842
Issuance rights	(162)	(90)
Impairment losses on inventories	(11,454)	(11,719)
	107,398	**104,704**

During the first half of year 2018, the Group started the construction of the urban development "Buenavista" in Lima, Peru. As a result, the amount corresponding to the cost of purchase and preliminary works of land, amounting to EUR 13,749 thousand, has been transferred to "Promotions in progress".

In the month of June 2018, the Group has signed a purchase agreement for a rustic plot of land located in Herdade da Palheta, in the Concello de Redondo (Portugal), for a cost of EUR 3,585 thousand, with an outstanding payment amounting to EUR 2,868 thousand. This transaction was carried out in the context of a customer debt collection management transaction, and no additional disbursements were planned.

During the first half of year 2018, the "Manilva Residencial Pueblo Paloma" residential development in Malaga, acquired in previous years by the Group as a debt collection, was sold.

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 the first half of 2018 and 2017, no financial expense has been recorded.

At 30 June 2018 and 31 December 2017, the Group has inventories used as collaterals for mortgage loans or developer loans granted by financial entities for an amount drawn of EUR 5,207 thousand (see Note 13.3).

In addition to this, certain investment property act as collateral of the syndicated loan of the Group for EUR 8,244 thousand (see Note 13.4).

During the first half of 2018 and according to the valuation of real estate assets carried out by the independent expert (see Note 10.3), no significant changes have been recorded in the assessment of real estate investments.

10.1 Land purchase commitments

At 30 June 2018, 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 650 thousand, amount recognised under "Advance payments to suppliers" in the accompanying consolidated balance sheet.

In connection with the advances associated with commitments or promises of sale, the Group has no obligation to buy any of them, may proceed with the execution or reject them at the option of the Group.

Remaining recorded payments in advance at 30 June 2018 are not related to real estate. Yet, they refer to payments in advance to suppliers for the acquisition of raw materials and/or the provision of services.

10.2 Commitments to sell property developments in progress and completed buildings

At 30 June 2018 and 31 December 2017, the Group had entered into private agreements and reservation documents for the sale of property developments in progress and completed buildings at that date, for a total amount of EUR 7,937 thousand and EUR 6,694 thousand. At said date, the Group had received advances from the related customers totalling EUR 584 thousand and 66 thousand, respectively.

10.3 Impairment losses on inventories

Each year the Group commissions studies from independent valuers to determine the fair values of its investment property at the end of the year. At 30 June 2018 and 31 December 2017, said studies were conducted by "Instituto de Valoraciones, S.A.". Such valuations were performed on the basis of the sale value of the property on the market, 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 30 June 2018 and 31 December 2017, the fair value of the Group 's inventories based on the aforementioned study amounted to EUR 159.3 million and EUR 159.4 million, respectively.

10.4 Insurance policy

The policy of the Group is to take out insurance policies to cover the possible risks to which substantially all its inventories are subject. Directors consider that contracted coverage insurance at 30 June 2018 is sufficient

10.5 Issuance rights

At 30 June 2018, "Inventories" includes the emission rights of greenhouse gases received by the company of the Group "Polygeneration Parc de l'Alba ST-4, SA" which are pending redemption against the Public Administration, with a total cost amounting to EUR 11 thousand, not having associated any deterioration. During 2018, we received emission rights for EUR 22 thousand, having proceed to the redemption against the public administration for the emission rights for CO_2 emissions for year 2017 amounting to EUR 300 thousand, being largely provisioned under the item "Short-term provisions" under current liabilities on the consolidated balance sheet of the Group at 31 December 2017.

At 30 June 2018, under "Emission rights", the Group also includes a negative amount of EUR 173 thousand for the consumption of rights in 2018, which at the end of the first half of the year have not yet been subject of redemption before the Public Administration. This expense has been recorded under "Procurements" in the accompanying consolidated income statement for the year 2018.

11. Net equity

11.1 Share capital

At 30 June 2018 and 31 December 2017, 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 average quote for the last quarter of 2017 has been EUR 3.55 and EUR 3.14, respectively. The closing quote at 29 June 2018 and the average quote for the second quarter of year 2018 has been EUR 3.92 and EUR 3.74, respectively.

At 30 June 2018, the Group holds an ownership interest of 10% of the company's share capital. Mr. Jacinto Rey Gonzalez, with direct and effective ownership interest of 24.952% and 48.292%, respectively.

The General Shareholders' Meeting of the Parent held on 24 June 2015 approved the issuance of warrants to creditors in the syndicated loan of "Grupo Empresarial San José, S.A." for a total amount of € 100 million (see Note 13.4), depending on the participation of each financial entity in said loan, excluding the pre-emptive subscription right and the corresponding capital increase, on the proposal of the report made by the Directors of the Company dated 20 May 2015.

Said transaction was performed according to the provisions under the finance debt restructuring contract of the Group signed on 30 December 2014 (see Note 13.4). The capital increase shall be exclusively disbursed through the offsetting of credit rights derived from the financial restructuring contract, in the event that the rights incorporated into the warrants become effective, for the portion of the loan assumed by the Parent that is not attended at maturity date, the greater of: i) the nominal value of the shares of "Grupo Empresarial San José, SA"; and (ii) the weighted average share price of the Company's shares during the 20 trading days prior to the debt maturity date (31 October 2019), with a limit of 35% of the Company's current share capital.

Issued warrants are associated to the syndicated loan and cannot be transmitted independently.

11.2 Issuance premium

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

11.3 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.

At 31 December 2017, and at the current date, the minimum amount of this reserve was fully incorporated.

11.4 Translation differences

During the first half of year 2018, translation differences recorded as of 31 December 2017, amounting to EUR 6,294 thousand, have been transferred to the income statement, corresponding mainly to a partial spin-off transaction of the associated company "Cresca, SA" (see Note 3).

11.5 Restrictions on the distribution of dividends

There are limitations to dividends that are detailed in Note 13.4, based on the commitments made in the context of the syndicated loan.

11.6 Valuation adjustments

This item of the consolidated half-yearly financial statements includes mainly the net amount of variations in fair value of certain derivative instruments (see Note 13.5), under the provisions of IAS 32 and IFRS 9.

11.7 Shares of the Parent

At 30 June 2018 the Parent did not hold any treasury shares neither had executed transactions with treasury shares during the first half of 2018.

11.8 Property status 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.

At 30 June 2018, the parent records a negative net equity amounting to EUR 38,067 thousand, below the subscribed and paid-up capital. Further, the Parent Company has a participating loan at 30 June 2018 amounting to EUR 109,517 thousand (see Note 13), received from creditor financial institutions, that comes to strengthen its financial position. The resulting total net equity, including the participating loan, is well above the subscribed and paid-in capital. Therefore, there is an equity unbalance according to provisions of Art. 327 and Art 363 of the Companies Act.

11.9 Earnings per share

The basic earnings per share is determined by dividing the net profit attributable to the Group (after taxes and minority interests) by the weighted average number of outstanding shares during the year, excluding the average number of treasury shares held throughout it. According to it:

	Balance at 30 June 2018	**Balance at 30 June 2017**	**Variation**
Net profit for the year attributable to parent (thousands of euros)	6,700	7,966	(1,266)
Weighted average number of outstanding shares (shares)	65,026,083	65,026,083	-
Profit/ (loss) per share (euros / share)	0.10	0.12	(0.02)

There is no potential dilutive effect derived from stock options, warrants, convertible debt or other instruments at 30 June 2018, additional to that which could be evidenced as a consequence of the execution of the warrants that the Parent Company has issued, whose exercise, in case it is carried out, would be in the year 2019. As of 30 June 2018, the diluted benefit per share coincides with the basic benefit.

12. Current and non-current provisions

Breakdown of these items within the condensed consolidated balance sheet for the first half of year 2018 is as follows:

	Thousands of Euros	
	Long-term provisions	Short-term provisions
Balance at 31 December 2017	**30,313**	**37,895**
Provisions	2,500	7,383
Reversals	(715)	(9,459)
Applications	(35)	(88)
Exchange rate differences and other	(1,101)	(53)
Balance at 30 June 2018	**30,962**	**35,678**

12.1. Non-current provisions:

This item mainly includes provisions to cover possible contingencies that may arise in the Group, arising from litigation and court proceedings.

Note 15 to the consolidated financial statements for year 2017 describes the main litigation and court proceedings and other risks provisions at said date.

During the first half of year 2018, no significant changes with regards to current claims have been recorded.

12.2. Current provisions:

Current provisions classified under "Short-term provisions" include estimated amounts to face possible business contingencies. Likewise, this item includes the margin expected for completing those contracts were a negative result has been forecast.

