Grupo Empresarial San José, S.A.

Financial Statements for the year ended 31 December 2019 and Directors' Report, together with Independent Auditor's Report

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

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Grupo Empresarial San José, S.A. (the Company), which comprise the balance sheet as at 31 December 2019, and the income statement, statements of changes in equity, cash flow statement and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2019, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.a to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Impairment of ownership interests in Group companies and associates

Description	Procedures applied in the audit
The Company has ownership interests in the share capital of Group companies and associates that are not listed on regulated markets. As detailed in Note 4.d, the measurement of these ownership interests requires the use of significant judgements and estimates by Company management, which considers that the best evidence of the recoverable amount of these ownership interests is the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement. As a result of the foregoing, as well as the significance of the investments held, which amounted to EUR 122 million at year-end and for which an accumulated impairment loss of EUR 19 million had been recognised up to 2019, we consider the situation described to be a key matter in our audit.	Our audit procedures consisted of obtaining and analysing the conclusions prepared by Company management in relation to the existence of impairment losses on the aforementioned ownership interests, verifying their clerical accuracy and the adequacy of the valuation method used in relation to the investment held and verifying that it meets the requirements of the applicable regulations. For this purpose, we checked the underlying carrying amount of the investees and the related unrealised gains. Lastly, we evaluated whether the disclosures included in Notes 4.d and 7 to the accompanying financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Other Information: Directors' Report

The other information comprises only the directors' report for 2019, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the directors' report is defined in the audit regulations in force, which establish two distinct levels of review:

a) A specific level that applies to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the specific information described in section a) above is provided in the directors' report and that the other information in the directors' report is consistent with that contained in the financial statements for 2019 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 27 February 2020.

Engagement Period

The Annual General Meeting held on 27 June 2019 appointed us as auditors for a period of one year from the year ended 31 December 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 1995, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

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

Antonio Sánchez-Covisa Martín-González
Registered in ROAC under no. 21.251

27 February 2020

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Grupo Empresarial San José, S.A.

Financial Statements for the year ended 31 December 2019 and Directors' Report

Translation of financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

BALANCE SHEET AS DECEMBER 31ST 2019 AND DECEMBER 31ST 2018

(Thousand of Euros)

	Note	31/12/2019	31/12/2018		Note	31/12/2019	31/12/2018
NON-CURRENT ASSETS:				EQUITY:			
Intangible assets	5	**3,662**	**4,267**	**Share capital**		**1,951**	**1,951**
Property, plant and equipment	6	**406**	**413**	**Issurance premium**		**155,578**	**155,578**
Investments in associates and joint ventures	7.1	**105,978**	**118,703**	**Reserves**		**167,412**	**167,412**
Equity Investments in associates		103,314	102,189	Legal and statutory		263	263
Loans to related companies	14.2	2,664	16,514	Otras reserves		167,149	167,149
Other non-current financial assets		**97**	**111**	**Negative results from previous years**		**(364,148)**	**(364,638)**
Deferred tax assets	12.3	**31,565**	**36,029**	**Profit for the year**		**53,444**	**490**
TOTAL NON-CURRENT ASSETS		**141,708**	**159,523**	**TOTAL EQUITY**	9	**14,237**	**(39,207)**
				NON-CURRENT LIABILITIES			
				Long-term provisions	10.1	**5,091**	**17,972**
				Non-current bank borrowings	14.2	**86,761**	**-**
				Deferred tax liabilities	12.3	**13,866**	**14,742**
				TOTAL NON-CURRENT LIABILITIES		**105,718**	**32,714**
				CURRENT LIABILITIES:			
				Short-term provisions	10.2	**545**	**545**
				Current bank borrowings	11	**87**	**111,473**
Trade and other receivables		**21,557**	**8,039**	**Payable to Group and associated companies**	14.2	**50,623**	**74,627**
Realetd companies receivables	14.2	4,944	6,409	**Trade and other payables**		**3,788**	**4,437**
Other current assets		55	42	Trade payables		393	120
Public admisnitrations	12.1	16,558	1,588	Suppliers Group ans associated companies	14.2	679	965
Investments in associates and joint ventures	7.2	**11,686**	**16,469**	Staff, remuneration payable		2,103	1,137
Cash and cash equivalents	8	**47**	**558**	Tax Payable	12.1	613	2,215
TOTAL CURRENT ASSETS		**33,290**	**25,066**	**TOTAL CURRENT LIABILITIES**		**55,043**	**191,082**
TOTAL ASSETS		**174,998**	**184,589**	**TOTAL EQUITY AND LIABILITIES**		**174,998**	**184,589**

Notes 1 to 16 of the accompanying notes form an integral part of the Balance Sheet at 31 December 2019.

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

INCOME STATEMENTS FOR YEARS 2019 AND 2018

(Thousand of Euros)

	Note	31/12/2019	31/12/2018
CONTINUING OPERATIONS			
Revenue	13.1	**34,406**	**499**
Other operating income	13.1	**19,900**	**21,453**
Staff costs		**(12,837)**	**(7,248)**
Wages and salaries		(11,602)	(6,129)
Social charges	13.2	(1,235)	(1,119)
Other operating expenses		**(6,125)**	**(7,156)**
Outside services	13.4	(6,007)	(7,128)
Tributes		(26)	(28)
Impairment losses and changes in provisions for trade		(84)	-
Other operating expenses		(8)	-
Depreciation and amortisation charge	5 y 6	**(621)**	**(631)**
PROFIT FROM OPERATIONS		**34,723**	**6,917**
Finance income		**28,801**	**102**
In third	13.5	28,801	102
Finance costs		**(6,435)**	**(6,190)**
On debts to Group companies and associates	14.1	(2,613)	(2,656)
On debts to third parties		(3,822)	(3,534)
Impairment and gains or losses on disposal of financial instruments	7.1	**(496)**	**-**
FINANCIAL PROFIT		**21,870**	**(6,088)**
PROFIT (LOSS) BEFORE TAXES		**56,593**	**829**
Income Tax	12.2	(3,149)	(339)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**53,444**	**490**
PROFITS / (LOSSES) OF THE YEAR		**53,444**	**490**

Notes 1 to 16 of the accopanying notes form an integral part of the income statement at 31 December 2019

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

TATEMENTS OF CHANGES IN EQUITY FOR PERIOD ENDED AT DECEMBER 2019 AND 201

A) STATEMENTS OF RECOGNISED INCOMES AND EXPENSES

(Thousand of Euros)

	Note	Year 2019	Year 2018
PROFITS/(LOSSES) OF THE YEAR		**53,444**	**490**
Income and expenses recognised directly in equity			
-For cash flow hedges		-	-
-Tax effect		-	-
Total Income and expenses recognized directly in equity		**-**	**-**
Transfer to income statement			
-For cash flow hedges		-	-
-Tax effect		-	-
Total Trasfers to profits and losses account		**-**	**-**
TOTAL RECOGNISED INCOMES/(EXPENSES)		**53,444**	**490**

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR PERIOD ENDED AT DECEMBER 2019 AND 2018

B) STATEMENTS OF CHANGES IN EQUITY

(Thousand of Euros)

	Note	Share capital	Issurance premium	Legal reserve	Voluntary reserves	Negat. results previous years	Profit of the year	TOTAL
Balance at December 31, 2017		**1,951**	**155,578**	**263**	**167,149**	**(365,039)**	**401**	**(39,697)**
Distribution of profit for year 2017:								
-To negative results from previous years		**-**	**-**	**-**	**-**	401	(401)	**-**
Total recognized income/expenses year 2018		**-**	**-**	**-**	**-**	-	490	**490**
Balance at December 31, 2018		**1,951**	**155,578**	**263**	**167,149**	**(364,638)**	**490**	**(39,207)**
Distribution of profit for year 2018:								
-To negative results from previous years		-	-	-	-	490	(490)	**-**
Total recognized income/expenses year 2019		-	-	-	-	-	53,444	**53,444**
Balance at December 31, 2019		**1,951**	**155,578**	**263**	**167,149**	**(364,148)**	**53,444**	**14,237**

Notes 1 to 16 of the accompanying notes form an integral part of the statement of changes in equity at 31 December 2019.

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

CASH FLOW STATEMENTS FOR YEARS 2019 AND 2018

(Thousands of Euros)

	Note	Year 2019	Year 2018
Cash flows from operating activities:			
(+) Profit (Loss) before tax		56,593	829
(+) Depreciation and amortisation charge		621	631
(+/-) Changes in operating allowances		84	-
(-) Financial income	14.1	(63,207)	(601)
(+) Financial costs		6,435	6,190
(+/-) Other gains or losses	7.1	496	-
Total Cash Flows from operating activities		**1,022**	**7,049**
Other adjustments			
(-) Income tax paid in the year		(11,682)	(218)
(+/-) (Increase) / Decrease in working capital		(2,052)	11,077
(+/-) Other collections / (payments) due to operating activities		-	-
1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES		**(12,712)**	**17,908**
Investments:			
(-) Intangible assets	5	(8)	(7)
(+) Property, plant and equipment	6	(1)	(5)
(-) Shares and other financial assets	7.1.	(652)	(15)
Total Investments		**(661)**	**(27)**
Dividends received	13.1	**34,126**	**257**
Disposals:			
(+) Intangible assets		-	-
(+) Property, plant and equipment		-	-
(+) Shares and other financial assets		14	-
Total Disposals		**14**	**-**
		-	
Other collections / (payments) due to financing activities		**5,235**	**(5,210)**
2. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES		**38,714**	**(4,980)**
Increase / (decrease) in borrowings		**(22,692)**	**(14,004)**
Non-current			
a) Long term debt		-	-
b) Long term debt with Group companies	14.2	86,397	-
Current			
a) Short term debt	11.2	(82,587)	(7)
b) Short term debt with Group companies		(26,502)	(13,997)
Net interests:		**(3,821)**	**125**
Received		2	152
Paid		(3,823)	(27)
Other collections / (payments) due to financial activities		**-**	**-**
3. TOTAL NET CASH FLOWS FROM FINANCIAL ACTIVITIES		**(26,513)**	**(13,879)**
TOTAL CASH FLOWS FOR THE YEAR		**(511)**	**(951)**

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**558**	**1,509**
Changes in the year		(511)	(951)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**47**	**558**

Notes 1 to 16 of the accompanying notes form an integral part of the Cash Flow Statement for year 2019.

Grupo Empresarial San José, S.A.
Notes for the year ended 31 December 2019

1. Incorporation, legal framework and business activities

a) Incorporation

Grupo Empresarial San Jose, S.A. (hereinafter "the Company"), formerly Udra S.A., was incorporated on 18 August 1987 for an unlimited period of time by virtue of a public deed executed in Pontevedra in the presence of Pontevedra notary, Mr. Rafael Sanmartin Losada, under number 1539 of his protocol.

At the Ordinary and Extraordinary General Shareholders Meeting of the Company held on 17 June 2008, it was agreed to change the corporate name into that of "Grupo Empresarial San 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.

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

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

b) Legal framework

The Company is governed by its by-Iaws, the Commercial Code, the Spanish Companies Law and other legislation applicable to companies of this type.

c) Activities

The Company, Parent of Grupo Empresarial San Jose and Subsidiaries (Grupo SANJOSE), has as main purpose the management and control of business activities developed by companies which is takes part in in a significant and lasting manner.

As of 20 July 2009, "Grupo Empresarial San Jose, S.A." was listed on the Spanish Stock Exchange Market.

The purpose of the Company is also the development of real estate property; construction activity, either personally or for another party, natural or legal people, under management, contract or any other regime, of all type of buildings and works.

Also, the Company may subscribe to, purchase or acquire by any other means shares and/or other equity interests in other public and private limited companies, even if their company object differs from that of Grupo Empresarial San Jose, S.A., and may form new public or private limited companies with other legal entities or individuals, whatever valid purpose or activity the newly formed companies may have.

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

The Company's functional currency is the Euro.

2. Basis of presentation of the Financial Statements

a) Legal framework

Financial statements have been prepared by the directors of the Company in compliance with applicable financial regulation set forth on:

i) Code of Mercantile Law and similar.

ii) General Accounting Plan approved by Royal Decree 1514/2007, on 16 November, which was modified in 2016 by Royal Decree 602/2016, on 2 December and its Sector Adaptations.

iii) Compulsory regulations passed by the Audit and accounting Institute regarding the Accounting Standards and similar.

iv) Applicable Spanish regulation on the issue.

b) Fair view

These financial statements were prepared from the accounting records of the Company and are prepared in accordance with the accounting principles and rules in force, so that they show a true and exact image of the equity and financial situation of the company, changes in equity and cash flows occurred within the year. These financial statements, which were prepared by Directors of the company, will be subject to approval at the Shareholders' General Meeting are expected to be approved without any changes. As far as they are concerned, the financial statements for year 2018 were approved by the Ordinary General meeting of Shareholders held on 27 June 2019, and recorded at the Trade Registry of Pontevedra.

c) Critical issues on valuation and estimate of the degree of uncertainty

In the preparation of the accompanying financial statements estimates were occasionally made by Directors of the Company to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of potential impairment losses of certain assets (see Notes 4.c and 4.d).
- The useful life of the intangible assets, materials and goodwill (see Notes 4.a and 4. b).
- The fair value of certain non-listed assets (see Note 4.d).
- The amount of certain provisions (see Note 4.g and 4.h).
- The assessment of credit recovery feasibility (see Notes 4.e and 12.3).
- Management of financial risk (Note 8)

Estimations have based prepared based on the best information available at the end of year 2019. Yet, due to its nature, future events may lead to its subsequent amendment (upwards or downwards) in future years, what would be done prospectively.

d) Non-compulsory accounting principles applied

No non-compulsory accounting principles have been applied. Further, Directors prepare the accompanying financial statements in accordance with all applicable accounting regulations and standards. All mandatory accounting principles have been applied.

e) Associated items

Certain items of the accompanying balance sheet, income statement, changes in equity and changes in cash flow statements are associated in groups in order to help their understanding; in the event of significant information, breakdown of the same has been included within the accompanying notes.

f) Comparative information

Information recorded on the financial statements for year 2018 is provided for comparison purposes only with that provided as of the year ended 31 December 2017

g) Working capital and assets

As shown in the accompanying balance sheet as of 31 December 2019 and 2018, the Company has at said date a negative working capital amounting to EUR 21,753 thousand and EUR 166,016 thousand, respectively, as current assets are less than current liabilities.

The Company records under current liabilities the amount of the debt with Group companies, derived from the existence of current account financing agreements with subsidiaries, as well as the fact that the Company is the parent of a Tax Group, that amounts at 31 December 2019 to EUR 50,623 thousand (see Notes 4. and 14.2). Director of the Company do not expect difficulties to face payments of debts at maturity dates.

At 31 December 2019, the Company records a negative net equity amounting to EUR 14,237 thousand. At 31 December 2018, the Company records a negative net equity amounting to EUR 39,207 thousand. However, the Company was not in a situation of equity imbalance according to articles 327 and 363 of the Capital Companies Law (see Note 9.7), to the extent that the syndicated financial debt referred to the contract “Grupo Empresarial San José , SA ”, for an amount of EUR 111,390 thousand at that date (see Note 11.2), was a participatory loan.

h) Consolidation

The Company is head of the group of dependent companies and associated (see Note 7), which issue separate financial statements. Consolidated financial statements for year 2019 have been prepared by the Directors of the Company, as well as the accompanying statements, in compliance with International Financial Regulations and Standards as adopted by the UE, the EC No 1606/2002 (hereinafter, "NIIF-UE"). Financial statements for year ended 31 December 2018 were approved on at the Annual General Meeting held on 27 June 2019 and registered at the Register of Companies of Pontevedra

The accompanying financial statements do not show changes in value arising from the consolidation of financial statements with associates.