13. Financial Liabilities

Breakdown of this item within the consolidated balance sheet at 30 June 2018 and 31 December 2017 as follows:

<u>*30 June 2018:*</u>

	Thousands of Euros		
	Debts and accounts payable	**Derivatives** (Nota 13.5)	**Total**
Non-current financial liabilities:			
Obligations and other securities (Note 13.1)	69,067	-	**69,067**
Bank borrowings (Note 13.2)	305,325	469	**305,794**
Other financial liabilities	4,237	-	**4,237**
Total non-current	**378,629**	**469**	**379,098**
Current financial liabilities:			
Obligations and other securities (Note 13.1)	32,394	-	**32,394**
Bank borrowings (Note 13.2)	28,776	3	**28,779**
Other financial liabilities	3,220	-	**3,220**
Total current	**64,390**	**3**	**64,393**

<u>*31 December 2017:*</u>

	Thousands of Euros		
	Accounts payable	**Derivatives**	**Total**
Non-current financial liabilities:			
Obligations and other securities (Note 13.1)	102,463	-	**102,463**
Bank borrowings (Note 13.2)	313,418	-	**313,418**
Derivatives (Note 13.5)	-	591	**591**
Other Financial Liabilities	3,624	-	**3,624**
Total non-current	**419,505**	**591**	**420,096**
Current financial liabilities:			
Obligations and other securities (Note 13.1)	33,426	-	**33,426**
Bank borrowings (Note 13.2)	29,066	-	**29,066**
Derivatives (Note 13.5)	-	3	**3**
Other Financial Liabilities	3,333	-	**3,333**
Total current	**65,825**	**3**	**65,828**

The items "Other non-current financial liabilities" and "Other current financial liabilities" include, mainly, debts of companies of the Group with minority shareholders for the for acquisition of property assets. Likewise, it includes real estate liabilities.

13.1 Obligations and other securities

On 24 March 2015 the Group issued bond in the capital market of Chile, through its associate “Sociedad Concesionaria San José-Tecnocontrol, S.A.” relying on Banco Itaú Chile as finance advisor. Total emission amounted to EUR 6,302 thousand UF (nearly EUR 223,684 thousand). Said bonds were used for the early repayment of the syndicated loan granted to the Group in Chile in 2011 for the financing of the construction of the hospitals of Maipú and La Florida in Chile. Further, the surplus has been used to partially settle the syndicated loan of “Constructora San José. S.A.” amounting to EUR 7 million, and the settlement of derivative financial instruments, property of “Sociedad Concesionaria San José-Tecnocontrol S.A.”. It is amortised on an annual basis by means of fixed instalments amounting to UF 1,014 thousand, with maturity on 30 June 2021, with an average interest rate amounting to 3.1%. Said transaction had been guaranteed, with an average annual rate of 4.0%.

There are no other additional guarantees from said financing transaction.

Syndicated loan amortisation shall be executed in seven annual payments due as of 30 June from 2015 to 2021. At 30 June 2018, the Group has paid the fourth instalment. The outstanding principal of these loans at 30 June 2018 matures approximately as follows:

Thousands of Euros			
Year 2019	**Year 2020**	**Year 2021**	**Total**
32,394	34,012	35,055	**101,461**

(*) Gross amounts prior to deducing borrowing costs, amounting to EUR 2,391 thousand at 30 June 2018.

13.2 Bank borrowings

Breakdown of this item within the consolidated balance sheets as follows:

	Thousands of Euros	
	30.06.2018	**31.12.2017**
Non-current:		
Finance leases	-	-
Bank loans and credit facilities	12,439	13,516
Syndicated loan “Grupo Empresarial San José, S.A.” (Note 13.4)	109,517	107,883
Syndicated loan “Constructora San José, S.A” (Note 13.4)	183,369	192,019
Derivatives (Note 13.5)	469	591
Total no corriente	**305,794**	**314,009**
Current:		
Finance leases	-	162
Syndicated loan “Constructora San José, S.A” (Note 13.4)	19,000	20,700
Bank loans and credit facilities	4,569	-
Total mortgage loans secured by inventories (Note 13.3)	5,207	5,372
Derivatives (Note 13.5)	3	3
Total current	**28,779**	**26,237**
TOTAL	**334,573**	**340,246**

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

At 30 June 2018, “Non-current bank borrowings and loans" under non-current liabilities includes mainly:

- EUR 6,231 thousand corresponding to Project finance, granted for the construction, commissioning and operation of the Plant and the facilities of the Group company Poligeneracio Parc de LAlba ST-4, S.A. (see Note 6.2). Said plant acts as collateral for credit facilities, without recourse for the Group.

- EUR 5,555 thousand for credit facilities, with maturity in 2019 and for a variable interest rate according to three-month Euribor plus a market spread.

"Bank borrowings and loans" from current liabilities of the attached consolidated balance sheet at 30 June 2018 and 31 December 2017 includes EUR 1,130 thousand and EUR 1,185 thousand, respectively, for financial expenses pending settlement at said dates. EUR 1,027 thousand (EUR 1,081 thousand at 31 December 2017) refer to the syndicated credit of the company (see Note 13.4).

13.3 Mortgage loans

The Groups records as collateral to mortgage loans, real estate assets for a net cost amounting to EUR 9,142 thousand at 31 December 2017 (see Note 11).

Mortgage loans secured by inventories

All the bank borrowings associated with "Inventories" (regardless of the maturity thereof) are recorded in the consolidated balance sheet under "Current Liabilities".

These mortgage loans bear annual floating interest at a market rate, which in 2017 ranged from 2.18% to 2.88%.

The outstanding principal of these loans at 30 June 2018 matures approximately as follows:

Thousands of Euros				
Year 2018	**Year 2019**	**Year 2020**	**Year 2021 and following**	**Total**
167	341	350	4,349	**5,207**

13.4 Syndicated financing

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 a modifying novation agreement 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.

These financial restructuring agreements led to the novation of the syndicated financing agreement signed in April 2009, as well as a set of bilateral financing 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:

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; At 30 June 2018, the amount recorded amounts to EUR 202 million. Maturity of the outstanding amount shall be paid according to the following schedule:

Thousands of Euros		
Year 2018	Year 2019	TOTAL
10,350	192,019	**202,369**

On 30 April 2018, EUR 10,350 thousand have been paid. At 30 June 2018, total partial early repayment paid by the Group amounts to EUR 7,181 thousand.

Quarterly settlement of accrued financial interest is established. At 30 June 2018 and 31 December 2017, the amount of outstanding finance expense accrued amounts to EUR 522 thousand and EUR 1,081 thousand, respectively.

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 tranche amounting to EUR 28.8 million.
- Stretch B: financing credit facilities for the execution of 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 credit facility for 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.

- EBITDA: referring to "Constructora San Jose, S.A. and Subsidiaries" Annual requirements are set out.

- Debt coverage ratio: referring to "Constructora San Jose, S.A. and Subsidiaries". It shall be calculated quarterly on a year-on-year basis.

The Directors of the Parent deem at 30 June 2018 that the Group meets all the requirements.

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 on a 2% fixed interest rate to be increased up to 3% interest rate on the third and fourth year and a 4% interest rate on the fifth year, including a variable rate according to the outcome of the Group, 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 San José with a limit of 35% of total social capital of the company. This transaction has been materialised through the emissions of warrants approved at the Shareholders' Meeting of “Grupo Empresarial San José, S.A” held on 24 June 2015.

Said warrants entitle holders the right to subscribe newly issued shares of Grupo San José 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 San José by reference to the weighted average price of the previous 20 sessions prior to the maturity date. 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.

Warrants will not be listed on any secondary markets and shall only be transferable with debt of Grupo San José. Therefore, its fair value of zero, both at the initial and subsequent recognition.

During the first half of year 2015, the judicial approval of the amendment novation agreement was obtained, in accordance with the provisions of the Fourth Additional Provision of the Bankruptcy Law.

At 31 December 2017, the Group has real estate assets amounting to EUR 17,994 thousand, which guarantee the syndicated credit for EUR 34,176 thousand without recording any significant changes during the first half of year 2018.

13.5 Derivative financial instruments

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

The objective of these contracts is to neutralize or to limit, through the contracting of interest rate derivatives, as well as currency, the fluctuation in the cash flows to be disbursed for the payment referenced to variable interest rates of the Group's financing (mainly Euribor), as well as the effect of the exchange rate on these liabilities.

At 30 June 2018, derivative financial instruments of Grupo SANJOSE are mainly Interest Rate Swaps and cross-currency swaps. During the first half of year 2018, no significant changes with regards to contracted derivatives by the Group.

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.

Interest rate derivatives contracted by the Group and effective at 30 June 2018 and 31 December 2017, together with their fair value at said date, are the following:

<u>*30 June 2018:*</u>

	Thousands of Euros				
	Financial Instrum.	**Maturity**	**Initial par value**	**Remaining par value at 30.06.2018**	**Balance at 30.06.2018** (Note 13)
<u>Effcient Hedges</u>					
Trendy King, S.A.U.	CCS-GBP	17/09/2018	182	182	(1)
Trendy King, S.A.U.	CCS-USD	17/09/2018	1,289	1,289	75
Trendy King, S.A.U.	CCS-GBP	10/12/2018	29	29	-
Trendy King, S.A.U.	CCS-USD	15/01/2019	1,428	1,428	7
Trendy King, S.A.U.	CCS-GBP	15/01/2019	204	204	(2)
Poligeneració Parc de l'Alba ST-4, S.A.	IR Swap	15/12/2021	15,451	4,899	(469)
			18,583	**8,031**	**(390)**

31 December 2017:

Company	Financial Instrum.	Maturity	Thousands of Euros		
			Initial par value	Remaining par value at 31.12.2017	Balance at 31.12.2017 (Note 13)
Efficient Hedges:					
Trendy King, S.A.U.	CCS-usd	15/06/2018	112	112	1
Trendy King, S.A.U.	CCS-usd	17/09/2018	182	182	(3)
Poligeneraciò Parc de l´Álba ST-4, S.A.	IR Swap	15/12/2021	15,541	5,475	(591)
TOTAL			**15,835**	**5,769**	**(594)**

Assets and liabilities as hedge financial instruments include the changes in the measurement of fair value of hedge financial instruments. At 30 June 2018, instruments hold by the Group company “Poligeneració Parc De L’Alba, S.A. (ST4)” and the commercial subgroup 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 30 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.

The Group records as equity the change in fair value of hedge accounting financial instruments. At 30 June 2018 and 31 December 2017, the change in fair value of Derivative Financial Instruments allocated as Hedge Elements for their effective portion accumulated in Equity amounts to EUR 209 thousand and EUR 497 thousand, respectively

During the first half of 2018 and during year 2017, EUR 149 thousand and EUR 354 thousand have been recycled from equity to interest costs as greater financial interest, respectively, as interests being hedged pursuant to allocated Hedging Relationships were recorded.

Measurement of efficiency of financial instruments

According to IFRS 9, 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.

Sensitivity analysis of interest rate and exchange rate

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

a) Changes in the long-term Euro interest rate and Swaps curve and CLP interest rate curve.

b) Changes in currency swaps depend on the average exchange rate of Unidades de Fomento (UF) and Chilean Pesos (CLP).

At 30 June 2018, changes in the value of financial instruments due to changes in interest rates is not significant,

Classification of financial instruments

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

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

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

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

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

Derivatives of the Group are classified as Level 2. On a residual basis, as of 30 June 2018, the Group classified as Level 1 the investment made in shares of an investee (see Note 13.4).

No transfers from Level 1 to Level 2 have taken place during the first half of year 2018. Neither had taken place inputs or outputs of Level 3 at 31 December 2017.

Fair value of financial instruments at amortised cost

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

Applicable pricing techniques and hypothesis to measure fair value:

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

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

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

• To determine the fair value of interest rate derivatives, cash flow discount based on assumptions established by the interest rate curve according to market conditions is used. To determine the fair value of the interest rate derivatives (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.

The Group's derivative financial instruments at 30 June 2018 are classified under Level 2.

14. Guarantee commitments to third parties

At 30 June 2018 and 31 December 2017, the Group had received from banks and insurance companies guarantees provided to third parties amounting to EUR 369 million and EUR 338 million, respectively (mainly project and definite tender and performance bonds to public and private bodies), of which EUR 0.04 million correspond to the Parent at both dates, and the remaining to subsidiaries.

Of the total of guarantees provided to third parties by the Group, EUR 223 million (approximately 60%) relate to the international activity of the Group, mainly in Abu Dhabi and India, amounting to EUR 140 million and EUR 45 million, respectively

Said guarantees related to the Parent and Associates correspond mainly to bid bonds and performance guarantees granted to public and private entities, mainly, Banks and insurance companies.

In addition, regarding the guarantees provided to third parties by associated companies, the most relevant one related to "Distrito Castellana Norte, S.A.", it is worth EUR 12 million and corresponds 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 Directors do not consider any liability arising in connection to the committed guarantees.

15. Taxation

Directors of Grupo SANJOSE, for the preparation of this condensed consolidated financial statements at 30 June 2018, have taken into consideration the standards applicable during year 2018 up to now, without recording significant modifications with regards to the tax situation of the Group.

Years open for review by the tax authorities

Note 20.1 to the financial statements for year 2017 details the years open for review, as well as the main activities of the inspection.

On 16 May 2018, notice of opening of the tax inspection procedure of the Spanish tax group for the years 2013 to 2016 has been received.

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.

16. Other disclosure

16.1. Average workforce

The average workforce by professional category is as follows:

	30/06/2018		31/12/2017	
Category	**Men**	**Female**	**Men**	**Female**
University graduates	440	99	379	92
University three-year degree graduates	467	97	347	79
Clerical staff	121	110	127	108
Officers and technical personnel	1,528	120	1,666	80
	2,556	**426**	**2,519**	**359**

The average workforce at 30 June 2018 amounted to 3,017, of which 2,587 were men and 430 women.

The average number of people employed in the course of the year with a disability greater than or equal to 33% is similar to that at 31 December 2017, being mainly diploma graduates. The Company, taking into account the specific risk involved in its activity, has recognised the exceptionality of hiring disabled workers, fulfilling it by contracting services with different special employment centres. These contracts are on an annual basis, incurring into an average expense higher than the minimum required by law.

16.2. Financial income

The consolidated income statement for the first half of 2018 includes, in addition to interest accrued by the Group's liquidity positions, the financial income associated with the account receivable from the Ministry of Public Works of Chile for the construction of Hospitals of Maipu and La Florida in Chile (see Note 9.1), amounting to EUR 4,062 thousand (EUR 5,245 thousand in the first half of 2017), as well as deferred interest amounting to EUR 384 thousand (EUR 747 thousand in the first half of 2017).

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

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

	Thousands of Euros					
	Granted Loans (Notes 9.1 and 9.2)	Accounts payables	Trade receivables	Finance expense	Financial income	Services received
Panamerican Mall, S.A.	1,087	-	-	-	-	-
Cresca, S.A.	-	-	-	-	-	-
Pinos Altos XR, S.L.	-	10	-	-	-	-
Pinar de Villanueva, S.L.	-	-	1,447	-	-	-
JV partners and others	1,006	5,542	675	21	3	-
Total	**2,093**	**5,552**	**2,122**	**21**	**3**	**-**

18. Remuneration

18.1 Remuneration of Directors

The detail of the remuneration of all kinds earned in the first half of 2018 and during the year 2017 by the Directors of Grupo Empresarial San José, S.A., for any reason and by any group company, jointly controlled entity or associate obliged to pay such remuneration are as follows:

Type of board members	Thousands of Euros	
	30.06.2018	30.06.2017
Executive board members	1,678	1,690
Independent board members	106	112
Other external board members	9	9
Total	**1,793**	**1,811**

At 30 June 2018 and 31 December 2017, 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.

The directors of the Company are covered by the "Corporate Liability Insurance Policies of Directors and Officers" contracted by the parent company of Grupo SANJOSE , in order to cover possible damages that may be claimed, and that they arise as a result of an error of management committed by its managers or directors, as well as those of its subsidiaries, in the exercise of their positions (see Note 24.1 on Notes to the accompanying consolidated financial statements of the Group for the year ended 31 December 2017).

18.2 Remuneration and other benefits of senior executives

Total remuneration of all kinds of Directors of the Parent and people discharging similar duties, excluding those who are simultaneously members of the Board of Directors (whose remuneration is disclosed above), is summarised as follows:

Number of people	Thousands of Euros
At june 2018:	
9 Directors	648
At june 2017:	
13 Directors	661

Neither the Parent, not any other company of the Group, have any pension or life insurance obligations to these directors.

Translation into English of consolidated directors' report for the period ending on 30 June 2018 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

GRUPO EMPRESARIAL SAN JOSE, S.A.
AND SUBSIDIARIES

Interim consolidated Directors' Report for year 2018

1. <u>Situation of the Company</u>

1.1. Organisational Structure

Grupo SANJOSE is arranged as a group of companies operating in different sectors. Since its foundation, the main business activity of the Group is construction, becoming even more important during the last years as a consequence of the sale of the company San José Desarrollos Inmobiliarios, S.A.U.", main holder of real estate assets.

The Group has the following business lines.

Likewise, due to the diversification policy of the Group, the Group is present in other lines of activity, such as real estate, trade, stockbreeding and agriculture.