Main items of the consolidated financial statements of the Company are as follows:

	Thousand of Euros
Share capital and issuance rights	157,529
Reserves abd equity attributed to the Parent	(184,356)
Net profit/(loss) for the year attributable to the Parent	162,774
Total assets	1,000,272
Turnover	958,249

i) Changes in the accounting criteria

During year 2019, no significant changes have been applied compared to those applied in year 2018.

j) Correction of errors

Accompanying financial statements do not contain errors leading to restatement of the 2018 financial statements.

3. Distribution of profit/(loss)

Directors of the Company will propose the AGM the distribution of EUR 53,444 thousand profit for year 2019 according to the following breakdown:

	Thousands of euros
Distribution base:	
Current year profit	53,444
Distribution:	
To legal and statutory reserve	127
To offset loss of previous years	53,317

4. Accounting principles and measurement basis

Main accounting principles and measurements used in the preparation of the accompanying financial statements for year 2019 and 2018 pursuant to Spanish National Chart of Accounts are as follows:

a) Intangible assets

Intangible assets are recognised initially at acquisition or production cost. Subsequently they are measured at cost less any accumulated amortisation and any accumulated impairment losses. according to criteria set out by Note 4.c. Amortisation depends on useful life of assets. When the useful life of these assets cannot be qualified in a feasible way, they are amortised in a 10-year term.

Goodwill:

Goodwill is the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities at the date of acquisition. Goodwill is allocated to each cash-generating unit and is not subject to amortisation. Subsequent to the initial recognition, goodwill is assessed at acquisition price less accumulated amortisation, and, if applicable, the accumulated amount of assessment correction for recognised impairment.

Goodwill is amortised during its useful life, in an independent way for each cash-generating unit. The Company amortises goodwill in a ten-year term.

Said cash generating units, on the other hand, are subject to impairment test on an annual basis in order to record the valuation correction.

Valuation write-down due to impairment loss is not derecognised in subsequent years

Computer software:

The Company recognises under this item all costs incurred in the acquisition and development of computer programmes and software, event those regarding web site update and maintenance. Regular maintenance, upkeep and repair expenses are recognised in the income statement on an accrual basis as incurred. Computer software is amortised on a straight-line basis over 3 years from the entry into service of each application.

b) Property, plant and equipment

Intangible assets are recognised initially at acquisition or production cost. The cost of property, plant and equipment acquired through business combinations is its fair value at the date of acquisition. Subsequently, it is reduced by the corresponding accumulated amortization and the valuation corrections for deterioration, if any, in accordance with the criteria mentioned in Note 4.c.

Regular maintenance, upkeep and repair expenses are recognised in the income statement on an accrual basis as incurred. On the other hand, replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment.

The depreciation of property, plant and equipment is carried out using the straight-line method, based on the operational conditions of the assets or the acquisition of the asset, based on the estimated useful lives of each element or group of elements, According to the following detail:

Description	Years
Other items of property, plant and equipment	3 - 8

c) Asset impairment

At the end of each year or whenever it is deemed necessary, the Company analyses the value of assets through the so-called "Impairment Test" in order to determine whether there is any indication that these assets have suffered an impairment loss which may have reduced its accounting value.

Recoverable amount is the higher of fair value less costs to sell and value in use.

Recoverable amounts for cash-generating units, and items of property, plant and equipment, are analysed, when possible, on an individual basis.

Projections are prepared by the management of the Company on the basis of past experience and based on the best available estimates, which are consistent with information from abroad.

In the event that an impairment loss is recognized for a cash-generating unit to which all or part of a goodwill has been allotted, the carrying amount of the goodwill corresponding to that unit is reduced first. If the impairment exceeds the amount of this, secondly, in proportion to its value in books, the other assets of the cash-generating unit are reduced, up to the limit of the greater of the following: its fair value less costs of sale, its value in use or zero

When an impairment loss is derecognised in subsequent periods (event not possible for goodwill), the carrying amount of said cash generating units is increased in the same quantity as the estimated realisable value, yet carrying amount may never exceed initial carrying amount. The derecognising of an impairment write-down is recorded as income.

d) Financial Instruments

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

On the other hand, financial derivatives (financial instruments whose value changes in response to changes in an observable market variable such as an interest rate, exchange rate, the price of a financial instrument or a market index whose initial investment Is very small in relation to other financial instruments with a similar response to changes in market conditions, and is generally settled at a future date), is generally recorded on the date of hiring.

Trade payables, which are not interest bearing, are stated at their face value. Nonetheless, a provision is provided for impairment losses on trade accounts receivable when there is objective evidence that the amounts receivable will be irrecoverable.

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

The Company has applied to financial instruments the following assessment regulations:

Financial Assets

The Group financial assets are classified as:

- Loans and receivables: financial assets originated by the Group in exchange for supplying cash, goods or services directly to a debtor, which are measured at amortised cost.

- Equity instruments issued by Companies of the Company, associated and multi-groups: being classified as companies of the Group those managed and/or controlled directly or their management by the Company itself. In addition to this, multi-group companies include those companies incorporated by means of an agreement and which imply joint management, by the partners.

For the purpose of presentation of the financial statements, it will be assumed that another company belongs to the Group if they constitute a single decision-making unit under the terms laid down in Article 42 of the Code of Commerce.

Initial recognition

Financial assets are, in general terms, measured at fair value plus direct costs incurred.

In the event of investments in the assets of companies of the Group providing control over the subsidiary, fees paid to legal advisors or other professionals with regards to the acquisition of the investment are directly recorded under the income statement.

Subsequent recognition

Loans, receivables and held-to-maturity-investments are recognised in net profit or loss for the year.

Investments in group, associated and multi-group companies are valued at their cost, with any applicable cumulative sum of valuation corrections through impairment deducted. These corrections are calculated as the difference between the book value and the recoverable sum, the latter understood as whichever is the greater of the fair value less the costs of sale and the current value of the future cash flows derived from the investment. In the absence of any better evidence regarding the recoverable sum, consideration is given to the net worth of the company in which the stake is held, corrected in accordance with the tacit surpluses in existence on the date of valuation (including any commercial goodwill).

Financial assets not recognised at fair value are analysed at the end of each reporting period. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the difference. Impairment is charged to the income statement.

The Company recognises the derecognising of financial assets when they expire or whenever cash flow rights over the financial assets have been transferred together with the inherent risks and profits through sale of assets, factoring credit transfers, sale of assets with put option at fair value or financial assets which the company has not subordinated financial involved nor any collateral or risk.

Financial liabilities and net equity

Financial liabilities and equity instruments are classified in accordance with the content of the contractual arrangements. An "equity instrument" is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Parent are recognised in consolidated equity at the proceeds received, net of direct issue costs.

The main financial liabilities held by the Group are held-to-maturity financial liabilities, which are measured at amortised cost.

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

On a financial liability disposal, the difference between the financial liability book value or the part of the same financial liability disposal less the amount paid, transaction cost included, will be recorded on the current year income statement.

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

e) Income tax

"Grupo Empresarial San José S.A." and all Spanish subsidiaries which it holds a stake equal to or greater than 75%, are taxed on Corporate Income Tax under the Consolidated Income Statement since 2006.

Corporate income tax expense is calculated on the economic outturn, amendment, as the case may be, for permanent differences arising with respect to taxable income and that do not recur in subsequent periods.

Credits for deductions and bonuses generated are deducted from the individual accrued tax provided that their application is made by the Tax Consolidation Group in the year.

Credits for deductions and bonuses and credits for individual negative tax bases, prior to the incorporation of the company to the Tax Consolidation Group, are recorded whenever their future realisation is reasonably assured.

Differences between the individual taxable income and the pre-tax income for the year, derived from the different temporary imputation criteria used to determine both amounts and which may be reversed in subsequent periods, are recorded as prepaid income tax or deferred income tax, as appropriate.

Differences arising from the application of the Consolidated Taxation Tax Regime, to the extent that they can be reversed in case of modification of the application of said regime, are recorded as prepaid taxes or deferred taxes for consolidation.

At 31 December 2019, the following companies of Grupo SANJOSE filed consolidated tax returns, acting "Grupo Empresarial San Jose, S.A." as the head of the consolidated tax group:

Constructora San José, S.A.

Cartuja Inmobiliaria, S.A.U.

Desarrollos Urbanísticos Udra, S.A.U.

Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U.

Tecnocontrol Instalaciones, S.L.U.

Tecnocontrol Sistemas de Seguridad, S.A.U.

Tecnocontrol Servicios, S.A.U.

Basket King, S.A.U.

Arserex, S.A.U.

Comercial Udra, S.A.U.

Udramedios, S.A.U.

Cadena de Tiendas, S.A.U.

Trendy King, S.A.U.

Outdoor King, S.A.U.

Athletic King, S.A.U.

Vision King S.A.U.

Running King, S.A.U.

Enerxías Renovables de Galicia, S.A.

Xornal de Galicia, S.A.U.

San José Concesiones y Servicios, S.A.U.

San José Energía y Medioambiente, S.A.U.

Poligeneració Parc de L´Alba ST-4, S.A.

Xornal Galinet, S.A.U.

GSJ Solutions, S.L.U.

Fotovoltaica el Gallo 10, S.L.

f) Revenue and expenditure

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Said income is valued at the fair value of the consideration received, deducting the discounts, price reductions and other similar items that the Company may grant, as well as, where appropriate, the interest incorporated into the nominal amount of the credits. Indirect taxes that are levied on operations and are passed on to third parties are not part of the income.

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

2. The interest received on financial assets is acknowledged in accordance with the effective rate of interest and the dividends, when the shareholder right to receive dividends is declared. In any event, interest and dividends on financial assets accrued subsequent to the time of acquisition are recognised as revenue in the profit and loss account.

3. Dividends received are recognised when the shareholders right to receive them is created. According to Enquiry 2 published in Bulletin 79 of the Institute of Accounting and Audit of Accounts (ICAC), both the dividends received and the financial income accrued for Group companies are recorded under "Net revenue" in the accompanying income statement.

g) Provisions and contingencies

When preparing the financial statements, the Directors of Company made a distinction between:

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

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

Financial statements include all the material provisions whose obligation to be settled is considered to be more likely. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed on explanatory notes to the same.

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

As of 31 December 2019, the Company has recorded provisions for risks and expenses, which are intended to cover possible contingencies arising from the holding of financial investments (see Note 10.1).

h) Termination benefits

In accordance with current legislation, the Company is obliged to pay compensation to those employees who, under certain circumstances, have their employment contracts terminated. Compensation for redundancy liable to objective quantification is registered as an expense for the financial year in which the decision concerning the redundancy is taken. At 31 December 2019, the company has not recorded any entry for this item.

i) Transactions with associates

The Company undertakes all operations with associated companies at market values. In addition, the prices of transfer are borne appropriately, and the Company Directors do not therefore believe there are any significant risks in this regard of any substantial liabilities arising in the future.

j) Treasury shares

Equity instruments issued by the Company are recognised under net equity at the proceeds received, net of direct issue costs.

The Company's own shares acquired during the year are recorded, directly at the value of the consideration given in exchange, as a lower value of Net Equity. The results of the purchase, sale, issuance or amortisation of equity instruments are recognised directly in equity, without in any case registering any result in the Income Statement.

As 31 December 2019 and 2018, the Company does not hold treasury shares. Likewise, no transactions involving treasury shares were carried out during years 2019 and 2018 (see Note 9.5).

k) Environmental issues

Due to the nature of the activity performed by the Company, the Company does not incur into expenses or have any assets or liabilities of environmental nature.

l). Classification of current assets and liabilities

Current assets are those linked to the normal operating cycle, usually a one year period, also those assets whose maturity, disposal or realisation is expected to occur in the short term from the end of the year, financial assets held for trading, with the exception of financial derivatives whose settlement period is greater than a year, and cash and cash equivalents. Assets not fulfilling these requirements are qualified as non-current.

Likewise, current liabilities are those linked to the normal operating cycle, financial liabilities held for trading, with the exception of financial derivatives whose settlement period is greater than a year, and in general all liabilities whose maturity or extinction will occur in the short term. Otherwise, they qualify as non-current.

m) Cash flow statement

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

Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of the Group and other activities than investing or financing.

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

- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

5. Intangible assets

Breakdown of this item for years 2019 and 2018 is as follows:

Year 2019:

	Thousand of Euros			
	Balance 31/12/2018	Additions / (Provisions)	Disposals	Balance 31/12/2019
Cost:				
Goodwill	6,095	-	-	6,095
Computer software	142	8	-	150
Total Cost	**6,237**	**8**	**-**	**6,245**
Accumulated amortisation:	-	-	-	-
Goodwill	(1,829)	(610)	-	(2,439)
Computer software	(141)	(3)	-	(144)
Total Accumulated Amortisation	**(1,970)**	**(613)**	**-**	**(2,583)**
Net cost	**4,267**	**(605)**	**-**	**3,662**

Year 2018:

	Thousand of Euros			
	Balance 31/12/2017	Additions / (Provisions)	Disposals	Balance 31/12/2018
Cost:				
Goodwill	6,095	-	-	6,095
Computer software	135	7	-	142
Total Cost	**6,230**	**7**	**-**	**6,237**
Accumulated amortisation:				
Goodwill	(1,220)	(609)	-	(1,829)
Computer software	(133)	(8)	-	(141)
Total Accumulated Amortisation	**(1,353)**	**(617)**	**-**	**(1,970)**
Net cost	**4,877**	**(610)**	**-**	**4,267**

The Company has recorded under its balance sheet a goodwill amounting to EUR 6,095 thousand, associated to the stake in "Constructora San José, SA", which is the main Cash Generating Unit (UGE) of Grupo SANJOSE, of which the Company is Parent Company.

In order to proceed with its amortisation, the Company estimates a 10-year useful life, and a linear recovery according to a prospective approach, as of 1 January 2016. Further, the directors of the Company carry out regular reviews of the recovery of these assets, according to expected flows pursuant to the business plan of the Group. At 31 December 2019, no impairment is recorded under this item.

The cost of the assets fully amortised at 31 December 2019 and 2018 amounts to EUR 136 thousand and EUR 132 thousand, respectively

6. Property, plant and equipment

Breakdown of this item for years 2019 and 2018 is as follows:

Year 2019:

	Thousand of Euros		
	Balance 31-12-2018	Additions / (Provisions)	Balance 31-12-2019
Cost:			
Other items of property, plant and equipment	1,265	1	1,266
Total Cost	**1,265**	**1**	**1,266**
Accumulated amortisation:			
Other items of property, plant and equipment	(852)	(8)	(860)
Total Accumulated Amortisation	**(852)**	**(8)**	**(860)**
Net property, plant and equipment	**413**	**(7)**	**406**

Year 2018:

	Thousand of Euros		
	Balance 31-12-2017	Additions / (Provisions)	Balance 31-12-2018
Cost:			
Other items of property, plant and equipment	1,260	5	1,265
Total Cost	**1,260**	**5**	**1,265**
Accumulated amortisation:			
Other items of property, plant and equipment	(838)	(14)	(852)
Total Accumulated Amortisation	**(838)**	**(14)**	**(852)**
Net property, plant and equipment	**422**	**(9)**	**413**

This item includes mainly equipment for the treatment of information.

Carrying net cost at 31 December 2019 and 2018 amounts to EUR 829 thousand and EUR 809 thousand, respectively.

It is the policy of the Company to take out insurance policies in order to cover any such possible risks as may affect tangible fixed asset items. Directors considered current insurance to be enough and sufficient.

7. Group companies and associates

7.1 Long-term investments in Group companies and associates

Breakdown of this item of the accompanying balance sheet at 31 December 2019 and 2018, as well as main movement under said item, is as follows:

Year 2019:

	Thousand of Euros			
	Balance at 31/12/2018	Additions	Transfers	Balance at 31/12/2019
Equity intruments				
Cost	**107,603**	-	14,502	**122,105**
Impairment	**(5,414)**	(496)	(12,881)	**(18,791)**
	102,189	**(496)**	**1,621**	**103,314**
Granted loans and credits	**16,514**	650	(14,500)	**2,664**
Total	**118,703**	**154**	**(12,879)**	**105,978**

Year 2018:

	Thousand of Euros			
	Balance at 31/12/2017	Additions	Transfers	Balance at 31/12/2018
Equity intruments				
Cost	**107,566**	-	**37**	**107,603**
Impairment	**(5,414)**	-	-	**(5,414)**
	102,152	-	**37**	**102,189**
Granted loans and credits	**16,536**	15	**(37)**	**16,514**
Total	**118,688**	**15**	-	**118,703**

During year 2019, the Company proceeded to capitalise the participative loans that it had granted to its investees "Udra Medios, S.A.U" and "San José Energía y Medio Ambiente, S.A.U." for amounts of EUR 14,100 thousand and EUR 400 thousand, respectively. Likewise, the Company has attended the capital increase of its investee company "Udra México, S.A. de C.V.", expanding the cost of its participation by EUR 2 thousand, through the partial capitalisation of the trade receivable that it maintains with said company (see Note 14.2).

Likewise, during year 2019, an amount of EUR 12,881 has been classified as a greater amount of the deterioration of the financial participation in "Udra Medios, SAU", which as of 31 December 2018 was recorded under "Long-term Provisions" (see Note 10.1).

During year 2018, the Company proceeded to capitalise the participative loan that it held with its investee "GSJ Solutions, S.L.U.", for an amount of EUR 37 thousand.

Detail of stakes in Group companies, as well as of credits and loans granted as of 31 December 2019 and 2018 is as follows:

Year 2019:

	Ownership %		Thousand of Euros				
			Net carrying amount of the stake				Long-term loans (*) (See Note 14)
	Direct	Indirect	Cost	Impairment of the year	Accumulated impairment	Net cost	
***Group companies*:**							
Constructora San José, S.A. (a)	99.79%	-	92,510	-	-	92,510	-
San José Concesiones y Servicios, S.A.U. (b)	100.00%	-	2,446	-	-	2,446	-
San José Energía y Medio Ambiente, S.A.U. (b)	100.00%	-	7,964	(291)	(2,925)	5,039	650
Enerxías Renovables de Galicia, S.A (b)	25.00%	75.00%	662	-	(529)	133	-
Cadena de Tiendas, S.A.U. (b)	100.00%	-	60	-	-	60	-
Comercial Udra, S.A.U. (b)	100.00%	-	1,748	-	-	1,748	-
Constructora Udra Limitada (a)	7.00%	69.85%	25	-	-	25	-
SJB Müllroser Baugesellschaft GmbH (b)	100.00%	-	730	-	(730)	-	-
Udra Medios, S.A.U. (b)	100.00%	-	15,600	(205)	(14,586)	1,014	-
Xornal de Galicia. S.A. (b)	-	92.73%	-	-	-	-	2,014
Udra México, S.A. de C.V. (c)	0.09%	99.91%	23	-	(21)	2	-
GSJ Solutions, S.L.U.(a)	100%	-	337	-	-	337	-
TOTAL			**122,105**	**(496)**	**(18,791)**	**103,314**	**2,664**

(a) Companies audited by Deloitte.
(b) Non-audited companies
(c) Companies audited by other auditing company.

Year 2018:

	% de participación		Thousand of Euros				
			Valor en libros de la participación				Long-term loans (*) (See Note 14)
	Direct	Indirect	Cost	Impairment of the year	Accumulated impairment	Net cost	
***Group companies*:**							
Constructora San José, S.A. (a)	99.79%	-	92,510	-	-	92,510	-
San José Concesiones y Servicios, S.A.U. (b)	100.00%	-	2,446	-	-	2,446	-
San José Energía y Medio Ambiente, S.A.U. (b)	100.00%	-	7,564	-	(2,634)	4,930	400
Enerxías Renovables de Galicia, S.A (b)	25.00%	75.00%	662	-	(529)	133	-
Cadena de Tiendas, S.A.U. (b)	100.00%	-	60	-	-	60	-
Comercial Udra, S.A.U. (b)	100.00%	-	1,748	-	-	1,748	-
Constructora Udra Limitada (a)	7.00%	69.85%	25	-	-	25	-
SJB Müllroser Baugesellschaft GmbH (b)	100.00%	-	730	-	(730)	-	-
Udra Medios, S.A.U. (b)	100.00%	-	1,500	-	(1,500)	-	14,100
Xornal de Galicia. S.A. (b)	-	92.73%	-	-	-	-	2,014
Udra México, S.A. de C.V. (c)	0.09%	99.91%	21	-	(21)	-	-
GSJ Solutions, S.L.U.(b)	100%	-	337	-	-	337	-
TOTAL			**107,603**	**-**	**(5,414)**	**102,189**	**16,514**

(a) Companies audited by Deloitte.
(b) Non-audited companies
(c) Companies audited by other auditors

Additionally, at 31 December 2019 and 2018 the Company records a provision for EUR 5,091 thousand under the item “Provisions for risks and expenses” as non-current liabilities within the accompanying balance sheet, devoted to potential contingencies of Group companies (see Note 10.1).

On 31 October 2019, the Group has entered into a sales contract with Merlin Properties Socimi, S.A., with the purpose of transferring shares representing 14.46% of the capital of the company “Distrito Castellana, Norte, S.A.”. Grupo SANJOSE, through its investee company “Desarrollos Urbanísticos Udra, S.A.U.” in its capacity as a direct owner of the shares, continues to hold shares representing 10% of the capital of this company, and maintains its significant influence on the investee company while maintaining representation in its management body

The consideration established in said transaction consisted of a cash payment of EUR 168,893 thousand and a loan granted by the buyer to the seller, endorsed by the Parent and its investee "Constructora San José, SA", for a total amount of EUR 129,109 thousand, resulting in a profit amounting to EUR 147,783 thousand. This loan is divided into two stretches. (i) Tranche A, for an amount of EUR 86,397 thousand, with a single maturity of 20 years and a fixed annual interest rate of 2%, having provided as guarantee the participation of the current 10% held by the Group in the "District Castellana Norte, SA " and; (ii) Tranche B, for an amount of EUR 42,712 thousand, with the same interest rate as Tranche A and expiring on 2 December 2019, and whose purpose was the constitution of a security deposit in the process of cancellation of working capital financing provided by "Constructora San José, SA" under the syndicated financing contract of December 2014 (see Note 11.2).

The most significant information regarding investees in which the Company takes parts, at 2019 and 2018 year-end is as follows:

Year 2019:

			Thousand of Euros (*)				
			Capital and issuance fee	Profit/(Loss) for the year		Remaining net equity	Total net equity
				from operations	for the Year		
Group companies:							
Constructora San José, S.A.	Construction, purchase and sale of land	Rosalía de Castro, 44 (Pontevedra)	8,076	61,006	38,303	82,316	128,695
GSJ Solutions, S.L.U.	Engineering services	Ronda de Poniente, 11 – Tres Cantos (Madrid)	300	37	27	93	420
San José Concesiones y Servicios, S.A.U.	Provision of healthcare and social services	Rosalía de Castro, 44 (Pontevedra)	2,446	(9)	13	138	2,597
San José Energía y Medio Ambiente, S.A.U.	Contruction, provisions of services and management of energy contracts	Ronda de Poniente, 11 – Tres Cantos (Madrid)	4,039	(259)	(291)	(1,669)	2,079
Cadena de Tiendas, S.A.U.	Storage, destruction and sale of goods	Rosalía de Castro, 44 (Pontevedra)	60	(1)	14	12	86
Comercial Udra, S.A.U.	Storage, distribution and sale of manufactured products	Rosalía de Castro, 44 (Pontevedra)	4,182	(77)	4,049	(1,040)	7,191
Constructora Udra Limitada	Construction, maintenance and repair	C/ 1º de Dezembro, 12-14 - Monçào (Portugal)	350	1,202	1,239	2,973	4,562
SJB Müllroser Baugesellschaft GmbH	Construction	Gewerparkrinh, 1315299 Mullroser. Alemania	625	(10)	(10)	(5,702)	(5,087)
Enerxias Renovables de Galicia, S.A.	Production and trade of electric energy by renewable energy resources	Rosalía de Castro, 44 (Pontevedra)	2,649	(9)	18	(2,102)	565
Udra Medios, S.A.U.	Edition, production, reproduction and release of books, newspapers, magazines and video	Rosalía de Castro, 44 (Pontevedra)	1,500	(13)	(319)	(166)	1,015
Udra México, S.A. de C.V.	Holding company	Miravalle, México	3,427	204	235	(242)	3,420

(*) Data from individual financial statements of each investee.

Year 2018:

			Miles de euros (*)				
			Capital y Prima	Resultado		Resto de Patrimonio Neto	Total Patrimonio Neto
				De explotación	Del ejercicio		
Empresas del Grupo:							
Constructora San José, S.A.	Construction, purchase and sale of land	Rosalía de Castro, 44 (Pontevedra)	8,076	21,235	3,249	109,067	120,392
GSJ Solutions, S.L.U.	Engineering services	Ronda de Poniente, 11 – Tres Cantos (Madrid)	300	(225)	(168)	30	162
San José Concesiones y Servicios, S.A.U.	Provision of healthcare and social services	Rosalía de Castro, 44 (Pontevedra)	2,446	(6)	7	131	2,584
San José Energía y Medio Ambiente, S.A.U.	Contruction, provisions of services and management of energy contracts	Ronda de Poniente, 11 – Tres Cantos	4,039	(358)	(359)	(1,710)	1,970
Cadena de Tiendas, S.A.U.	Storage, destruction and sale of goods	Rosalía de Castro, 44 (Pontevedra)	60	-	9	625	694
Comercial Udra, S.A.U.	Storage, distribution and sale of manufactured products	Rosalía de Castro, 44 (Pontevedra)	4,182	-	430	1,917	6,529
Constructora Udra Limitada	Construction, maintenance and repair	C/ 1º de Dezembro, 12-14 - Monção (Portugal)	350	254	322	5,150	5,822
SJB Müllroser Baugesellschaft GmbH	Construction	Gewerparkrinh, 1315299	625	(5)	(5)	(5,716)	(5,096)
Enerxias Renovables de Galicia, S.A.	Production and trade of electric energy by renewable energy resources	Rosalía de Castro, 44 (Pontevedra)	2,649	(17)	18	(2,115)	552
Udra Medios, S.A.U.	Edition, production, reproduction and release of books, newspapers, magazines and video	Rosalía de Castro, 44 (Pontevedra)	1,500	11	263	(14,528)	(12,765)
Udra México, S.A. de C.V.	Holding company	Miravalle, México	1,628	99	31	(427)	1,232

(*) Data from individual financial statements of each investee.

None of the associates is listed on the stock exchange market at 31 December 2019 and 2018.

7.2 Long-term investments in Group companies and associates

The balance of "Investments in Group companies and associates in the short term" corresponds mainly to current account financial contracts maintained by the Company with Group companies, which accrue interest at Euribor plus a market spread. Breakdown for associates at 2019 and 2018 year-end is detailed on Note 14.2.

In addition, due to the fact that the Company is the head of the consolidated tax group, this item of the balance sheet includes the debit position vis-à-vis the various companies that make up the tax group, for a total amount of EUR 3,897 thousand and EUR 3,727 thousand at 31 December 2019 and 2018, respectively, corresponding to the amount to be paid as corporate income tax of Group companies that are included in the tax perimeter (see Note 14.2).

8. Cash and cash equivalents

"Cash and Cash Equivalents" includes the company's cash and short-term deposits with an original maturity of three months or less. Net carrying value is similar to fair value, without restriction on their availability.

Information on the nature and level of risk of financial instruments

The management of financial risks of the Company is centralised in the Group's Financial Management, which has established the necessary mechanisms to control the exposure to changes in interest rates and exchange rates, as well as to credit and liquidity risks. Main financial risks which may have a potential impact on the Company as follows:

a) Credit risk

The Company is not exposed to significant credit risk, since its customers and the institutions in which cash placements are made or with which derivatives are arranged are highly solvent entities, in which counterpart risk is not significant.

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

The Company's credit risk is mainly attributable to trade receivables of Group companies. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts, estimated by Group management based on past experience and its assessment of the current economic climate. The amount of financial assets recognised in the consolidated financial statements, net of possible impairment losses, represents the Group's maximum exposure to credit risk, excluding guarantees or other credit improvements provided.

The Company does not have a significant concentration of credit risk, being its exposure concentrated in Group companies and associates, and therefore the credit risk associated to the activity of these companies.

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

a) Liquidity risk

The Company forms part of the centralised treasury system of Grupo SANJOSE and has available short-term syndicated credit facilities of the Group, being able to obtain liquidity if necessary. The Group's liquidity policy consists of the arrangement of committed credit facilities and current financial assets for sufficient amounts to cater for the projected liquidity needs for a given period based on the situation and prospects of the debt and capital markets.

a) Market risk

- Interest rate risk: Both the treasury and the financial debt of the Company are exposed to interest rate risk, which could have an adverse impact on financial outcome and cash flows. In order to minimise this impact, the Company's policy is to contract derivative financial instruments to hedge interest rates. At 31 December 2019, since most of the funding of the Company is repaid on a fix interest rate (see Note 11.2.b), there are no derivative financial instruments.

- Exchange rate risk: The Company does not bear at 31 December 2019 any positions in other currency than in Euro. Likewise, there are no coverage contracts for exchange rates. Its currency exposure corresponds mainly to its stake in group companies operating in markets with a currency other than the Euro (see Note 7.1). The Group's policy is that funding of these units, if applicable, would be in local currency.

9. Net Equity

9.1 Share Capital

At 31 December 2019 and 2018, share capital of the Parent was represented by 65,026,083 shares of EUR 0.03 par value each.

At 20 July 2009, shares of the Company are admitted to trading on the Continuous Market, with a market value of EUR 12.86 per share. The closing and mean quote for the last quarter of the year has been EUR 6.00 and EUR 6.71 for year 2019 and EUR 4.60 and 4.89 for year 2018, respectively.

At 31 December 2019, the only shareholder with a stake exceeding 10% in the share capital of the Company was Mr. Jacinto Rey González, with a direct and effective participation of 24,952% and 48.292%, respectively.

On 30 December 2014, the Group has entered into with a majority of the creditor banking entities a novation agreement of its syndicated credit loan in Spain, pursuant to which it commits to issue Warrants for 35% of its social capital, whose execution shall depend on the level of performance of the Group of the amortisation of the participating loan granted as on said date, for a total amount of EUR 100 million (see Note 16.3). Said issuance of *warrants* was agreed by the AGM as its meeting held on 24 June 2015.

On 31 October 2019, the Company has proceeded to fully amortise the syndicated financial debt held up to that time, being the warrants cancelled (see Note 11.2).

9.2 Issuance rights

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

9.3 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 year-end 2019 the legal reserve has not been fully provided.

9.4 Restrictions on the distribution of dividends

At 31 December 2019 there are no restrictions on the distribution of dividends.

9.5 Treasury shares

At 31 December 2019 and 2018 the Company did not hold any treasury shares neither had executed transactions with treasury shares during 2019 and 2018.