1.2. Performance

The business model of the Group is to create a diversified group regarding both, geographic distribution and lines of activity in order to reduce risks arising from over-concentration. Further, the Group has a clear international vocation, being very important activities developed overseas, with a significant importance on total turnover of the Group. In 2017, 56.4% total activity of the Group was developed overseas. During the first half of year 2018, activity developed by the Group overseas amounts to 51% total activity.

The Group is present in more than 20 countries all around the world, especially in the Middle East and Latin America.

The main objective of the Group is to continue balancing the turnover, taking the construction activity as the main engine, increasing the weight in the international arena -powering the development in the countries where we are already present and in those of future penetration-, maintaining the levels of quality in the production and customer's and supplier's satisfaction, that have positioned Grupo SANJOSE as a reference in the market, analysing and encouraging the application of innovations and technological progress, and maintaining an adjusted cost structure that guarantees the profitability of the projects.

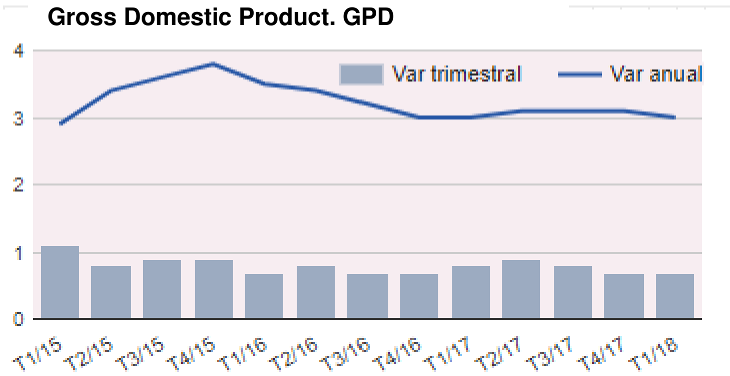
2. <u>Evolution of the market</u>

2.1. Market performance

The economic and financial crisis since the end of 2007 has resulted in an abrupt reduction in the level of activity from 2007 to present date, not only in Spain but throughout Europe as a whole. In the last two years, signs of improvement have begun to appear.

In 2013, there has been a turning point in the domestic economy, technically coming out of recession. Inter-annual variation of the GDP during 2017 was 3.1%, which adds four years of recovery and three consecutive years growing above 3%.

The Gross Domestic Product (GDP) grew by 0.7% in the first three months of 2018, a rate equal to that of the fourth quarter of 2017. The year-on-year change in GDP was 3%, one tenth less than that of the fourth quarter of 2017, when it was 3.1%.



Source.: INE

The main causes of growth have been exports, which together with consumption and tourism remain the pillars of economic improvement. The economy is supported by these three basic pillars that could suffer in coming months. On the one hand, exports, which are at historic highs, but which are threatened by the protectionist escalation and by an increase in crude oil, can unbalance the trade balance. On the other hand, domestic consumption, which will relax in the coming quarters due to demand limitations during the crisis (for all those expenses stopped due to lack of confidence). And finally, the pull of the tourism industry and services, which has reached its top maximum levels in the last years and is expected to be affected negatively in the following years (due to the recovery of areas that compete directly with Spain, such as Egypt or Turkey).

However, the Bank of Spain has recently revised the growth of the Spanish economy for the next three years, forecasting a GDP growth of 2.7% this year, which will slow to 2.3% in 2019 and 2.1% in 2020.

The influence of the construction sector on the cycle of global economic activity in Spain is very significant. Over the past few years, its role has been reduced by the current situation. Its importance lies in the drag effect of the construction sector on the whole economy, for the impact on suppliers and because it provides the country with the necessary measures to enable the economy infrastructure, thus contributing to the increase the productivity and the long-term growth capacity of the economy in general.

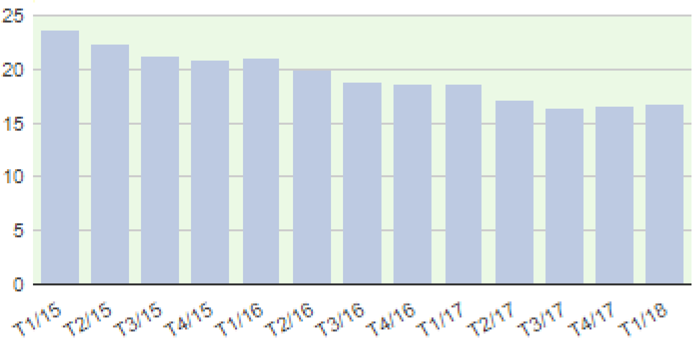
Likewise, the IMF International Monetary Fund has raised this year's growth forecast for Spain by four tenths, from the 2.4% it had calculated last January up to the 2.8% estimated in its forecasts dated April 2018. This review places the Spanish economy among the most dynamic advanced economies on the world scene, with a higher GDP forecast than Germany or France, after a few months of uncertainty about the Catalan political crisis. This risk has not faded on the horizon but has stopped shaking the activity in the short term. The IMF is more concerned now about the future of public debt and the weak labour market. This growth is slowing down very significantly, going from an expansion of 3.1% in 2017, to forecasts of 2.8% in 2018, 2.2% in 2019. In 2020, the growth calculated by the Fund will already be below that symbolic barrier of 2% (1.8%), from which it usually costs more to create jobs for Spain, and from that year until 2023, it will no longer reach 1.7%.

The change in the trend of the Spanish economy has been well seen from the outside. As a consequence, the risk perception of the foreign investor, which is translated into the risk premium (the difference between the 10-year Spanish bond with regards to the German bond for the same term, the most used indicator to quantify the risk) that had already closed the first half of 2018 at 100 points, what already represents the lowest level of the last years and confirms the improvement in international perception.

However, so as to consolidate the change in the trend that has taken place in the domestic economy, aspects such as employment, public debt and public deficit should be improved.

With regard to employment, at 2017-year end, the decline in unemployment recorded in previous years was maintained, with the unemployment figure standing at 16.55%. The recovery of the labour market has been maintained at the beginning of 2018, maintaining the percentage at 16.74% at the end of the first quarter of 2018.

Labour Force Survey. Unemployment rate (%)



Source.: INE

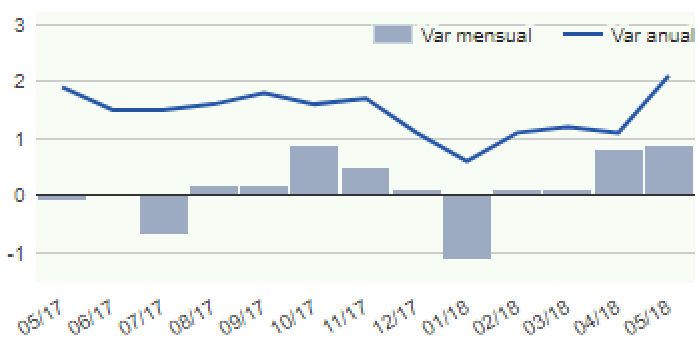
Although the figure at the end of the first quarter of 2018 was similar to that at the end of year 2017, in April and May the contracting market has accelerated. The total number of unemployed reached at the end of May the figure of 3,252,130 unemployed, its lowest level since December 2008, as highlighted by Employment. Since the peak reached in February 2013, unemployment has been reduced by almost 1.8 million people.

With regard to public debt, in Spain it has grown in the first quarter of 2018 by EUR 16,315 million and stands at 1,160,613 million. In April of this year it has decreased by EUR 9,746 million with respect to March, so that it has gone from 1,160,613 million to 1,150,867 million (97.87% of GDP), confirming a tendency to contain spending.

As for the public deficit, the closure of 2017 was positive for Spain: it met the deficit target of Public Administrations marked by European institutions. However, Spain is the EU country with a greater difference between public revenue and expenditure. The deficit last year reached 3.07% The deficit of the whole of the public administrations (not including the city councils) stood at EUR 4,653 million until March, equivalent to 0.38% of GDP and 20.8% lower than in the first quarter of last year. year. If aid to financial institutions was to be included (176 million in 2017 and 62 million in 2018), the public deficit until March would have been EUR 4,715 million, equivalent to 0.39% of GDP, with a year-on-year reduction of 0,12 percentage points of GDP.

Regarding inflation, the Consumer Price Index (CPI) of Spain in May 2018 was at 2.1%, which represented a drop of nine tenths compared to the first quarter of the year, mainly justified by the rise in fuel prices (diesel and gasoline), compared to the decrease experienced in 2017. The increase in electricity prices has also influenced this.