9.6 Goodwill reserves

In accordance with the provisions of art.273 of the Capital Companies Act, up to year 2015, in the application of the result of each year, an unavailable reserve equivalent to at least 5% of the amount recorded should be provided as goodwill in the asset balance sheet.

At 31 December 2019 and 2018, said reserve amounted to EUR 762 thousand and was recorded under "Voluntary Reserves" under net equity. Since the net book value of goodwill recorded at 31 December 2019 is greater, the goodwill reserve is qualified as a restricted reserve at said date.

9.7 Equity

At 31 December 2019, the Company records a negative net equity amounting to EUR 14,237 thousand.

At 31 December 2018, the Company records a negative net equity amounting to EUR 39,207 thousand. However, it is not in the situation of asset imbalance pursuant to art. 363 of the Companies Act to the extent that it records an equity loan amounting to EUR 111,390 thousand (see Note 11.2 and 9.1), received from creditor financial institutions in order to strengthen its financial position, according to the provisions under article 20 of Royal Decree -Law 7/1996, of 7 June.

10. Provisions and contingencies

10.1 Long-term provisions

The detail of long-term provisions under the balance sheet at 2019 y 2018 year-end, as well as main movements during years 2019 and 2018, are as follows:

Year 2019:

	Thousand of Euros			
	Balance at 31-12-2018	Additions	Tranfers	Balance at 31-12-2019
Provision for risks and expenses	17,972	-	(12,881)	5,091
Total	**17,972**	**-**	**(12,881)**	**5,091**

Year 2018:

	Thousand of Euros		
	Balance at 31-12-2017	Additions	Balance at 31-12-2018
Provision for risks and expenses	17,972	-	17,972
Total	**17,972**	**-**	**17,972**

This item mainly includes provisions provided by the Company in order to cover possible contingencies arising from the holding of financial investments with negative equity, in addition to the impairment of own shares that may be recorded to date (see Note 7.1).

Breakdown, by associate, is as follows:

	Thousand of Euros			
	Balance at 31/12/2018	Additions	Tranfers	Balance at 31/12/2019
SJB Müllroser Baugesellschaft mbH	5,110	-	(19)	5,091
Udra Medios, S.A.U.	12,862	-	(12,862)	-
Total	**17,972**	-	(12,881)	**5,091**

10.2 Short-term provisions

At 31 December 2019 and 2018, the Company has short-term provisions amounting to EUR 545 thousand in order to meet contingencies arising from its activity.

10.3 Contingencies

Directors of the Company do not consider any liability arising in connection to the committed guarantees, in addition to those recorded in the accompanying financial statements at 31 December 2019.

11. Financial debt

Breakdown of this item in the accompanying balance sheet is as follows:

Year 2019:

	Thousand of Euros		
	Other financial liabilities with changes in income statement	**Debts and accounts payable**	**Total**
Syndicated loan (Note 11.2)	-	-	-
Other financial liabilities (Note 11.1)	-	87	**87**
Total current financial liabilities	**-**	**87**	**87**

Year 2018:

	Thousand of Euros		
	Other financial liabilities with changes in income statement	**Debts and accounts payable**	**Total**
Syndicated loan (Note 11.2)	-	111,390	**111,390**
Other financial liabilities (Note 11.1)	-	83	**83**
Total current financial liabilities	**-**	**111,473**	**111,473**

11.1. Other current liabilities

"Other financial liabilities" corresponds mainly to financial current accounts with Shareholders, Senior Management and other employees of the Group, which bear a market interest rate referenced to Euribor, and whose maturity is renewed annually tacitly (see Note 14.2).

11.2. Syndicated credit facilities

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.

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

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

Syndicated financing contract assumed by "Constructora San José, S.A." and divided into several tranches: i) Tranche A: loans amounting to EUR 250 million , and with a five-year maturity that can be extended for one more year, with a progressive repayment schedule, as well as multi-group working capital lines (discount, confirming and guarantees) for a total amount of EUR 417.2 million , and; ii) Tranche B: additional financing line in the case of execution of guarantees amounting to EUR 10 million.

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 fixed increasing interest rate, including a variable rate according to the outcome of the Group, with a 5-year bullet maturity.

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).

At 31 December 2018, the Group has real estate assets amounting to EUR 18,260 thousand, which guarantee the syndicated credit for EUR 34,176 thousand. In addition, it has pledged credit rights that may derive from certain real estate assets, whose net book value is EUR 13,169 thousand at said date.

On 31 October 2019, the Group has fully amortised the syndicated financial debt that was granted, and warrants issued are cancelled.

As of 31 October 2019, the total amount of the loan provision of "Grupo Empresarial San José, S.A." amounted to EUR 115,196 thousand, having agreed with the creditor financial institutions the full repayment of the loan through the payment of EUR 86,397 thousand, showing a positive result amounting to EUR 28,799 thousand, recorded under "Other financial income "in the accompanying profit and loss account for year 2019 (see Note 13.5).

Likewise, on 31 October 2019, with the total repayment of the debt, the guarantees were released. As of the current date, the Group is formalising the registration cancellation of said guarantees.

12. Taxation

The Company is subject to the Tax Consolidation Regime under reference number 002/06, being the Parent of the tax group.

12.1. Tax receivables and payables

Breakdown of tax receivables at 31 December 2019 and 2018 is as follows:

	Thousand of Euros	
	31/12/2019	31/12/2018
Current assets:		
Personal income tax receivable	-	534
VAT receivables	3,215	-
Income tax receivables	13,343	1,054
Total	**16,558**	**1,588**

Breakdown of tax payables at 31 December 2019 and 2018 is as follows:

	Thousand of Euros	
	31/12/2019	**31/12/2018**
Current liabilities:		
VAT payables	-	1,865
Personal income payable and other	525	255
Social Security payables	88	95
Total	**613**	**2,215**

On 1 January 2012, the Company together with most of its subsidiaries, representing 50%, and several JVs agreed on submitting joint VAT declaration as a Group under the general regime, under reference number 111/12.

12.2. Reconciliation of the accounting profit/(loss) and taxable base

The reconciliation of the accounting profit/(loss) and the taxable base for income tax purposes for year 2019 and 2018 is as follows:

	Thousand of Euros	
	2019	**2018**
Profit/(Loss) before tax	**56,593**	**829**
Permanent differences		
Increase	2,098	853
Decrease	(34,126)	(257)
Offset of prior years' tax losses	(11,600)	-
Prior taxable profit	**12,965**	**1,425**
Prior setting 25%	**3,241**	**356**
Deductions	(169)	(89)
Regularisation	77	-
Income tax expense	**3,149**	**267**
Temporary differences		
Increase prepaid tax	-	-
Decrease prepaid tax	(1)	(25)
Increase deferred tax	-	-
To offset tax credit	(3,884)	(87)
Deductions	-	-
Current year deduction increases	169	89
To offset outstanding deductions	(6)	-
Principal transactions	(14,991)	(1,223)
Amount (payable) / receivable	**(15,564)**	**(979)**
-Offset against tax group	(2,983)	(744)
-Tax credit	(12,581)	(235)

Royal Decree Law 3/2016 on 2 December 2016, approving tax measures, introduces significant limitations in fiscal legislation regarding the ability of large companies to offset the negative tax bases that could have been generated in previous years, as well as the application of deductions. Likewise, a tax reversal is required on the impairment of financial holdings, which were tax deductible in tax base prior to 1 January 2013.

On 31 October 2019, the Company has repaid the syndicated financial debt resulting from the financial novation agreement entered into in December 2014 (see Note 11.2). Within the framework of this operation, the financial entities have partially forgiven the debt, deriving a financial income amounting to EUR 28,799 thousand (see Note 13.5), contemplated as computable income in the tax base of year 2019. In accordance with the provisions of the aforementioned Royal Decree Law 3/2016, of 2 December 2016, the Company has fully reduced said result from the taxable base of the year with negative taxable bases of previous years: for an amount of EUR 11,600 thousand, with negative tax bases that had not been previously activated as a tax credit, and in the amount of EUR 17,199 thousand, with negative tax bases that were recorded as tax credit in the balance sheet of the Company (amounting to EUR 3,884 thousand, in the balance sheet of the Company, and amounting to EUR 416 thousand, activated due to companies of the tax group the company is parent of) (see Note 2.e.)

12.3. Deferred tax assets and liabilities

The detail of deferred tax assets under the balance sheet at 31 December 2019 y 2018, as well as main movements, are as follows:

Year 2019:

	Thousand of Euros			
	31.12.2018	**Tax for the year**	**Regularisation and other**	**31.12.2019**
Temporary differences on other items	2,368	(1)	-	2,367
Tax credit carry forwards	185	163	1	349
Tax losses carry forwards prior to the Group	1,748	(1,748)	-	-
Offset of tax loss carry forwards (Note 14.2)	31,728	(2,136)	(743)	28,849
Total	**36,029**	**(3,722)**	**(742)**	**31,565**

Year 2018:

	Thousand of Euros			
	31.12.2017	**Tax for the year**	**Regularisation and other**	**31.12.2018**
Temporary differences on other items	2,295	259	(1)	2,368
Tax credit carry forwards	-	89	96	185
Tax losses carry forwards orior to the Group	2,429	(681)	-	1,748
Offset of tax loss carry forwards (Note 14.2)	31,807	(87)	8	31,728
Total	**36,531**	**(420)**	**103**	**36,029**

The detail of deferred tax assets under the balance sheet at 31 December 2019 y 2018, as well as main movements during years 2017 and 2016, are as follows:

Year 2019:

	Thousand of Euros			
	31.12.2018	**Tax for the year**	**Regularisation and other**	**31.12.2019**
Translation differences for investment portfolio	91	(91)	-	-
Temporary differences in margins for group transactions	13,447	-	(1)	13,446
Payable to group companies for income tax (Note 14.2)	1,204	-	(784)	420
Total	**14,742**	**(91)**	**(785)**	**13,866**

Year 2018:

	Thousand of Euros			
	31.12.2017	**Tax for the year**	**Regularisation and other**	**31.12.2018**
Translation differences for investment portfolio	137	-	(46)	91
Temporary differences in margins for group transactions	13,447	(46)	46	13,447
Payable to group companies for income tax (Note 14.2)	995	209	-	1,204
Total	**14,579**	**163**	**-**	**14,742**

Loss carry forwards

Further, the Company has the following tax loss outstanding offset generated within the tax group which it belongs to:

Year of inclusion	Thousand of Euros
2008	13,412
2009	40,177
2010	0.05
2011	0.3
2012	751
2013	10
2015	402,084
	456,434.35

The Company keeps partially activated the negative tax bases generating a tax credit. At 31 December 2019 and 2018, the amount of the tax credit registered by the Company amounts to EUR 28,849 thousand and EUR 33,476 thousand, respectively.

The Directors of the Group have assessed the recovery of assets for deferred taxes based on the activities developed by the Group for the term 2020-2029, including variable arising from the applicable regulation in force (Tax Plan).

Projections used are in line with the Strategic Plan of Group SANJOSE, appropriately reviewed and updated by the directors of the Group according to the most recent trade projections, which take into account the historical evolution in recent years, and the financial stability achieved, specially that reached in year 2019 due to the total repayment of the syndicated bank debt (see Note 11). Likewise, revenue and margin projections have been draft using external resources from recognised international prestige, such as the International Monetary Fund, and information regarding plans for public investment in infrastructure in the coming years of the main countries where the Group operates.

Forecasts of the Group are based on profits, which have, in fact, already been obtained in the last years. The most significant assumptions used to affect such Tax Plan at 31 December 2019, regarding construction activity, are as follows:

- Regarding construction activity:

- Sales: total construction revenue is distributed among countries where the Group operates, based on the current activity and contracted portfolio (short and medium term) and the guidelines established in the business plan Group (medium and long term), assuming approximately a 5-10% annual growth of total construction activity for the period 2020-2029.
- A relatively margin EBITDA standing at 6.0%.
- Potential capital gains from the sale of real estate assets or income and benefits of urban development activity have not been considered in this cash generating unit.

- Regarding the other activities: energy, commercial, services and maintenance. They are secondary with regards to the main construction business,

- Sales: overall growth in line with inflation rate for the period (1.6%).
- EBITDA margin: it keeps in line with the average margins of the last years.

As a result of the Tax Plan made, it is concluded that the Group generates sufficient taxable income to offset the amount of deferred tax assets recorded at 31 December 2019, in a given period of 8 years.

Tax credits

Applicable regulations in force with regards to income tax includes sundry tax incentives. Tax credits generated within in a year, in excess of the applicable legal limits may be deducted from the income tax payable in the coming years, subject to the limits and deadlines established in this connection by the related tax legislation

The Company has the following tax credits outstanding application, arising from both the activities performed and the deductions from absorbed companies:

Deductions	Year	Thousand of Euros
Tax credits for donations	2015	0.50
Deduction for amortisation	2015	0.08
Tax credits for donations	2016	0.60
Deduction for amortisation	2016	0.08
Tax credits for donations	2017	0.60
Deduction for amortisation	2017	0.08
Tax credits for donations	2018	0.60
Deduction for amortisation	2018	0.08
Double taxation tax credit	2018	88.40
Tax credits for donations	2019	1.00
Deduction for amortisation	2019	0.08
Double taxation tax credit	2019	168.30
		260.40

At 31 December 2019 and 2018, the Company has recorded tax loss due to tax credit amounting to EUR 349 thousand and EUR 185 thousand, respectively.

12.4. Years open for review

Years open for review are as follows:

Tax	Years
VAT	2016-2019
Personal income tax	2016-2019
Income tax	2015-2018

With regard to corporation tax, according to the new regulations the right of the Spanish administration to initiate the verification procedure of the paid, offset or outstanding quotas or any deductions applied or to be applied in future is extended to ten years as from the day following that on which the statutory deadline for filing them or for the year or taxable period in which the right was generated to offset such quotas or apply such deductions, being therefore only subject to review deductions and tax losses generated since 2009.

These tax returns, and the tax returns for the other taxes to which the Company and its subsidiaries are subject cannot be deemed to be definitive until the statute of limitations period of four years has expired or until they have been reviewed and approved by the tax authorities.

On 16 May 2018, a review by the Tax Agency for VAT and withholdings for the periods between April 2014 and December 2017 of the companies of “Grupo Empresarial San José, SA" and "Constructora San José, SA" and on Income Tax on Companies of Tax Consolidation Group for years 2013 to 2017, both inclusive, was started. Directors do not consider there will be any significant contingencies other than those duly recorded in these Financial Statements.

12.5. Transactions under the special tax neutrality regime

In 1 July 1994 “Grupo Empresarial San José, S.A.” increased its social capital by the non-monetary provision of shares of the company “Constructora San Jose S.A.”, transaction subject to the special tax neutrality regime pursuant to terms and provisions of Act 29/1991. The transaction is described in the notes to said financial statements.

On 22 October 1999, the Company subscribed shares of “Inmobiliaria Udra S.A.” (currently “San Jose Desarrollos Inmobiliarios, S.A.”) by means of the non-monetary provision of shares of “Pontegran S.L.”, transaction subject to the special tax neutrality regime pursuant to terms and provisions of Act 43/1995. The transaction is described in the notes to said financial statements.

On 27 June 2005, the Company subscribed shares of “Constructora San José S.A.” by the non-monetary provision of shares of “Inmobiliaria Udra S.A.”. This transaction qualified for taxation under the tax neutrality regime provided for in Chapter VIII of Title VIII of Legislative Royal Decree 4/2004, on 5 March on Income Tax. The transaction is described in the notes to said financial statements.