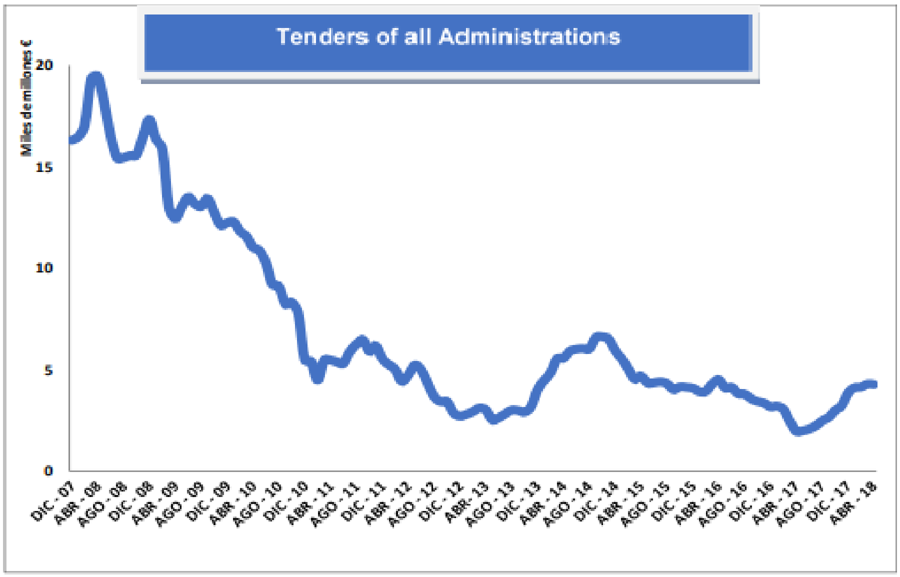
Consumer price index.

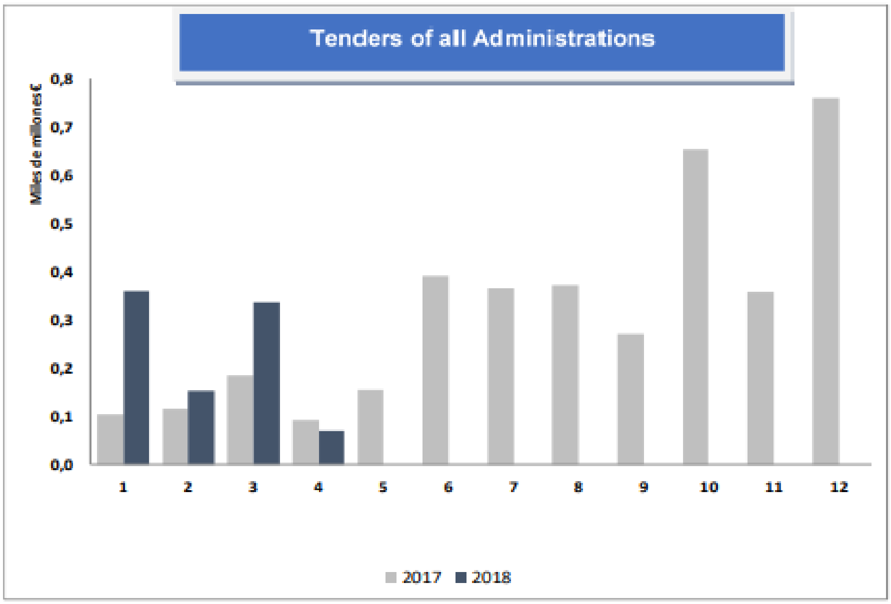


Source.: INE

During 2017, the bidding level was somewhat higher than in 2016 (there was an increase of 32%), as part of the greater investment of public expenditure, although within the austerity framework of the Administrations (12.875 million-SEOPAN data)

During the first months of year 2018, the increase in public tenders was maintained, experiencing an increase of around 75% with respect to the same period of 2017 (SEOPAN data accumulated up to April):





Source.: SEOPAN

Grupo SANJOSE is present in the Middle East, South America and Asia. At the end of the first half of 2018, the foreign business volume stood at 51% of the Group's total turnover compared to 56.4 in 2017.

The average world economy will grow in 2018 according to the IMF. World growth is projected to increase to 3.9% in both 2018 and 2019, supported by favourable financial conditions. Advanced economies will grow faster this year and the following year. The aggregate growth of emerging market and developing economies will be further strengthened, according to projections.

In its review of the growth expectations of world economies, the IMF has revised upward by two tenths its forecasts for the US made last January, whose expansion will reach 2.9% this year and 2.7% the following year, thus becoming the advanced economy with better developments during this year and the next year thanks to the impact of the tax reform that came into force in 2018. In the case of the euro zone, the institution has improved by two tenths its previous forecast for 2018, up to 2.4%, while maintaining its growth forecast for next year at 2%, while for the United Kingdom it expects GDP growth of 1.6% in 2018, one tenth more than in January, and of 1.5% in 2019. In this way, the developed economies will register an expansion of 2.5% in 2018, two tenths above the previous IMF forecast, while their expansion will moderate to 2.2% in 2019. For emerging economies, it maintains its forecast of 4.9% in 2018 and improved one tenth that of 2019, standing at 5.1%.

With this macroeconomic situation, the Group's basic lines of activity are the effort to improve profitability, being flexible in adapting its structure to the reality existing in Spain and strengthening its intention to present a business with a diversification and growing internationalization.

The Group develops its activities in sectors, countries and socio-economic and legal environments that assume the assumption of different levels of risk caused by these conditions. Thus, it controls such risks in order to prevent them from causing a loss to the profitability of its shareholders or a problem for its customers. For this control task, it has instruments that allow them to be identified sufficiently in advance or avoided minimizing the risks.

The Group maintains a portfolio of EUR 1,886 million, ensuring its medium and long-term future, both in the execution of work, and in the realisation and provision of services in concession and energy projects

2.2. Main figures of the GROUP

Main consolidated figures of Grupo SANJOSE for the first half of 2017 are as follows:

Consolidated Management Balance Sheet

Thousands of euros

	Jun. 17		Dic. 16		
	Amount	**%**	**Amount**	**%**	**Var.**
Intangible assets	19,025	2.1%	20,557	2.0%	-7.5%
Property, plant and equipment	45,967	5.0%	45,900	4.5%	0.1%
Real state investments	3,964	0.4%	4,711	0.5%	-15.9%
Investments accounted	50,191	5.5%	53,121	5.2%	-5.5%
Long term finantial investments	111,797	12.1%	150,947	14.7%	-25.9%
Deferred taxes assets	31,243	3.4%	32,839	3.2%	-4.9%
Goodwill on consolidation	9,984	1.1%	9,984	1.0%	0.0%
TOTAL NON-CURRENT ASSETS	**272,171**	**29.6%**	**318,059**	**31.1%**	**-14.4%**
Non current assets held for sale	0	0.0%	4,186	0.4%	
Inventories	104,888	11.4%	104,122	10.2%	0.7%
Trade and other receivables	241,126	26.2%	242,529	23.7%	-0.6%
Other short term finantial investments	100,126	10.9%	101,884	10.0%	-1.7%
Cash and cash equivalents	202,052	22.0%	251,839	24.6%	-19.8%
TOTAL CURRENT ASSETS	**648,192**	**70.4%**	**704,560**	**68.9%**	**-8.0%**
TOTAL ASSETS	**920,363**	**100.0%**	**1,022,619**	**100.0%**	**-10.0%**

Thousands of euros

	Jun. 17		Dic. 16		
	Amount	**%**	**Amount**	**%**	**Var.**
Equity attributable to shareholders of the parent	60,933	6.6%	60,737	5.9%	0.3%
Minority interest	19,133	2.1%	21,297	2.1%	-10.2%
TOTAL EQUITY	**80,066**	**8.7%**	**82,034**	**8.0%**	**-2.4%**
Long term provisions	26,463	2.9%	28,963	2.8%	-8.6%
Long term finantial liabilities	322,964	35.0%	383,617	37.5%	-15.8%
Long term derivative finantial contracts	735	0.1%	906	0.1%	-18.9%
Deferred taxes liabilities	14,898	1.6%	15,491	1.5%	-3.8%
Other long term liabilities	937	0.1%	965	0.1%	-2.9%
TOTAL NON CURRENT LIABILITIES	**365,999**	**39.8%**	**429,942**	**42.0%**	**-14.9%**
Short term provisions	41,372	4.5%	42,386	4.1%	-2.4%
Short term finantial liabilities	68,222	7.4%	63,724	6.2%	7.1%
Payables to related companies	69	0.0%	2,620	0.3%	-97.4%
Trade accounts and other current payables	364,635	39.6%	401,913	39.4%	-9.3%
TOTAL CURRENT LIABILITIES	**474,298**	**51.5%**	**510,643**	**50.0%**	**-7.1%**
TOTAL EQUITY & LIABILITIES	**920,363**	**100.0%**	**1,022,619**	**100.0%**	**-10.0%**

(*) **Management Net Equity:** EUR 106.2 million and EUR 104.7 million have been recorded under this item at 30 June 2017 and 31 December 2016, respectively, as shareholder loan of Grupo Empresarial San José, S.A.

Consolidated management income statement

Main consolidated figures of Grupo SANJOSE for the first half of year 2018 (1S-2018), having recorded a EUR 12.1 million profit versus the EUR 7.9 million in the same period of previous year, are as follows.

Thousands of euros

		Grupo SANJOSE		
		Jun. 18	**Jun. 17**	**Var.(%)**
Revenue		329,878	332,041	-0.7%
Operating cash flow (EBITDA)		20,393	20,381	0.1%
	EBITDA margin	6.2%	6.1%	
Ordinary operating profit (EBIT)		21,665	17,648	22.8%
	EBIT margin	6.6%	5.3%	
Earnings before tax		18,352	11,869	54.6%
Income tax		-6,203	-3,987	55.6%
Profit/(Loss) for the period		12,149	7,882	54.1%

To be highlighted:

- EUR 12.1 million net profit for 1S-2018, 54.1% increase with regards to the same period of the previous year.
- 22.8% increase in the operating profit, with regards to the same period of the previous year.
- Construction activity contributes 86% total activity of the Group, and EBITDA of this activity represents 60% total EBITDA of Grupo SANJOSE.

Alternative Performance Measures (MAR):

In the consolidated financial statements for the year ending 30 June 2018, the Group presents its results in accordance with generally accepted accounting standards (IFRS - see Note 2.1 of the accompanying consolidated notes). However, directors of the Group believe that certain alternative performance measures (MARs) reflect the true and fair view of its financial information and provide useful additional financial information used in the management of the business and therefore must be considered to adequately assess the performance of the Group.

Among others, the Group identifies the following MARs:

- **EBITDA:** gross operating result, calculated from operating income, excluding from this figure the amount of depreciation, provisions and impairment provided or reversed during the period, as well as the result from disposal of property, plant and equipment.

- **Net financial debt (NFD):** total amount of bank and non-bank financial debt, including finance lease creditors and the valuation of obligations associated with financial derivative instruments, discounting the amount recorded under "Other current financial assets" And "Cash and cash equivalents" under current assets in the balance sheet.

  (*) The Group does not include as bank financial debt the derivative of the syndicated loan agreement of "Grupo Empresarial San José, SA", amounting to EUR 109.5 million and EUR 107.9 million 30 june 2018 and 31 December 2017, respectively, as shareholder loan of Grupo Empresarial San José, S.A.

- **Backlog:** total amount of sales contracted by Group companies with customers, discounting the part realised and recognised as income in the income statement. With regards to concessions, the total amount of sales has been identified with the best estimate made by the Group, which is included in the economic-financial business plan of the concession.

Revenue:

Net revenue of Grupo SANJOSE for 1S-2018 stands at EUR 329.9 million, recording almost the same level as the same period of the previous year.

One more quarter, the construction business activity of Grupo SANJOSE keeps gaining importance within the Group's revenue; turnover of this line of activity for the first half of year 2018 amounts to EUR 283.6 million and represents 86% total revenue for the period.

At 30 June 2018, backlog amounts to EUR 1,886 million, experimenting a 15.7% increase with regards to 2017-year end. Construction activity represents 63% total backlog of the Group at the end of the first half of 2018.

Revenue of Grupo SANJOSE by type of activity is as follows:

Thousands of euros

	Grupo SANJOSE				
Revenues by activity	**Jun. 18**		**Jun. 17**		**Var.(%)**
Construction	283,569	86.0%	291,392	87.7%	-2.7%
Real estate and property development	1,624	0.5%	3,472	1.0%	-53.2%
Energy	4,710	1.4%	5,939	1.8%	-20.7%
Concessions and services	24,687	7.5%	23,591	7.1%	4.6%
Adjustment and other	15,288	4.6%	7,647	2.3%	
TOTAL	**329,878**		**332,041**		**-0.7%**

The international market gains significant importance for Group SANJOSE, representing 51% total revenue of the Grupo for the first half of 2018, highlighting also a slow recovery of the domestic market, contributing 49% total revenue of the Group.

Thousands of euros

	Grupo SANJOSE				
Revenues by geography	**Jun. 18**		**Jun. 17**		**Var.(%)**
National	163,053	49%	132,447	40%	23.1%
International	166,825	51%	199,594	60%	-16.4%
TOTAL	**329,878**		**332,041**		**-0.7%**

Profit:

EBITDA of Grupo SANJOSE for 1S-2018 amounts to EUR 20.4 million, representing 6.2% on net revenue, recording almost the same volume and margin levels achieved in the 1S-2017.

The Construction line of activity provides in 1S-2018 an EBITDA amounting to EUR 12.2 million.

Also noteworthy was the evolution of the Concessions & Services business line of activity, where EBITDA increased by 79.1% in 1S-2018 with regards to the same period of the previous year.

Breakdown of EBITDA by sector for the first half of years 2018 and 2017 is as follows:

Thousands of euros

EBITDA by activity	Grupo SANJOSE Jun. 18		Jun. 17		Var.(%)
Construction	12,223	60.0%	13,216	64.9%	-7.5%
Real estate and property development	40	0.2%	1,094	5.4%	-96.4%
Energy	1,449	7.1%	1,901	9.3%	-23.8%
Concessions and services	1,524	7.5%	851	4.1%	79.1%
Adjustment and other	5,158	25.3%	3,319	16.3%	
TOTAL	**20,393**		**20,381**		**0.1%**

EBIT of Grupo SANJOSE for 1S-2018 amounts to EUR 21.7 million, improving in 22.8% with regards to the same period of the previous year and representing a 6.6% margin on net revenue.

Profit after tax of Grupo SANJOSE for 1S-2018 amounts to EUR 12.1 million.

Net equity

The management net equity of Grupo SANJOSE as of 30 June 2018 amounts to EUR 81.7 million. The participatory loan granted to the Group, amounting to EUR 109.5 million at 30 June 2018, is recorded as higher value of the management net equity,

Backlog

The backlog of Grupo SANJOSE, which indicates the Group's future contracted business, amounts to EUR 1,886 million at 30 June 2018. Being the detail as follows:

Millions of euros

BACKLOG by segment	Grupo SANJOSE Jun. 18		Dic. 17		Var.(%)
Construction	**1,196**	**63%**	**916**	**56%**	**30.6%**
Civil works	245	13.0%	176	10.9%	39.3%
Non residential building	651	34.4%	537	33.1%	21.2%
Residential building	290	15.4%	195	12.0%	49.1%
Industrial	10	0.5%	8	0.5%	27.7%
Energy	**492**	**26%**	**496**	**30%**	**-0.8%**
Concessions and services	**198**	**11%**	**218**	**13%**	**-9.1%**
Maintenance	15	2%	19	1%	-24.0%
Concessions	183	10%	200	12%	-8.1%
TOTAL BACKLOG	**1,886**	**100%**	**1,630**	**100%**	**15.7%**

Millions of euros

BACKLOG by geography	Grupo SANJOSE Jun. 18		Dic. 17		Var.(%)
National	**1,169**	**62%**	**909**	**56%**	**28.5%**
International	**717**	**38%**	**721**	**44%**	**-0.5%**
TOTAL BACKLOG	**1,886**		**1,630**		**15.7%**

Millions of euros

BACKLOG by client	Grupo SANJOSE Jun. 18		Dic. 17		Var.(%)
Public client	**855**	**45%**	**916**	**56%**	**-6.7%**
Private client	**1,031**	**55%**	**714**	**44%**	**44.5%**
TOTAL BACKLOG	**1,886**		**1,630**		**15.7%**

Project backlog for the 1S-2018 amounts to EUR 1,886 million, recording a 15.7% increase with regards to that at 31 December 2017.

The portfolio of the construction area experienced an increase of 30.67%, reaching EUR 1,196 million.

2.3. Analysis by sector

Construction

This construction line of activity has generated revenues for EUR 283.6 million during 1S-2018, representing a 2.7% decrease compared to the same period of the previous year.

EBITDA for 1S-2018 stands at EUR 12.2 million, representing a 4.3% margin on sales.

At the end of the first half of 2018, project backlog for this line of activity amounts to EUR 1,196 million.