On 2 June 2006, The Company subscribed shares of “Comercial Udra S.A.” by means of the non-monetary provision of shares of “Arserex S.A.U.” and “Basket King S.A.”. This transaction qualified for taxation under the tax neutrality regime provided for in Chapter VIII of Title VIII of Legislative Royal Decree 4/2004, on 5 March on Income Tax. The transaction is described in the notes to said financial statements.

On 19 June 2006, the Company subscribed shares of “Grupo Empresarial San José, S.A.” (company its was merged to in year 2008 –see Note 1-, adopting its company name) by means of the non-monetary provision of shares of “Constructora San José, S.A.”. This transaction qualified for taxation under the tax neutrality regime provided for in Chapter VIII of Title VIII of Legislative Royal Decree 4/2004, on 5 March on Income Tax. The transaction is described in the notes to said financial statements.

12.6 Subrogation of the Company of tax liabilities of absorbed companies

Merger by absorption of "Parquesol Inmobiliaria y Proyectos, S.A." with "Miralepa Cartera, S.L." and "Parquesol inmobiliaria y Proyectos, S.L.".

In 2006, the company "Parquesol Inmobiliaria y Proyectos SA" absorbed "Miralepa Cartera, SL" and "Parquesol Inmobiliaria y Proyectos, SL", a company that in year 2000 had already absorbed certain companies. Article 90 of the Consolidated Text of the Companies Tax Law (Royal Legislative Decree 4/2004, on 5 March) establishes that when a restructuring operation is carried out determining a universal succession, as in the case of the above-mentioned takeovers, all rights and tax obligations of the absorbed entities are transferred to the acquiring entity. Thus, the Company acquired, among other, the tax obligations of the absorbed companies. However, the directors of the Company do not expect any significant liabilities arising as a consequence of said transaction.

Likewise, merger agreements of the Company with "Parquesol Inmobiliaria y Proyectos, S.L." and "Miralepa Cartera, S.L." specified that said transactions would qualify for taxation under the special tax regime provided for in Chapter VIII of Title VII of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law, of which the tax authorities will be formally notified

Segregation of the branch of activity of the company Grupo Empresarial San José, S.A. and consequent capital increase of the beneficiary company San José Desarrollos Inmobiliarios, S.A.

As of 30 June 2010, spin-off of the real estate branch of activity of Grupo Empresarial San Jose, S.A. and its transfer en bloc and universal succession to San Jose Desarrollos Inmobiliarios, S.A., who increases its share capital, was granted though public deed. After said transaction, the Company continues with the same material and human resources for the development of its other activities.

The contribution of this branch of activity has accounting retroactive effect as from 1 January 2010. The aforementioned spin-off took place pursuant to provisions under the Structural Amendment Act of Companies, number 3/2009 and Chapter VIII of Title VII on the Special regime of mergers, spin-off and exchange of shares established by the Legislative Royal Decree 4/2004 on 5 March approving the Consolidated Spanish Corporation Tax Law, having been notified to the Large Taxpayers Central Office of the Department of the Treasury on 2 November 2010.

13. Revenue and expenditure

13.1 Net Revenue and other operating income

Net revenue by activity for years 2019 and 2018 is as follows:

	Thousand of Euros	
	2019	**2018**
Dividends received	34,126	257
Financial incomes from Group companies	280	242
Total	**34,406**	**499**

"Revenue from holding activity" includes mainly financial income from the financing granted to the investees, as well as the dividends received from them (see Note 14.1).

"Other operating income" in the accompanying income statement for years 2019 and 2018 amounts to EUR 19,900 thousand and EUR 21,453 thousand, respectively, and corresponds mainly to income from the provisions of management services by the Company to its investees (see Note 14.1).

13.2 Social security costs

Breakdown for years 2019 and 2018 is as follows:

	Thousand of Euros	
	2019	**2018**
Social security	902	782
Other social costs	333	337
Total	**1,235**	**1,119**

13.3 Staff costs

The average number of employees during years 2019 and 2018 is as follows:

	2019		2018	
Category	**Men**	**Female**	**Men**	**Female**
Executives	19	11	26	14
Managers	13	7	9	10
Clerical staff	8	24	2	12
Technicians	2	-	2	-
Total	**42**	**42**	**39**	**36**

The number of employees at 31 December 2019 was 82, of which 42 were men and 42 women, being the distribution by type similar to that of the year.

The average number of people employed in the course of the year with a disability greater than or equal to 33% is 1 worker, who is herself a university graduate. The Company, taking into account the specific risk involved in its activity, has recognised the exception 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.

13.4 External services

Breakdown for years 2019 and 2018 is as follows:

	Thousand of Euros	
	2019	**2018**
Rents and royalties	393	391
Repair and maintenance services	1	-
Independent professional services	982	692
Insurrance premiums	288	467
Banking services and similar	1	1
Advertising, publicity and public relations	37	19
Utilities	5	4
Other Services	4,300	5,554
Total	**6,007**	**7,128**

"Other services" includes mainly services provided by companies of the Group amounting to EUR 3,480 thousand and EUR 5,007 thousand in years 2019 and 2018, respectively (see Note 14.1).

13.5 Finance income

Breakdown for years 2019 and 2018 is as follows:

	Miles de euros	
	2019	2018
Interest on short term assets	2	102
Other financial income	28,799	-
Total	**28,801**	**102**

"Other financial income" includes the amount of remission received from the creditor financial institutions for an amount of EUR 28,799 thousand, derived from the operation of total amortisation of the syndicated financial debt that the Company maintained as a result of the novation of the financial debt carried out in December 2014 (see Note 11.2).

13.6 Audit fees

In 2019 and 2018 the expense corresponding to the financial audit services provided to the Company by Deloitte, S.L. and associated of the same, as well as fees for audit services for independent financial statements of associated and related companies was as follows:

Year 2019:

Description	Thousand of Euros
Audit fees	40
Other verification services	32
Total audit services and related services	**72**
Tax advisory services	-
Other Services	-
Total	**72**

Year 2018:

Description	Thousand of Euros
Audit fees	38
Other verification services	31
Total audit services and related services	**69**
Tax advisory services	-
Other Services	-
Total	**69**

14. Associated

14.1. Transactions with associates

The detail of transactions with associates for years 2019 and 2018 is as follows:

Year 2019:

	Thousand of Euros			
	Provision from services (Note 13.1)	**Reception of services** (Note 13.4)	**Financial expenses**	**Income financial** (Note 13.1)
Comercial Udra, S.A.U.	549	-	30	3,387
Pinos Altos X.R., S.L.	-	117	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	260	-	-	-
Cartuja Inmobiliaria, S.A.U.	400	-	-	-
Constructora San José, S.A.	14,015	3,279	2,028	29,939
San Jose Concesiones y Servicios, S.A.U.	290	-	26	1
San Jose Energía y Medio Ambiente, S.A.U.	134	-	-	80
Udramedios, S.A.U.	-	-	143	-
Constructora Udra Limitada	1,053	-	-	175
Cadena de Tiendas, S.A.	-	-	19	625
San José Inmobiliaria Perú S.A.C.	616	-	-	-
Concesionaria San Jose Tecnocontrol, S.A.	653	-	-	-
Constructora Sanjose Chile Ltda.	1,457	-	-	186
Fotovoltaica El Gallo, S.A.	86	-	-	-
Constructora San José Argentina, S.A.	41	-	-	-
Udra México S.A. de C.V.	130	-	-	-
GVK Projects & Technical Services Ltd	195	-	-	-
Desarrollos Urbanísticos Udra, S.A.U.	-	-	364	-
Other Company Group	21	84	3	13
Total	**19,900**	**3,480**	**2,613**	**34,406**

Year 2018:

	Thousand of Euros			
	Provision from services (Note 13.1)	**Reception of services** (Note 13.4)	**Expenses financial**	**Income financial** (Note 13.1)
Comercial Udra, S.A.U.	435	-	53	257
Pinos Altos X.R., S.L.	-	115	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	286	-	-	-
Cartuja Inmobiliaria, S.A.U.	416	-	-	-
Constructora San José, S.A.	14,525	4,892	2,427	1
San Jose Concesiones y Servicios, S.A.U.	507	-	14	-
San Jose Energía y Medio Ambiente, S.A.U.	234	-	-	69
Xornal de Galicia, S.A.U.	-	-	-	16
Udramedios, S.A.U.	-	-	142	-
Constructora Udra Limitada	906	-	-	-
Cadena de Tiendas, S.A.	-	-	18	-
San José Inmobiliaria Perú S.A.C.	312	-	-	-
Constructora San José Timor, Unipessoal Lda.	594	-	-	11
Concesionaria San Jose Tecnocontrol, S.A.	1,527	-	-	144
Constructora Sanjose Chile Ltda.	113	-	-	-
Fotovoltaica El Gallo, S.A.	50	-	-	-
Constructora San José Argentina, S.A.	416	-	-	-
Udra México S.A. de C.V.	922	-	-	-
Other company Group	84	-	2	1
Total	**21,327**	**5,007**	**2,656**	**499**

The amount of services rendered by the investee company "Constructora San José, SA" in 2019 and 2018 is mainly for the provision of management services provided by this investee, which, in turn, the Company partially re-invoices to the rest of the Group companies in which it takes part in.

Commercial transactions are carried out in accordance with the terms and conditions established by the parties, under normal market conditions.

Interest, both paid and received, arises from the application of Euribor plus a market spread to the credit and debit balances in current accounts with Group companies.

14.2. Balances with associates

Breakdown of balances with associates is as follows:

Year 2019:

	Thousand of Euros					
	Long-term loans (Note 7.1)	Trade receivables	Short-term Credits	Long-term debt	Short-term Debts	Trade payables
Comercial Udra, S.A.U.	-	54	645	-	-	-
San José Energía y Medio Ambiente, S.A.U.	650	41	2,071	-	-	-
San José Concesiones y Servicios, S.A.	-	58	-	-	2,554	-
Constructora Udra Limitada	-	176	-	-	-	-
Xornal de Galicia, S.A.	2,014	-	-	-	-	-
Cadena de Tiendas, S.A.U.	-	-	-	-	20	-
Constructora San José, S.A.	-	4,177	-	-	42,644	669
SJB Mullroser Baugeschellsaft	-	-	5,073	-	-	-
Udra Medios, S.A.U.	-	-	-	-	4,665	-
San José Inmobiliaria Perú, S.A.C.	-	53	-	-	-	-
Constructora San José Colombia, S.A.S.	-	1	-	-	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	-	26	-	-	-	-
Pinos Altos XR, S.L.	-	-	-	-	-	10
Cartuja Inmobiliaria, S.A.U.	-	40	-	-	-	-
Udra México, S.A. de CV	-	11	-	-	-	-
GSJ Solutions, S.L.	-	-	-	-	76	-
Desarrollos Urbanísticos Udra, S.A.U.	-	-	-	86,761	-	-
Constructora San José Argentina, S.A.	-	215	-	-	-	-
Other companies of the Group	-	92	-	-	-	-
Balances with companies of the group by tax cosolidation	-	-	**3,897**	-	**664**	-
Total	**2,664**	**4,944**	**11,686**	**86,761**	**50,623**	**679**

Year 2018:

	Thousand of Euros					
	Long-term loans (Note 7.1)	Trade receivables	Short-term Credits	Long-term debt	Short-term Debts	Trade payables
Comercial Udra, S.A.U.	-	44	-	-	1,221	-
San José Energía y Medio Ambiente, S.A.U.	400	71	2,385	-	-	-
San José Concesiones y Servicios, S.A.	-	102	204	-	-	-
Constructora Udra Limitada	-	152	-	-	-	-
San José France, S.A.S.	-	1	-	-	-	-
Xornal de Galicia, S.A.	2,014	-	-	-	-	-
Cadena de Tiendas, S.A.U.	-	-	-	-	604	-
Constructora San José, S.A.	-	3,849	-	-	67,775	955
SJB Mullroser Baugeschellsaft	-	-	5,060	-	-	-
Udra Medios, S.A.U.	14,100	-	-	-	4,613	-
San José Inmobiliaria Perú, S.A.C.	-	-	278	-	-	-
Constructora San José Colombia, S.A.S.	-	1	-	-	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	-	29	-	-	-	-
Centro Comercial Panamericano, S.A	-	15	-	-	-	-
Soc. Concesionaria Chile Tecnocontrol	-	198	-	-	-	-
San Jose Constructora Chile Ltda.	-	509	4,468	-	-	-
Pinos Altos XR, S.L.	-	-	-	-	-	10
San José Tecnologías Chile Limitada	-	-	310	-	-	-
Cartuja Inmobiliaria, S.A.U.	-	84	-	-	-	-
Udra México, S.A. de CV	-	277	-	-	-	-
GSJ Solutions, S.L.	-	-	37	-	-	-
Constructora San José Argentina, S.A.	-	99	-	-	-	-
Other companies of the Group	-	978	-	-	-	-
Balances with companies of the group by tax cosolidation	-	-	**3,727**	-	**414**	-
Total	**16,514**	**6,409**	**16,469**	-	**74,627**	**965**

The balance of item "long-term debts with Group companies" as of 31 December 2019, amounting to EUR 86,761 thousand, corresponds entirely to the loan made between the Company and the company of the Group "Desarrollos Urbanísticos Udra, S.A.U." on 31 October 2019, for an amount of EUR 86,397 thousand, with a single repayment at maturity at 20 years, at a fixed interest rate of 2.48% per annum, fully repayable at maturity. As of 31 December 2019, it also includes an amount of EUR 364 thousand, corresponding to the financial expense accrued on that date pending settlement.

At 31 December 2019, the amount recorded under "Long-term Group loans and advances to companies", amounting to EUR 2,664 thousand, corresponds mainly to the participatory loans granted by the Company to its investees. The participative loan granted by the Company to its investee "San José Energía y Medio Ambiente, SAU" is included, for an amount of EUR 650 thousand, maturing on 31 December 2022, where the accrual of financiers is subject to the borrowing company obtaining positive results , and whose purpose is to strengthen its equity position. During year 2019, the Company proceeded to capitalise the participatory loans granted to its investees "Udra Medios, S.A.U." as of 31 December 2018. and "San José Energía y Medio Ambiente, S.A.U.", for a total amount of EUR 14,500 thousand (see Note 7.1).

"Short-term loans" and "Short-term liabilities" are derived from current financial account contracts signed with Group companies and accrue interest at Euribor plus a market spread.

Due to the fact that the Company is the head of the consolidated tax group for corporate income tax, the Company recorded under "Deferred Tax Liability" a long-term credit position against the Group, for a total amount of EUR 420 thousand and EUR 1,204 thousand at 31 December 2019 and 2018, respectively, corresponding to the Company's accounts payable to companies within the tax group, for the tax credit recorded by the Company under

"Deferred tax assets", corresponding to negative tax bases contributed to the tax perimeter by them (see Note 12.3).

Additionally, as of 31 December 2019 and 2018, the Company has granted loans to senior management amounting to EUR 87 thousand and EUR 102 thousand, recorded under "Long-term financial investments" under the non-current assets of the accompanying balance sheet. Said loans bear interest rate at Euribor plus a market spread.

Further, at 31 December 2019 and 2018, the Company has receivables from and payables to partners, directors and executives amounting to EUR 87 thousand and EUR 83 thousand, respectively, recorded under “Other current financial assets” and “Other short-term financial liabilities” in the accompanying balance sheet (see Note 11.1).

15. Other disclosure

15.1. Information on deferred payments to suppliers. Third supplementary provision. "Information duties" of Act 15/2010 on 5 July.