Thousands of euros

CONSTRUCTION	Grupo SANJOSE Jun. 18	Jun. 17	Var.(%)
Revenue	283,569	291,392	-2.7%
Earnings before interest, taxes, D&A (EBITDA)	12,223	13,216	-7.5%
EBITDA margin	4.3%	4.5%	
Earnings before interest and taxes (EBIT)	12,075	12,246	-1.4%
EBIT margin	4.3%	4.2%	
Earnings before tax of continued operations	9,499	4,618	105.7%

Revenue breakdown for this line of activity of Grupo SANJOSE, taking into consideration the main types of business, as well as the geographical distribution, is as follows:

Thousands of euros

DETAIL OF CONSTRUCTION REVENUES	National		Internac.		Total	
Civil works	9,512	7.1%	11,090	7.4%	20,602	7.3%
Non residential building	89,441	66.8%	92,893	62.0%	182,335	64.2%
Residential building	28,971	21.6%	45,473	30.4%	74,442	26.3%
Industrial	5,689	4.2%	74	0.0%	5,763	2.0%
Others	264	0.2%	162	0.1%	425	0.1%
TOTAL	**133,877**	**47%**	**149,692**	**53%**	**283,569**	

Construction revenue at international level for 1S-2018 stands at EUR 149.7 million, representing 53% total revenue of this line of activity.

On the other hand, sales at domestic market stand at EUR 133.9 million compared to EUR 109 4 million for the same period of the previous year, recording a 22.7% increase and experiencing a recovery of the activity at domestic level.

Sales at domestic market represent 47% revenue of the Construction line of activity.

Real estate

Revenue for 1S-2018 for the real estate activity of Grupo SANJOSE stands at EUR 1.6 million.

As previously stated on former reports, the decrease of the real estate activity of the Group is due to the complete commissioning of the residential development Parques de la Huaca in Peru (3,072 housing units).

In order to mitigate this reduction of activity and relying on the positive performance of the real estate market in Peru, the Group acquired a new plot of land at the end of 2016.

Grupo SANJOSE is currently carrying out the construction works of stage I of the new real estate development "Nuevavista", reaching commercialisation levels of stage I over 50%, so it expects to gradually recover the turnover and profit levels recorded in past quarters in this line of activity.

Thousands of euros

REAL ESTATE AND PROPERTY DEVELOPMENT	Grupo SANJOSE Jun. 18	Jun. 17	Var.(%)
Revenue	1,624	3,472	-53.2%
Earnings before interest, taxes, D&A (EBITDA)	40	1,094	-96.4%
EBITDA margin	2.4%	31.5%	
Earnings before interest and taxes (EBIT)	12	1,150	-99.0%
EBIT margin	0.7%	33.1%	
Earnings before tax of continued operations	556	2,370	-76.5%

Energy

Net revenue for 1S-2018 stands at EUR 4.7 million.

The EBITDA percentage over total sales for this line of activity for 1S-2018 stands at 30.8%, slightly lower to that for the same period of the previous year, yet the energy lone of activity represents stability and recurrence.

Thousands of euros

ENERGY	Grupo SANJOSE Jun. 18	Jun. 17	Var.(%)
Revenue	4,710	5,939	-20.7%
Earnings before interest, taxes, D&A (EBITDA)	1,449	1,901	-23.8%
EBITDA margin	30.8%	32.0%	
Earnings before interest and taxes (EBIT)	707	941	-24.9%
EBIT margin	15.0%	15.8%	
Earnings before tax of continued operations	433	611	-29.2%

Grupo SANJOSE has for this line of activity at 1S-2018 a contracted backlog amounting to EUR 492 million, which are materialised as higher activity of the Group in an average period of approximately 25 years.

Concessions & Services

Net turnover for 1S-2018 for concessions & services stands at EUR 24.7 million, recording a 4.6% increase with regards to that of the same period in the previous year.

There was a significant improvement in the EBITDA of this line of activity, reaching EUR 1.5 million, representing an increase of 79.1%,

Thousands of euros

CONCESSIONS AND SERVICES	Grupo SANJOSE Jun. 18	Jun. 17	Var.(%)
Revenue	24,687	23,591	4.6%
Earnings before interest, taxes, D&A (EBITDA)	1,524	851	79.1%
EBITDA margin	6.2%	3.6%	
Earnings before interest and taxes (EBIT)	1,182	757	56.2%
EBIT margin	4.8%	3.2%	
Earnings before tax of continued operations	3,312	1,045	216.8%

At 1S-2018, contracted backlog of the Group for this line of activity amounts to EUR 198 million.

2.4. 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.

At 30 June 2018, the detail of net cash position is as follows:

Thousands of euros

NET CASH POSITION	Jun. 18 Amount	Jun. 18 %	Dic. 17 Amount	Dic. 17 %	Var.
Other short term finantial investments	76,850	26.5%	91,206	29.3%	-15.7%
Cash and cash equivalents	212,814	73.5%	220,134	70.7%	-3.3%
Total cash	**289,664**	**100%**	**311,340**	**100%**	**-7.0%**
Long term finantial liabilities (*)	269,113	80.6%	311,625	82.4%	-13.6%
Long term derivative finantial contracts	469	0.1%	591	0.2%	-20.7%
Short term finantial liabilities	64,393	19.3%	65,828	17.4%	-2.2%
Total debt	**333,975**	**100%**	**378,044**	**100%**	**-11.7%**
TOTAL NCP	**44,311**		**66,704**		**-33.6%**

Net cash position at 1S-2018 amounts to EUR 44.3 million compared to EUR 66.7 million at 31 December 2017, recording a 33.6% decrease.

Liabilities are reduced by 11.7%, mainly due to the annual regular amortisation of the issuance of bonds of the Group in Chile and the syndicated debt in Spain.

Net cash position at 30 June 2018 includes the funding of other non-recourse projects of Grupo SANJOSE for EUR 108.5 million.

Capital Resources

During the first half of year 2018, no material changes in the Group's structure, including equity and debt, or the relative cost of capital resources has taken place. The short and medium- term forecast, as the Group records profits to strengthen its equity position, as well as to face debt reduction commitments, is to improve the ratio of own resources on external financing.

Future contractual obligations

The main obligations which the Group is exposed to are those deriving from financing agreements, as well as the intrinsic obligations of construction and service contracts with clients. There are no future commitments of investment or purchase of assets for significant amounts.

3. <u>Main risks</u>

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 Company manages these risks in order to avoid involving a loss of profitability for its shareholders or cause trouble to customers. In order to exercise this control, the company has tools which allow the identification of risks in advance in order to prevent or minimize the same.

Operational risks

Main risks arising from the activities of the Group 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 Group 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 Group, ensuring that value reflected thereof is suitable to market prices.

Financial risks

Due to its activity, the Group 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 financial management of Grupo SANJOSE 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 means of the preventive assessment of the solvency rating of the Group's potential customers at the beginning of the relationship and throughout the duration of the contract, evaluating the credit rating of the outstanding amounts receivable and reviewing and segregating the estimated recoverable receivables from doubtful receivables.
- **Liquidity risk:** Dealt with in detail in section 3 of this report.

5. Events occurred after the reporting period

There are not significant events after 30 June 2018 that could have any impact on the accompanying directors' report.

In any case, it should be noted that, although as of June 30, 2018, the operations that the Group has in Argentina are not considered to be hyperinflationary, it is probable that in later closures this situation will take place, and the methodology described in IAS 29 should be applied. for these environments. In case Argentina will be finally classified as a hyperinflationary economy, the Group Management will determine its quantitative impact, which will be reflected in its consolidated financial statements of subsequent closures.

6. Future outlook

The changing trend in the business cycle of Spain during the last years, together with growth forecasts for the years 2017 and 2018 and the GDP improvement in 2017, suggest that domestic economy in 2018 will continue the improvement trend of the last year within a framework of global content growth, and that the trend will continue in the following years.

The Group has focused its activity on the construction sector and the provision of services, without neglecting real estate opportunities, related to real estate assets owned.

The main lines of action of the Group's business plan are:

- To keep the procurement level in the domestic market.

- To continue with the international activity, through a geographic diversification, and by business line:
  - Taking advantage of the value acquired in countries where it is present (Abu Dhabi, Chile, Argentina, Mexico, etc.) to increase its presence.
  - Taking advantage of new opportunities for expansion.

During year 2017, the Administrative Corporation of the Judiciary, Ministry of Justice of Chile, awarded SANJOSE Constructora, for an amount of approximately 25 million dollars, the execution of the new Judicial Centre of La Serena in the province of Coquimbo (Chile), work that began in the last quarter of year 2017. Additionally, during 2017, the Group was awarded by the Mexican Social Security Institute (IMSS) the project and integral work related to the emergency programme for the rehabilitation of two hospitals in the states of Puebla and Morelos, which suffered significant damage after the earthquake that struck the country on 19 September 2017. The Group was also appointed the project and construction of the expansion of the Belgrano water treatment plant in Buenos Aires (Argentina)) through the JV formed by SANJOSE Constructora y Técnicas de Desalinización de Agua, which is one of the most important projects water-related projects developed in the district with an investment of more than 130 million dollars, which will be financed by the national State and the Development Bank of Latin America (CAF), as well as the new headquarters of the Central Bank of Cabo Green, for 16.7 million euros appointed to SANJOSE Constructora Cabo Verde in a joint venture with SGL - Sociedade de Construções, designed by the Pritzker Álvaro Siza Vieira Prize.