Regarding information required by the supplementary third provision of Act 15/2010 on 5 July, detailed below is the average payment term to suppliers of the Company during years 2019 and 2018, as well as the balance of payments to suppliers at 31 December 2019 and 2018:

	Year 2019	Year 2018
Average payment term to suppliers (days)	**15**	**25**
Ratio of paid transactions (days)	15	25
Ratio od transactions pendind payment (days)	25	16
Total payments made (thousands of Euros)	6,000	8,808
Total pending payments (thousand of Euros)	331	331

In accordance with the ICAC Resolution on 29 January 2016, on the information to be incorporated into the financial statements in relation to the average period of payment to suppliers in commercial operations, for the calculation of the average period of payment to suppliers, commercial operations corresponding to the delivery of goods or services accrued during the year have been taken into consideration.

For the sole purpose of giving the information provided in this Resolution, suppliers are considered to be commercial creditors for debts with suppliers of goods or services, included in the “Suppliers” and “Sundry payables” items of the current liabilities of the balance sheet.

The Directors of the Company have not considered the balance of payments made during the year to Group companies domiciled abroad, considering that said balances and transactions are outside the scope of the law.

The maximum legal term of payment applicable to the Company according to Act 15/2010, as of 5 July, amended pursuant to Act 3/2004, on 29 December, amended by Act 11/2013, on 26 July, on the establishment of measures to combat late payment in commercial operations, is 30 days, unless otherwise agreed by the parties, with maximum payment term being 60 days in that case.

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

15.2. Remuneration of Directors and Executives

The detail of the remuneration of all kinds earned in 2019 and 2018 by the members of the Board of the Company is as follows:

Type of Directors	Thousand of Euros	
	2019	2018
Executive	6,065	2,409
Independent board members	489	207
Other external board members	76	16
Total	**6,630**	**2,632**

Total remuneration paid by the Company in years 2019 and 2018 of non-member executives amounts to EUR 1,166 thousand and EUR 503 thousand, respectively.

The Board of Directors in 2019 and 2018 is formed by 10 men and 1 woman.

There were no pension or life insurance obligations to the former or current members of the Board of Directors neither Top Management members.

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. Net value of the business activity branch amounts to EUR 82.3 thousand (EUR 88,5 thousand in 2018).

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

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

- Have not performed on their own account or for any other third parties the same business activity or any other similar activity.
- Do not hold shares in the capital of entities with the same, analogous or complementary type of activity that constitutes the corporate purpose of the Company.
- Have not performed with the Company or any Group company transactions other than those in the normal course of business or under non-usual market conditions.

At year-end 2019 neither the members of the Board of Directors of the Company or any third parties related to them, as defined in the Companies Act, have reported to the other members of the Board of Directors any conflict of interests, either direct or indirect, with the interests of the Company.

16. Events after the reporting period

There are no significant events occurred after 31 December 2019 which may have impacted on the accompanying financial statements.

GRUPO EMPRESARIAL SAN JOSE, S.A.

Management report for the year ending 31 December 2019

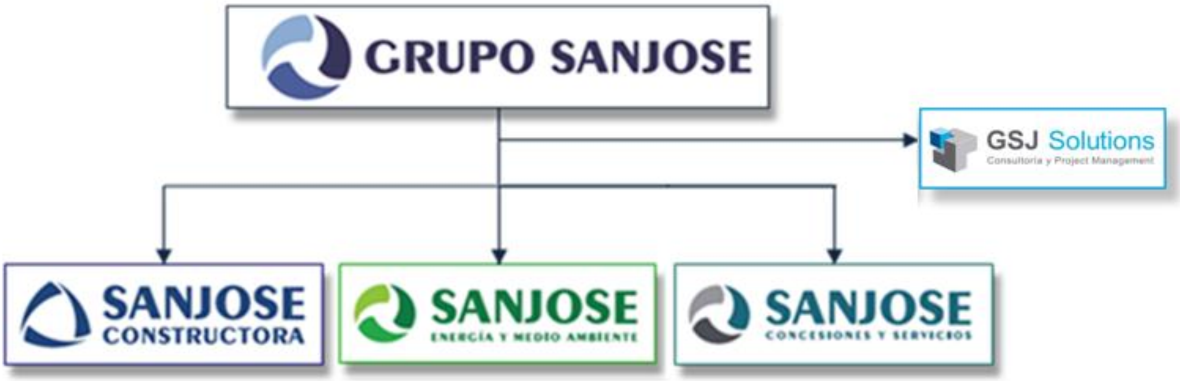
1. <u>Situation of the Company</u>

1.1. Organisational Structure

The Company is the Parent of the Grupo SANJOSE, the Group is arranged as a group of companies operating in different sectors. Since its foundation, the main business activity of the Group is construction, strengthening its activity in the last years.

The main lines of activity developed by Grupo SANJOSE are the following:

- Construction
- Concessions and Services.
- Energy and Environment
- Engineering & Project Management



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 as a way of being less exposed to the risk inherent to a single activity. The Group has a clear international vocation, becoming increasingly important activities developed overseas, with a higher significance in the turnover of the Group. In 2019, 46% total revenue of the Group comes from overseas (51% in 2018).

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 its activity in the international arena –boosting development in the countries where we are already present and in those of future penetration–, maintaining quality standards and satisfaction of customers and suppliers that have positioned Grupo SANJOSE as a benchmark in the market, analysing and encouraging the application of innovation and technological progress, and maintaining a reduced cost level that guarantees the profitability of projects.

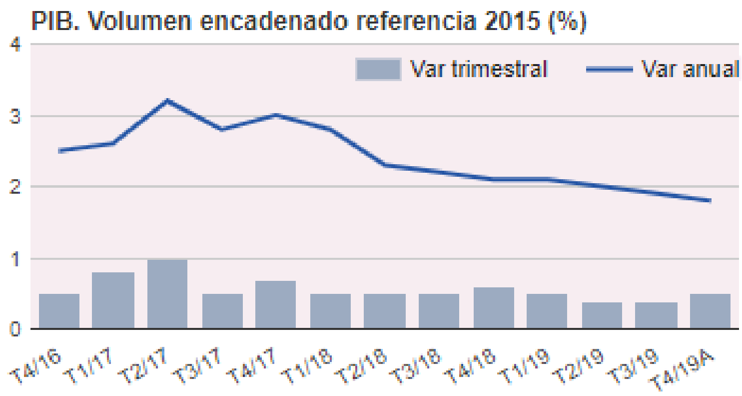
2. <u>Evolution of the market</u>

2.1. Market performance

After the period of recession following the economic-financial crisis of 2007, Spain is framed in a context of moderate growth, but slightly above that of the European powers.

In 2018, according to data from the National Institute of Statistics (INE), gross domestic product (GDP) growth reached 2.6%. In terms of volume, the GDP of year 2019 has grown by 2%, what represents a deceleration of 6 percentage points (p.p.) with respect to the growth in the year 2018.

In the fourth quarter of 2019 the Gross Domestic Product closed with a growth of 0.5% compared to the same period of 2018. Positive growth has been maintained since 2013. However, a small standstill in GDP growth can be observed compared to the previous years. The International Monetary Fund, which in October estimated a GDP increase of 1.8% for this year, has cut this forecast to 1.6% at its last meeting in early 2020 held in the Swiss city of Davos. At this meeting, same 1.6% growth is foreseen for year 2021 in Spain. This reduction relies mainly on a decrease in the forecast of domestic demand and exports. The Spanish economy continues to make up lost ground during the crisis, according to the IMF, although it points out that the pace of growth will be moderated in the coming years to converge with the growth of potential GDP, above which it has been growing in recent years. Please notice Spain GDP chart below:

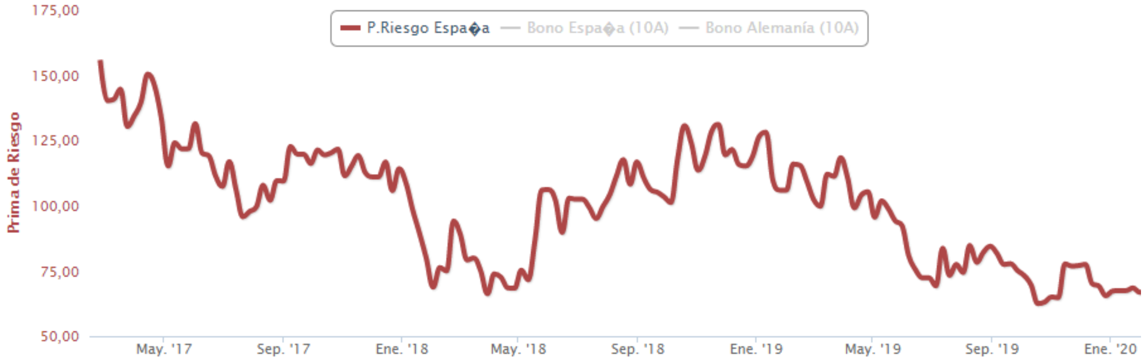


source: INE

The employment rate in Spain increased by 2% during year 2019, what has contributed decisively to the increase in the demand for goods and services. Specifically, the increase in domestic demand accounted for 1.7 (pp.) over the 2% increase in GDP, with the increase in the trade balance being the factor that mainly contributed the difference

Impact of construction within the overall economy of Spain is very significant. Its importance has been increasingly reduced over the last years. Its importance lies in the important effect of the construction sector on the whole economy, due to the effect on intermediate suppliers and because it provides the country with the necessary infrastructure to boost the economy, contributing to increase productivity and long-term growth capacity of the economy in general.

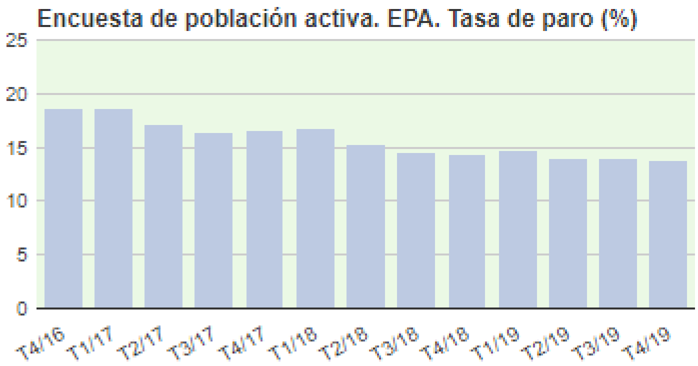
This period of greater stability has not gone unnoticed abroad. As a consequence, the risk perception of the foreign investor, which is translated into the risk premium (the ten-year Spanish bond differential with the German "bund" bond for the same term), which has closed 2019 at 65 points , representing a 44.91% reduction compared to the end of 2018, confirming the improvement in the international perception of the Spanish economy. This improvement in the risk premium lowers the country's ability to finance itself through debt issuance and thus be able to undertake more investments. Please notice risk premium chart:



source: Infobolsa

Therefore, economic activity shows signs of stability, although these signs are not sufficient for the country to be free of risks in the short-term. To consolidate the trend, the improvement of aspects such as employment, public debt and public deficit must be maintained.

With regards to employment, in 2019 the unemployment decline of previous years was maintained, being the unemployment figure 13.78% in the fourth quarter of 2019. Please notice Spain unemployment chart:



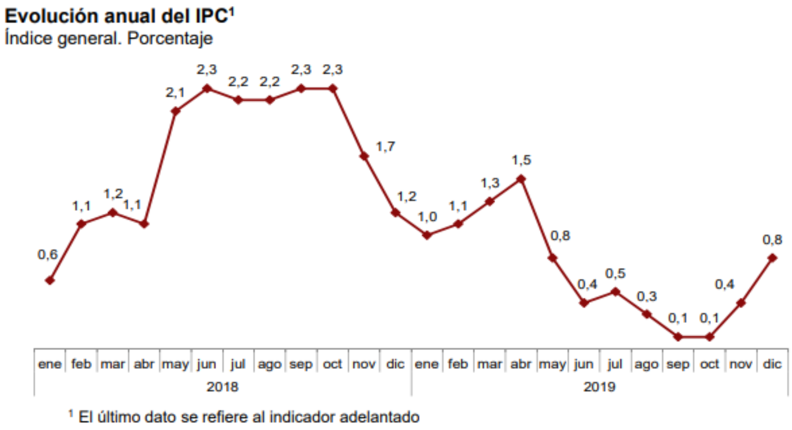
source: INE

The number of those unemployed decreased in 2019. The total number of unemployed registered in the offices of public employment services stood at 3.19 million people at the end of the fourth quarter of 2019. Thus, 2019 added a seventh consecutive annual decline, standing at lows since 2008. On the contrary, the occupancy rate has registered a total of 19.96 million people employed at the end of 2019. Please notice people unemployed chart:

At the end of year 2019, public debt has grown compared to 2018: increasing from EUR 1,173,348 million to EUR 1,188,893 million, representing 97% of GDP

As for the public deficit, the figure for 2018 reached 2.54% of GDP or, what is the same EUR 30.495 million in the absence of knowing, the final data for 2019 is estimated to be at a similar percentage.

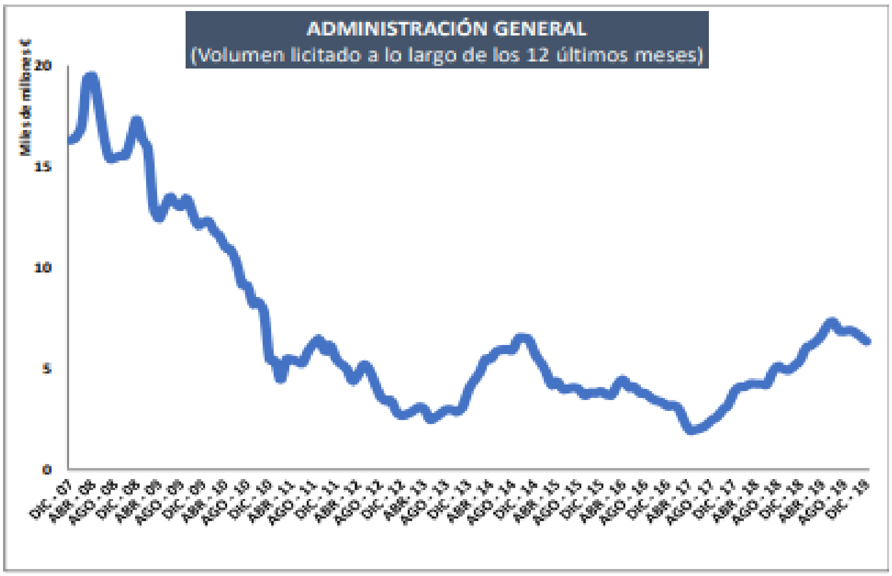
The CPI stood at 0.8% in December 2019, four tenths below the end of 2019, please notice CPI year-to-year evolution:



source: INE

Despite this year-on-year decline, a rebound at the end of the year that is motivated by the rise in crude oil prices, that, along with the increase in lubricants, has placed transport as the sector with the highest price increase during 2019 with a 4% increase and an influence on the interannual variation of the CPI of 52.90%. On the opposite side is housing, with a negative influence of 12.6%.

The main national market where the Group operates, construction, continues to not reach pre-crisis levels, although, as can be seen in the volume of public tendering there is an upward trend since April 2017 with symptoms of exhaustion in the last part of the 2019 year This exhaustion can be reversed if the political landscape is stabilised after several years of uncertainty. During 2019, the volume of public bidding has increased by 11.83% compared to 2018, ending the year at EUR 18.545 million including building and civil works. (data SEOPAN). Please notice Spain public building investment:



source: SEOPAN

In addition to the domestic market. Grupo SANJOSE is present in the Middle East, South America and Asia.