In this sense, in 2018, the Group is working on the achievement of new projects, which accompany those already awarded in 2017, which are already being developed during the year. Thus, during year 2018, the Group was awarded by Provias Nacional, the "Improvement of the Checca - Mazocruz Highway" works in the Province of El Collao, (Puno region). Infrastructure of 73 kilometres in length, which includes the construction of four bridges that will be developed at an altitude of 4,000 meters and which is considered of vital importance for the economic dynamization of the area.

This line of staying in countries where it has already worked is reinforced by the position in Latin America. After the final delivery and commissioning of the Hospitals of Chile already built by the Group in previous years, the exploitation of the non-healthcare services continues for 15 years, which will provide recurring income throughout this period.

Likewise, after the good experience in the real estate project developed in Peru (of the projects carried out, the Parques de la Huaca condominium and the Condominio del Aire stand out in Lima), Grupo SANJOSE bought in year 2016, a land of approximately 20,000 sqm in surface, at the district of Bellavista, in the province of Callao, Lima (Peru), where it intendeds to build more than 1,000 housing units. The execution period is estimated not to be less than 6 years.

During year 2017, the Group expanded its portfolio of services in the domestic market, through the award by the Ministry of Public Works, to the JV formed by SANJOSE Constructora and Eifagge Infraestructuras, of the execution of conservation and exploitation works of sector CC-3 of Cáceres, Extremadura. The contract involves the integral conservation and maintenance of state-owned roads for 4 years of 254 kilometres in length. Likewise, highlights the awarding of the construction works of the new building of the NH hotel in Malaga. The new building will involve the construction of a ground floor and 4 top level floors with capacity for 115 rooms.

During the first half of 2018, the Group has maintained the line of achievement of work in the national territory. Highlights the awarding by Mandarin Oriental and Olayan Group of the refurbishment of the Ritz Hotel in Madrid, one of the main five-star luxury hotels in the capital city of Spain, which since its inauguration in 1910 by Alfonso XII, has been characterised as a benchmark for the social and cultural life of the city due to its exclusivity, its facilities and its unbeatable location in the heart of the city, at 5, Plaza de La Lealtad, between the Prado Museum and the Thyssen-Bornemisza Museum. The refurbishment will significantly improve the hotel's facilities and services, maintaining its unique character, with the aim of improving the appeal of the property for local and international guests alike, while celebrating the pioneering spirit of César Ritz. The remodelling works that SANJOSE will execute have been designed by the architect Rafael de La-Hoz along with the collaboration of the French interior designers Gilles & Boissier. When completed, the hotel will have reduced the total number of rooms, from the current 166 to 153, resulting in more spacious rooms, and will increase the number of suites up to 47. Among them, stand out the exclusive Royal Suite and Suite Presidential, with 188 and 115 square meters, respectively. All spaces and meeting rooms will be refurbished to adapt the equipment to the current needs of luxury hotel clients.

Likewise, during the first half of 2018, the Xunta de Galicia has awarded SANJOSE Constructora the execution works of the new City of Justice of Vigo designed by the architect Alfonso Penela. The project consists in the remodeling of the former Hospital Xeral Cíes de Vigo as the future City of Justice, affecting mainly the Main Body, the Square and the Annex Building. The remodeling of the complex to its new use will involve a total built surface of 35,588 sqm and the urbanisation of 1,157 sqm.

Likewise, the Mogan Mall Estate Community has awarded SANJOSE Constructora the construction works for the new Mogan Mall (44,000 sqm) located in the town of Mogan, at the south of the island of Gran Canaria.

Considering the portfolio of EUR 1,886 million, its organic stability is ensured, foreseeing to maintain the average size of projects, trying to seize new opportunities, both in Spain and in foreign countries, especially in those where it is present and has expertise.

The Group is not estimated, based on information available to date, to face risk and / or uncertainty substantially different from those already taken place in year 2017.

7. R&D Activities

Grupo SANJOSE, aware of the importance that represent the activities of Research, Development and Innovation for competitiveness and business success, develops and collaborates in R &D&I trying to offer innovative technical solutions that meet the demands and needs of its customers.

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

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

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

During the first 6 months of 2018, the Company's interest in participating in R&D projects was highlighted in the search for and application of constructive solutions that eliminate or reduce the high concentrations of Radon Gas in buildings exposed to their presence, for the benefit of the public health of the people who inhabit or work therein, avoiding the risk of lung cancer by mitigating and reducing its concentration below the values detrimental to health.

Special mention should also be given to the "R&D Project for a fixed and automatic system of detection and dissipation of mist precipitation by means of hygrometric agents. The method designed and created by "GSJ Solutions, S.L.", company of the Group, was proposed to the Ministry of Development by "Constructora San José, S.A.". It aims to solve the problem existing on the A-8 Cantábrico highway as it passes through Alto do Fiouco, province of Lugo, frequently affected by dense and persistent fogs, which seriously affect visibility along a four-kilometre stretch. This motorway has an average annual traffic intensity of more than 1.6 million vehicles. The system has been patented for use on motorways and railways, as well as being used in airport infrastructure.

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

In the field of management, we have consulting services specialized in innovation. Their objective is to boost the improve of the R&R&I management of the organisation 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.

8. Treasury share transactions

Grupo SANJOSE did not hold treasury shares as of 30 June 2018 and 31 December 2017 nor had it carried out transactions involving treasury shares during the first half of year 2018.

9. Other relevant information

Stock exchange information

The shares of Grupo SANJOSE trade on the Madrid Stock Exchange. The main indicators and the evolution of the shares are as follows:

	2018 until 29/06	2017
Capitalisation * *(Thousands of Euros)*	254,902	230,843
# of shares *(x 1.000)*	65,026	65,026
End of period price *(Euros)*	3.9200	3.5500
Last price of the period *(Euros)*	3.9200	3.5500
Highest price of the period *(Euros)*	4.3650	4.7000
Lowest price of the period *(Euros)*	3.2400	2.5800
Volume *(Thousands of shares)*	14.520	92,077
Cash *(Thousands of Euros)*	55,185	333,066

* Capitalization is calculated with listed shares and does not include shares from capital increases which have not been listed yet

Source.: Bolsas y Mercado Españoles (BMEX)

Dividend Policy

As a result of the terms and conditions of the contractual financing framework the syndicated loan in Spain, there are restrictions on the distribution of dividends.

Proposed distribution of profit

The Directors of the Parent proposed the AGM to devote the profit for year 2017, amounting to EUR 401 thousand to offset against “Loss from previous years", having been duly passed by the AGM held on 21 June 2018.

DIRECTORS' SIGNATURES

The Condensed Consolidated Financial Statements for the six-month term ending on 30 June 2018 of “Grupo Empresarial San José, S.A. and Subsidiaries”, comprising the condensed consolidated balance sheet at 30 June 2018, the consolidated condensed income statement, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement, as well as Notes to the same, for the six-month term ending on 30 June 2018, and the accompanying Consolidated Directors' Report, issued on 64 sheets of regular paper on one side only, have been prepared by the Board of Directors of “Grupo Empresarial San José, S.A.” on 26 July 2018.

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 condensed consolidated financial statements prepared in accordance with applicable accounting standards provide a true and fair view of the equity, the financial position and the outcome of the issuer and its consolidated companies taken as a whole and that the Directors' Report includes an accurate analysis of business development and its outcome, the position of the issuer and the companies included within its consolidation scope taken as a whole, together with a description of the main risks and uncertainties which they face.

In witness whereof, the Board of Directors sign herein.

Mr. Jacinto Rey González	Mr. Jacinto Rey Laredo
Mr. Sunil Kanoira	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.

Mr. José Manuel Otero Novas	Mr. Roberto Alvarez Álvarez
Mr. Javier Rey Laredo	Mr. Nasser Homaid Salem Ali Alderei
Mr. Guillermo E.Nielsen	

The Members Sunil Kanoira, Nasser Homaid Salem Ali Alderei and Guillermo E. Nielsen have submitted absence for leave without delegating their representation to others. They have not expressed any type of discrepancy regarding the formulation of this financial information.

The Members Mr. Jacinto Rey González and Mr. Roberto Álvarez Alvarez have attended the meeting of the Board online through videoconference.

The Secretary to the Board of Directors

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