Globally, the International Monetary Fund has also revised downwards the growth perspective by 100 and 200 basis points for 2020 and 2021 respectively, leaving these forecasts at 3.3% and 3.4%. This forecast is mainly supported by the lower than expected growth data produced in India, and below the projected growth of emerging economies such as Brazil, Mexico, Russia and Turkey. It is estimated that future meetings will yield even lower estimates for 2020 due to the Coronavirus crisis, which will greatly affect the manufacturing sector with the consequent impact on the economy as a whole.

Within the developed economies, a 1.6% growth is projected for years 2020 and 2021, 0.1% lower than projected in October due mainly to the downward revisions of the growth of the United States, motivated by protectionist policies that it has been implementing, and of the advanced economies of Asia, especially in Hong Kong, due to political protests

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 carries on its activities in industries, countries and socio-economic and legal environments that entail different levels of risk. The Group controls these risks in order to avoid decreased shareholder returns or difficulties for its customers. It uses instruments in order to identify these risks sufficiently in advance or to avoid them by minimising them.

The Group maintains a backlog amounting to EUR 1,868 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 consolidated figures

Main figures of the company for year 2019 are as follows:

Consolidated Management Balance Sheet

Thousands of euros

	Dic. 19		Dic. 18		
	Amount	%	Amount	%	Var.
Intangible assets	17,577	1.8%	18,079	1.8%	-2.8%
Property, plant and equipment	76,949	7.7%	71,033	7.1%	8.3%
Real state investments	9,542	1.0%	10,731	1.1%	-11.1%
Investments accounted for using the equity method	20,295	2.0%	40,422	4.1%	-49.8%
Long term finantial investments	51,294	5.1%	87,738	8.7%	-41.5%
Deferred taxes assets	34,462	3.4%	36,558	3.7%	-5.7%
Goodwill on consolidation	9,984	1.0%	9,984	1.0%	0.0%
TOTAL NON-CURRENT ASSETS	**220,102**	**22.0%**	**274,545**	**27.6%**	**-19.8%**
Inventories	109,879	11.0%	114,885	11.5%	-4.4%
Trade and other receivables	350,634	35.1%	259,865	26.1%	34.9%
Other short term finantial investments	82,761	8.3%	58,166	5.8%	42.3%
Short-term accruals	3,851	0.4%	4,902	0.5%	-21.4%
Cash and cash equivalents	233,045	23.3%	283,434	28.5%	-17.8%
TOTAL CURRENT ASSETS	**780,170**	**78.0%**	**721,252**	**72.4%**	**8.2%**
TOTAL ASSETS	**1,000,272**	**100.0%**	**995,797**	**100.0%**	**0.4%**

Thousands of euros

	Dic. 19		Dic. 18		
	Amount	%	Amount	%	Var.
Equity attributable to shareholders of the parent	135,947	13.6%	81,079	8.1%	67.7%
Minority interest	27,123	2.7%	24,262	2.3%	11.8%
TOTAL EQUITY	**163,070**	**16.3%**	**105,341**	**10.6%**	**54.8%**
Long term provisions	44,774	4.5%	40,121	4.0%	11.6%
Long term finantial liabilities	132,833	13.2%	252,084	25.3%	-47.3%
Long term derivative finantial contracts	169	0.0%	351	0.0%	-51.9%
Deferred taxes liabilities	24,261	2.4%	25,635	2.6%	-5.4%
Long-term accruals	864	0.1%	865	0.1%	-0.1%
TOTAL NON CURRENT LIABILITIES	**202,901**	**20.3%**	**319,056**	**32.0%**	**-36.4%**
Short term provisions	32,932	3.3%	31,227	3.1%	5.5%
Short term finantial liabilities	55,951	5.6%	65,759	6.6%	-14.9%
Trade accounts and other current payables	545,418	54.5%	474,414	47.7%	15.0%
TOTAL CURRENT LIABILITIES	**634,301**	**63.4%**	**571,400**	**57.5%**	**11.0%**
TOTAL EQUITY & LIABILITIES	**1,000,272**	**100.0%**	**995,797**	**100.0%**	**0.4%**

Consolidated Management Income Statements

Thousands of euros

	Grupo SANJOSE				
	Dic. 19		Dic. 18		
	Amount	%	Amount	%	Variac.
Revenue	**958,249**	**100.0%**	**758,423**	**100.0%**	**26.3%**
Other operating income	15,397	1.6%	11,816	1.6%	30.3%
Change in i nventories	-616	-0.1%	1,933	0.3%	--
Procurements	-665,993	-69.5%	-507,779	-67.0%	31.2%
Staff costs	-142,956	-14.9%	-116,801	-15.4%	22.4%
Other operating expenses	-111,890	-11.7%	-95,912	-12.6%	16.7%
EBITDA	**52,190**	**5.4%**	**51,680**	**6.8%**	**1.0%**
Amortisation chargue	-10,867	-1.1%	-5,040	-0.7%	115.6%
Imparment on inventories	-6,382	-0.7%	-258	0.0%	2372.0%
Changes in trade provisions and other imparment	-11,730	-1.2%	-5,351	-0.7%	119.2%
EBIT	**23,212**	**2.4%**	**41,031**	**5.4%**	**-43.4%**
Ordinary finantial results	21,888	2.3%	-8,764	-1.2%	--
Changes in fair value for finantial instruments	-158	0.0%	-2	0.0%	-
Foreign exchangue results and others	-7,530	-0.8%	1,221	0.2%	--
Impairment and financial instruments profit	142,980	14.9%	-6,578	-0.9%	--
NET FINANTIAL RESULT	**157,180**	**16.4%**	**-14,123**	**-1.9%**	**--**
Results on equity method	-4,155	-0.4%	88	0.0%	--
PROFIT BEFORE TAX	**176,237**	**18.4%**	**26,996**	**3.6%**	**552.8%**
Income tax	-13,056	-1.4%	-8,828	-1.2%	47.9%
CONSOLIDATED PROFIT	**163,181**	**17.0%**	**18,168**	**2.4%**	**798.2%**

Alternative Performance Measures (APM):

In its consolidated summary financial statements for year 2019, the Group prepared its results in accordance with generally accepted accounting regulations. However, directors 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 that shall be considered to adequately assess performance of the group.

Among others, the Group identifies the following APMs:

- EBITDA: defining it as the gross operating result, calculated from operating income, excluding depreciation, provisions and impairment provided or reverted during the period, as well as the result from disposal of fixed assets.

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.

Backlog: total amount of sales contracted by Group companies with customers, discounting items made and recognised as income under the income statement, in concession contracts, the total amount of sales is identified with the best estimate carried out by the Group, which is included in the economic-financial business plan of the concessionaire.

Revenue:

Net revenue of Grupo SANJOSE for the year ended 31 December 2019 stands at EUR 958,2 million, experiencing a 26.3% increase compared to the previous year.

The main activity of Grupo SANJOSE is Construction, which currently represents more than 90% of the total turnover for the Group in the period, and accounts for 71% of the Group's total portfolio at the end of the 2019. The turnover of this line of activity in 2019 stands at EUR 862.3 million, experiencing a 27.6% growth with respect to the figure obtained in the previous year.

Moreover, 2019 has shown the recovery of the real state and urban development figures, which have increased from 3,8 million to 12,8 million due to, mainly, the Peruvian real state activity.

On the other hand, Concessions and Services revenue has not changed its performance compared to the previous year.

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

Thousands of euros

Revenues by activity	Grupo SANJOSE				
	Dic. 19		Dic. 18		Var.(%)
Construction	862,316	90.0%	675,961	89.0%	27.6%
Real estate and property development	12,778	13%	3,761	0.5%	239.7%
Energy	9,494	10%	9,711	13%	-2.2%
Concessions and services	49,765	5.2%	50,875	6.7%	-2.2%
Adjustment and other	23,896	2.5%	18,115	2.4%	31.9%
TOTAL	**958,249**		**758,423**		**26.3%**

As has been happening in recent years, diversification in international markets shows great strength and continues being a significant aspect in the Group business plan. In year 2019, it increases 13,3% compared to 2018 and contributes 46% of the total turnover of the Group.

Likewise, there is an important growth in the turnover of domestic market, experiencing an increase of 39.9% compared to the previous year and amounts 521,5 million of euros.

Thousands of euros

Revenues by geography	Grupo SANJOSE				
	Dic. 19		Dic. 18		Var.(%)
National	521,532	54%	372,893	49%	39.9%
International	436,717	46%	385,530	51%	13.3%
TOTAL	**958,249**		**758,423**		**26.3%**

Profit:

The EBITDA of Grupo SANJOSE for the year ended 31 December 2019 amounts to EUR 52.2 million, with a 5.4% margin on net revenue.

EBITDA obtained in the Construction activity, contributes in year 2019 an amount of EUR 39.8 million and represents 76% of the total EBITDA of the Group

Likewise, it is worth noting the favourable evolution experienced in the Energy activity line that experiences a growth of 15.2%, and also that of the Concessions and Services segment, which records an 8.8% increase in EBITDA at the end of 2019.

EBITDA breakdown by activity is as follows:

Thousands of euros

EBITDA by activity	Grupo SANJOSE Dic. 19		Dic. 18		Var.(%)
Construction	39,791	76.3%	36,695	71.0%	8.4%
Real estate and property development	1,785	3.4%	27	0.1%	6515.4%
Energy	3,117	6.0%	2,705	5.2%	15.2%
Concessions and services	2,498	4.8%	2,297	4.3%	8.8%
Adjustment and other	4,999	9.6%	9,956	19.3%	-49.8%
TOTAL	**52,190**		**51,680**		**1.0%**

Earnings before interest and taxes of Grupo SANJOSE for the year 2019 amounts to EUR 23.2 million.

Profit before tax of Grupo SANJOSE for the year ended 31 December 2019 amounts to EUR 176.2 million.

On 31 October 2019, the Group has sold to the company Merlin Properties Socimi, S.A. 14.46% of its participation in the company Distrito Castellana Norte S.A. (This company has the ownership of the urban development operation known as “Madrid Nuevo Norte”), by a total amount of 168,9 million[1]. After this operation the Group has agreed with the creditor financial institutions the full repayment of the financial debt and the cancellation of the warrants issued.

Grupo SANJOSE retains 10% of the shares of Distrito Castellana Norte S.A. and representation on its board of directors.

At the end of 2019, the **net cash position is positive by** an amount of **126,9 million**.

Net Equity

At 31 December 2019 the Group net equity stood at 163.1 million and has increased 54.8% compared to 2018. The equity position has a significant strength and is important to notice that the participative loans are not included on this report. (On 2018 financial statements of the management report were included 111.4 million)

The stock evolution and another relevant information about the market share can be found in the Note 9 of this management report.

[1] The payment received for the participation sold, was EUR 168.9 million in cash and a loan issued by the buyer by an amount of EUR 129.1 million. This loan has two tranches and only the second tranche, of 86.4 million, is not fully repaid at 31 December 2019.

Management cash flows statement

Thousands of Euros

CASH FLOW	Grupo SANJOSE Dic. 19	Grupo SANJOSE Dic. 18
Cash flow from operating activities	**49,252**	**56,552**
Working capital	-489	41,291
Others adjustments	-31,328	-12,467
Operating cash flow	**17,435**	**85,375**
Divestments / (Investments)	159,509	-6,236
Others adjustments	10,579	56,533
Investment cash flow	**170,088**	**50,297**
Free cash flow	**187,523**	**135,672**
Capital flow & Minorities	-1,166	-261
Increase / (Decrease) in borrowings	-231,102	-63,215
Net interest	-1,704	-7,180
Others adjustments	-4,446	-1
Financing cash flow	**-238,418**	**-70,657**
Diferences due to changes in exchange rates	**506**	**-1,715**
Total cash flow	**-50,389**	**63,300**

In year 2019, resources generated by the transactions amount to EUR 49.3 million.

It is noticeable the great improvement on the investing cash flow, which rose until the amount of 170.1 million due to the cash received after the sold of the Distrito Castellana Norte S.A. operation (see the details on Revenue note).

In the last two years, SANJOSE Group has diminished their financial debt by a total amount of 294.3 million.

Backlog

Grupo SANJOSE's backlog, indicating the business contracted in the future by the Group, amounts to EUR 1,868 million as of 31 December 2019, the detail being as follows:

Millions of euros

BACKLOG by segment	Grupo SANJOSE Dic. 19		Dic. 18		Var.(%)
Construction	**1,312**	**70%**	**1,334**	**70%**	**-1.7%**
Civil works	221	11.8%	169	8.9%	31.0%
Non residential building	721	38.5%	829	43.4%	-13.0%
Residential building	357	19.1%	331	17.4%	7.7%
Industrial	13	0.7%	5	0.5%	170.8%
Energy	**392**	**21%**	**395**	**21%**	**-0.8%**
Concessions and services	**164**	**9%**	**187**	**10%**	**-12.3%**
Maintenance	24	1.3%	18	1%	35.8%
Concessions	140	8.5%	169	9%	-17.4%
TOTAL BACKLOG	**1,868**	**100%**	**1,916**	**100%**	**-2.5%**

Millions of euros

BACKLOG by geography	Grupo SANJOSE Dic. 19		Dic. 18		Var.(%)
National	**1,165**	**62%**	**1,098**	**57%**	**6.1%**
International	**703**	**38%**	**818**	**43%**	**-14.1%**
TOTAL BACKLOG	**1,868**		**1,916**		**-2.5%**

Millions of euros

BACKLOG by client	Grupo SANJOSE Dic. 19		Dic. 18		Var.(%)
Public client	**708**	**38%**	**820**	**43%**	**-13.6%**
Private client	**1,160**	**62%**	**1,096**	**57%**	**5.9%**
TOTAL BACKLOG	**1,868**		**1,916**		**-2.5%**

It is worth saying that there is a shift in contracting towards the private client compared to the public client, as has been shown in recent quarters.

The Construction portfolio, the Group's main activity, has a total amount of 1.312 million at 2019 and represents 70% of the total portfolio.

2.3. Performance by sector

Construction

This line of activity has generated a revenue for EUR 862.3 million during year 2019, what represents a 27.6% increase regarding the previous year.

Construction EBITDA in the year stood at EUR 39.8 million and represents a margin of 8.4% over the sales figure

Earnings before tax of Grupo SANJOSE for 2019 stands at EUR 56.6 million, experiencing a 97.3% increase compared to the previous year.

At the end of the current period, the Group's contracted portfolio in this line of activity amounts to 1,312, maintaining practically the levels at the end of 2018 (EUR 1,334 million)

Thousands of euros

CONSTRUCTION	Grupo SANJOSE		
	Dic. 19	Dic. 18	Var.(%)
Revenue	862,316	675,961	27.6%
Earnings before interest, taxes, D&A (EBITDA)	39,791	36,695	8.4%
EBITDA margin	4.6%	5.4%	
Earnings before interest and taxes (EBIT)	20,262	27,296	-25.8%
EBIT margin	2.3%	4.0%	
Earnings before tax	56,641	28,703	97.3%

Breakdown of revenue of this line of activity of Grupo SANJOSE, classified by main project type and geographic area, is as follows:

Thousands of euros

DETAIL OF CONSTRUCTION REVENUES	National		Internac.		Total	
Civil works	54,741	11.8%	45,260	11.4%	100,001	11.6%
Non residential building	229,549	49.4%	210,988	52.9%	440,537	51.1%
Residential building	167,055	36.0%	140,076	35.0%	307,131	35.6%
Industrial	12,414	2.7%	0	0.0%	12,414	1.4%
Others	822	0.2%	1,411	0.4%	2,234	0.3%
TOTAL	**464,581**	**54%**	**397,735**	**46%**	**862,316**	

International construction revenue for year 2019 stands at EUR 397.7 million, with an increase compared to the data recorded in the previous year, and it accounts for 46% of the total of this line of activity.

Domestic sales stand at EUR 464.6 million versus the EUR 320.2 million recorded for the previous year, recording a 45.1% increase. Sales from international markets contribute 54% of the total line of activity.

Real estate and urban development.

The main real estate activity carried out by the Group during ear 2019 has been that corresponding to the development, commercialisation and delivery of the first housing units in the “Condominio Nuevavista” residential development, in Lima, Peru. The project foresees the construction of a total of 1,104 housing units arranged into 10 buildings, whose works began in the previous year.

During the first half of 2019, the Group has delivered the Stage I, II and III (200 housing units), allowing the Group to recover levels of income from previous years.

Currently, stages III and IV (128 housing units each) of the aforementioned development are in progress, presenting satisfactory levels of commercialisation, and the delivery of both stages during 2020.

Turnover corresponding to year 2019 for the SANJOSE Group Real Estate activity stands at EUR 12.8 million. Real state EBITDA in the year stood at EUR 1.8 million and represents a margin of 14% over the sales figure

Likewise, as evidenced by the main magnitudes of the GROUP, in this line of activity, an extraordinary profit is included as a result of the previously mentioned partial sale of Distrito Castellana Norte, S.A.

Thousands of euros

	Grupo SANJOSE		
REAL ESTATE AND PROPERTY DEVELOPMENT	**Dic. 19**	**Dic. 18**	**Var.(%)**
Revenue	12,778	3,761	239.7%
Earnings before interest, taxes, D&A (EBITDA)	1,785	27	6515.4%
EBITDA margin	14.0%	0.7%	
Earnings before interest and taxes (EBIT)	-4,848	-633	666.0%
EBIT margin	-37.9%	-16.8%	
Earnings before tax	138,415	-6,311	--

Energy

Turnover corresponding to year 2019 for this line of activity stands at EUR 9.5 million.

EBITDA corresponding to year 2019 of this line of activity stands at EUR 3.1 million compared to the EUR 2.7 million obtained in the previous year, representing a growth of 15.2%.

Thousands of euros

	Grupo SANJOSE		
ENERGY	**Dic. 19**	**Dic. 18**	**Var.(%)**
Revenue	9,494	9,711	-2.2%
Earnings before interest, taxes, D&A (EBITDA)	3,117	2,705	15.2%
EBITDA margin	32.8%	27.9%	
Earnings before interest and taxes (EBIT)	1,929	1,446	33.4%
EBIT margin	20.3%	14.9%	
Earnings before tax	1,494	914	63.5%

The percentage of EBITDA on sales of this business activity corresponding to year 2019 stands at 32.8% (27.9% in 2018).

For the portfolio of this line of activity, in addition to the normal production and exploitation of the contracts in force, the Group carries out regular reviews due to the effect of the regulatory changes and the estimated occupancy and demand levels, making the necessary adjustments when appropriate.

Grupo SANJOSE has a total contract backlog for this line of activity amounting to EUR 392 million for year 2019, which shall be translated as more activity of the group during a period of 25 years.

Concessions and Services

Turnover corresponding to year 2019 for this line of activity stands at EUR 49.8 million.

EBITDA for 2019 increased by 18.8%, amounting to EUR 2.5 million, representing a 5.0% margin on sales (4.5% in 2018).

Thousands of euros

	Grupo SANJOSE		
CONCESSIONS AND SERVICES	**Dic. 19**	**Dic. 18**	**Var.(%)**
Revenue	49,765	50,875	-2.2%
Earnings before interest, taxes, D&A (EBITDA)	2,498	2,297	8.8%
EBITDA margin	5.0%	4.5%	
Earnings before interest and taxes (EBIT)	1,334	1,576	-15.3%
EBIT margin	2.7%	3.1%	
Earnings before tax	5,030	5,936	-15.3%

At the closing of 2019, contract backlog of this line of activity amounted to EUR 164 million.

2.4. Average payment term to suppliers

The Group has paid its suppliers during year 2019 with an average weighted payment period of approximately 40 days. This figure is within the average legal period established by law 15/2010 which is 30 days, extended to 60 days in those cases with agreements between the parties.

A significant part of the Group's transactions is with public sector customers, such as States, Autonomous Communities, City Halls, Local Agencies and other public authorities, which usually pay in longer periods than the established by Law. Due to this, the Group sometimes has payment deadlines which exceed the payment periods set out by law. However, the Group follows the overall practices within the sector, following common sense and not abusing their powers pursuant to Article 3 Act 3/2004.

3. Liquidity and capital resources

Liquidity

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

Liquid assets are administered centrally within Grupo SANJOSE in order to optimise resources through “cash pooling” systems. In the event of cash surplus, short-term investments are held in safe highly liquid deposits.

During 2019, net position has changes as follows:

Thousands of euros

NET CASH POSITION		Dic. 19 Amount	%	Dic. 18 Amount	%	Var.
Other short term finantial investments		82,761	26.2%	58,166	17.0%	42.3%
Cash and cash equivalents		233,045	73.8%	283,434	83.0%	-17.8%
	Total cash	**315,806**	**100%**	**341,600**	**100%**	**-7.6%**
Long term finantial liabilities (*)		132,833	70.3%	252,084	79.2%	-47.3%
Long term derivative finantial contracts		169	0.1%	351	0.1%	-51.9%
Short term finantial liabilities		55,951	29.6%	65,759	20.7%	-14.9%
	Total debt	**188,952**	**100%**	**318,194**	**100%**	**-40.6%**
TOTAL NCP		**126,853**		**23,406**		**442.0%**

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

The net treasury position at the end of 2019 is placed in a positive position of EUR 126.9 million compared to EUR 23.4 million recorded under net financial debt at the end of 2018, which represents a very significant improvement in the net treasury position, having increased in the year by just over EUR103 million.

Financial debt also includes the financing of project finance without recourse for a total value of EUR 71.4 million at 31 December 2019 (105.9 million at the of 2018).

Capital resources

Further, The Company does not expect any material change in its structure, including equity and debt, or the relative cost of capital resources during year 2019.

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.

4. Main risks and uncertainties

The Group operates in sectors, countries and socio-economic and legal environments that involve the assumption of different levels of risk. The Company manages these risks in order to avoid involving a loss of profitability for its shareholders or cause trouble to customers by: i) identification ii) measurement; iii) control; iv) monitoring and, v) assessment of the different types of risk from an integrated and global perspective

Operational risks

Main risks arising from the Group's activity are market risks (those related to the sufficiency of demand for services and products), regulatory and political risks, labour, environmental, quality maintenance and adaptation to what is established under contractual framework with clients, etc.

In the stage of acceptance of projects, and in order to guarantee its realisation according to the established contractual parameters, with maximum quality standards, guaranteeing customer satisfaction and meeting the minimum profitability levels required, an individualised study is made of each project.

Likewise, the Group has an International Legal and Tax Department, which analyses the impact of the different regulatory frameworks on the Group's activity, the fiscal framework, etc., given its growing international presence, as a way to avoid local regulatory risks.

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 which the Group is exposed to as a result of the bank borrowings described in the notes to the consolidated financial statements. Further, the Financial Management of Grupo SANJOSE in order to minimise exposure to this risk 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 on Note 3 of this report herein.

5. Events after the reporting period

During the month of February 2020, the Group has received notification from the client regarding the termination of the Checca-Mazocruz Road Improvement Contract in Peru. The Group considers that the reasons alleged by the client for the termination of the contract are unfounded, and intends to request the initiation of the arbitration procedure provided for in the contract itself.

Further, there are no other significant events occurred after 31 December 2019 which may have impacted on the accompanying financial statements

6. Future outlook

The change of trend in the economic cycle of Spain during the last years, together with the growth forecasts for the 2020 and 2021 years, and the improvement of GDP in 2018 and 2019, suggests that the domestic economy will maintain stable in 2020 within the framework of the macroeconomic risks detailed on Note 2.1.

The Company 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.

In this sense, in 2019, the Group has worked on the achievement of new projects, which accompany those already awarded in 2018.

On the international level, we can highlight:

- The work awarded in Chile by the Atacama Health Service, which awarded SANJOSE Constructora Chile the execution of the Huasco Community Hospital, a new health infrastructure distributed in 4 buildings.
- In Portugal, SPPP - Praça Principe Perfeito, SA has awarded SANJOSE Constructora Portugal the execution works of the administrative complex "Martinhal Expo Offices" of 41,000 m² of built surface.
- In Cape Verde, Restelo Aul Exploração Turística awarded SANJOSE Constructora Portugal Stage II (Installations and finishes) of the new 31-room boutique hotel, and SÃOJOSE Constructora Cabo Verde will be responsible for the construction of the 5-star RIU Palace Santa María Hotel on the Island de la Sal, which consists of 5 buildings of three heights (more than 45,000 m2 of built surface) that will mainly house 743 rooms and a restaurant.

Whereas in Spain:

- To be highlighted among residential projects: the Sabina complex in Cala Tarida - Ibiza, General Oraá 9 in Madrid, Llul in Palma de Mallorca, Barqueta Gate in Seville, Lagasca 38 in Madrid, Tabit in El Cañaveral - Madrid, Zorroaga supervised apartments in San Sebastián , Serenity Collection in Estepona Málaga, García de Paredes 4 of Madrid, Célere Vega in Málaga, Castillejo 95 in Las Palmas de Gran Canaria, Lantana in Córdoba, Bagaria in Cornellá de Llobregat - Barcelona, Azara in Alicante, Plaza Duque de Pastrana 7 de Madrid, social housing units in Barakaldo - Vizcaya, Célere Cuatro Caminos in A Coruña, Pier I in Rota - Cádiz, Torre Patraix in Valencia, Claudio Coello 108 of Madrid, Park & Residential Palace in Madrid These projects add 1,372 housing units and 200.000 square meters of built surface.
- Likewise, the Secuoya Group awarded SANJOSE Constructora Stage II of the construction works of this complex that houses the Corporate Headquarters of the Secuoya Group and the first Netflix production headquarters in Europe Stage II contemplates acting on a constructed area exceeding 12,000 m2, while Stage I, also carried out by SANJOSE, involved 10,000 m2.
- Among the civil works awarded, the award of the refurbishment and transformation of the urban environment of the Gran Vía de Vigo, consisting of a redistribution of spaces to increase the role of pedestrians; the wind farms for Norvento Ingeniería, consisting of three wind farms located in the Galician province of Lugo, which total 19 wind turbines and a total installed capacity of 65.7MW.
- The GROUP will participate in important projects in JV such as the construction of the Sangonera-Totana AVE section of the Mediterranean Corridor, a 24.7-kilometre stretch between Murcia and Almería; a stretch of 20, 2 kilometres of the Autovía del Duero in Valladolid or the Ferrol Hospital Complex whose works of the first stage involve a built surface of 35,000 square metres.

Furthermore, in the Concessions and Services segment, the maintenance of the air conditioning of 201 Primary Care centres in the Community of Madrid is noteworthy

In the international market, especially in emerging countries, there are business opportunities for the Group that, within its expansion policy, will try to take advantage of these growth paths. Likewise, it will continue working to consolidate its national presence even further, also relying on the prediction of a better performance in the private sector. All of the above, supported by the macroeconomic prospects for improving the economy, both nationally and internationally, are positive arguments for the future of construction.

In view of the Company's backlog amounting to EUR 1,868 million, its organic stability is assured, foreseeing to maintain the average size of the projects, trying to take advantage of public bidding opportunities, both in national territory and in foreign countries, especially in those in which it has presence and expertise.

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:

Among the initiatives developed by the Group in 2019, highlights the R&D project for an automated and fixed detection and dissipation system for fog precipitation on hydrometric data. Which has been patented for use on highways and railways.

In turn, it is immersed in several R&D& I projects funded by the Centre for Industrial Technological Development (CDTI). R&D issues are widely developed in the non-financial information and diversity Report of Grupo Empresarial San José, S.A. and subsidiaries for the year ending 31 December 2019, prepared by the Group and accompanying this management report.

8. Treasury share transactions

Grupo SANJOSE did not have treasury shares in 2019 and 2018.

9. Other Information of Interest

Stock exchange information

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

	2019	2018
Capitalisation* *(Thousands of Euros)*	390,156	299,120
No shares *(x 1,000)*	65,026	65,026
Price end of the period *(euros)*	6.00	4.60
Last price for the period *(euros)*	6.00	4.60
Maximum price for the period *(euros)*	9.33	6.09
Minimum price for the period *(euros)*	4.59	3.24
Volume *(thousands of shares)*	41,113	33,614
Cash *(thousands of Euros)*	291,797	149,386

* Capitalisation is calculated with shares admitted to trading and does not include shares issued from extensions that have not yet been listed.

source: Bolsas y Mercado Españoles (BMEX)

The share price shows a revaluation of 30.43% year-on-year above the 11.82% increase in the Spanish reference index IBEX 35.

Dividend policy

The Group has the aim of keeping the debt and equity structure financially strong, leaving the dividend policy subordinated to this objective.

Profit distribution proposal

The Company board of directors will propose to the Shareholders General Meeting the distribution of the 2019 profit, which is 53.444 thousand euros to offset against "Loss of previous years" and to legal and statutory reserve for amounts of 53.317 and 127 thousand euros, respectively.

10. Non-Financial Information

According to the new Law 11/2018 on non-financial information and diversity information amending the Code of Commerce, the consolidated restated text of the Companies Act passed by Royal Decree-law 1/2010, of 2 July, and Act 22/2015, of 20 July, on Accounts Auditing, in terms of non-financial information and diversity information (deriving from Royal Decree-law 18/2017). Information of this nature is developed in the consolidated non-financial information statement of Grupo Empresarial San José, S.A. and subsidiaries for the year ended 31 December 2019, accompanying the financial statements of the Company.

11. ANNUAL CORPORATE GOVERNANCE REPORT

In accordance with the provisions of commercial legislation, the Annual Corporate Governance Report of GRUPO SANJOSE, which is available on the Group's website, and also on the website of the National Market Commission, is attached by reference of Securities, and is an integral part of the consolidated Management Report of GRUPO SANJOSE for the year ended 31 December 2019.

DIRECTORS' SIGNATURES

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

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

These Financial Statements consisting of the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement and Notes to the Financial Statements for the year ending on 31 December 2018, issued on 41 sheets of common paper, as well as the Directors' Report, issued on 19 sheets of officially stamped single-sheet paper were prepared by the Company's Board of Directors on 27 February 2020.

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

Mr. José Manuel Otero Novas

Mr. Roberto Alvarez Álvarez

Mr. Javier Rey Laredo

Mr. Nasser Homaid Salem Ali Alderei

Mr. Guillermo E.Nielsen

NEGATIVE CLEARANCE REGARDING ENVIRONMENTAL INFORMATION IN FINANCIAL STATEMENTS

Company`s identification:

Grupo Empresarial San José, S.A.

Company`s details:

Trade Registry Pontevedra, Volume 586, sheet 88, page 8119

TAX Id #: ***A36.046.993*** Tax year: 2019

The undersigned, as Director of the above-mentioned company state that accounting records of the financial statements issued in 61 sheets of paper do not include items to be included within the document apart from environmental information set forth by Ministerial Order 8 October 2001.

Signature and name of the Directors:

Mr. Jacinto Rey González

Mr. Jacinto Rey Laredo

Mr. Sunil Kanoira

Mr. Enrique Martín Rey

Ms. Altina de Fátima Sebastián González

Mr. Ramón Barral Andrade

Mr. José Manuel Otero Novas

Mr. Roberto Alvarez Álvarez

Mr. Javier Rey Laredo

Mr. Nasser Homaid Salem Ali Alderei

Mr. Guillermo E.Nielsen