

Grupo Empresarial San José, S.A.

Financial Statements
for the year ended
31 December 2022 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.,

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 2022, and the income statement, statement of changes in equity, cash flows 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 2022, 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.

Impairment of ownership interests in Group companies and associates

Description

The Company has ownership interests in the share capital of Group companies and associates that are not listed on regulated markets, as detailed in Notes 4-d and 7-2 to the accompanying financial statements.

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 consolidated 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 124 million at year-end and for which an accumulated impairment loss of EUR 22 million has been recognised at that same date, we considered the situation described to be a key matter in our audit.

Procedures applied in the 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 met 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 checked that the disclosures included in Notes 4-d and 7-2 to the accompanying financial statements in connection with this matter were in conformity with those required by the applicable accounting regulations.

Other information: Directors' Report

The Other information comprises only the directors' report for 2022, 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, in accordance with the audit regulations in force, consists of:

- a) Solely checking that certain information included in the Annual Corporate Governance Report and the Annual Directors' Remuneration Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) Evaluating and reporting on whether the other information included in the directors' report is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements, as well as evaluating and reporting on whether the content and presentation of this section 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 observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the directors' report was consistent with that contained in the financial statements for 2022 and its content and presentation were 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 financial statements is included in the Appendix to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital file in European Single Electronic Format (ESEF) of Grupo Empresarial San José, S.A. for 2022, which comprise the XHTML file including the financial statements for 2022, which will form part of the annual financial report.

The directors of Grupo Empresarial San José, S.A. are responsible for presenting the annual financial report for 2022 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation"). For these purposes, the Annual Corporate Governance Report and the Annual Directors' Remuneration Report were included by reference in the directors' report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the financial statements included in the aforementioned file corresponds in full to that of the financial statements that we have audited, and whether those financial statements were formatted, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined corresponds in full to the audited financial statements, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

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 28 February 2023.

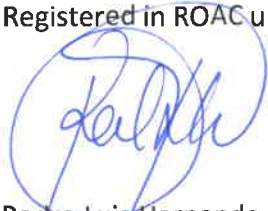
Engagement Period

The Annual General Meeting held on 30 March 2022 appointed us as auditors for a period of one year from the year ended 31 December 2021.

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 uninterrupted 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. 50692



Pedro Luis Hernando

Registered in ROAC under no. 21.339

28 February 2023

Appendix 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.

Translation into English of financial statements for the year ending 31 December 2022 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Grupo Empresarial San José, S.A.

Financial Statements for the year ended
31 December 2022
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 2022 AND DECEMBER 31ST 2021

(Thousand of Euros)

	Note	31/12/2022	31/12/2021		Note	31/12/2022	31/12/2021
NON-CURRENT ASSETS:				EQUITY:			
Intangible assets	5	1,830	2,442	Share capital		1,951	1,951
Property, plant and equipment	6	473	404	Reserves		41,530	45,069
Investments in associates and joint ventures	7	105,300	104,834	Legal and statutory		390	390
Equity Investments in associates		102,061	101,920	Otras reserves		41,140	44,679
Loans to related companies	7 y 13.2	3,239	2,914	Profit for the year		5,560	2,964
Other non-current financial assets	7.1	10	45	TOTAL EQUITY	8	49,041	49,984
Deferred tax assets	11.3	11,264	11,265				
TOTAL NON-CURRENT ASSETS		118,877	118,990	NON-CURRENT LIABILITIES			
				Long-term provisions	9.1	3,091	4,091
				Non-current bank borrowings	10.1 y 13.2	66,672	66,672
				Deferred tax liabilities	11.3	2,285	2,285
				TOTAL NON-CURRENT LIABILITIES		72,048	73,048
				CURRENT LIABILITIES:			
CURRENT ASSETS:				Short-term provisions	9.2	430	545
Trade and other receivables		6,423	13,487	Current bank borrowings	10.1 y 13.2	88	87
Related companies receivables	7.1 y 13.2	2,043	2,919	Payable to Group and associated companies	10.1 y 13.2	14,856	23,253
Other current assets	7.1	59	51	Trade and other payables		8,916	5,687
Public admisnitrations	11.1	4,321	10,517	Trade payables	10.1	212	132
Investments in associates and joint ventures	7.1 y 13.2	19,999	18,436	Suppliers Group and associated companies	10.1 y 13.2	3,644	531
Short-term financial investments	7.1	3	-	Staff, remuneration payable	10.1	2,751	2,832
Cash and cash equivalents	7.3	77	1,691	Tax Payable	11.1	2,309	2,192
TOTAL CURRENT ASSETS		26,502	33,614	TOTAL CURRENT LIABILITIES		24,290	29,572
TOTAL ASSETS		145,379	152,604	TOTAL EQUITY AND LIABILITIES		145,379	152,604

Notes 1 to 16 of the accompanying notes form an integral part of the Balance Sheet at 31 December 2022.

GRUPO EMPRESARIAL SAN JOSÉ, S.A.
INCOME STATEMENTS FOR YEARS 2022 AND 2021

(Thousand of Euros)

	<u>Note</u>	Year 2022	Year 2021
CONTINUING OPERATIONS			
Revenue	12.1	1,566	1,664
Other operating income	12.1	22,545	18,372
Staff costs		(8,272)	(8,169)
Wages and salaries		(7,051)	(6,997)
Social charges	12.2	(1,221)	(1,172)
Other operating expenses		(9,120)	(5,639)
Outside services	12.4	(9,063)	(5,593)
Tributes		(47)	(15)
Other operating expenses		(10)	(31)
Depreciation and amortisation charge	5 y 6	(619)	(616)
Impairment and result from disposal of fixed assets		2,197	-
PROFIT FROM OPERATIONS		8,297	5,612
Finance income		-	1
In third	12.5	-	1
Finance costs		(2,562)	(2,145)
On debts to Group companies and associates	13.1	(2,559)	(2,140)
On debts to third parties		(3)	(5)
Exchange differences		(8)	65
Impairment and gains or losses on disposal of financial instruments	7.1	141	(84)
FINANCIAL PROFIT		(2,429)	(2,163)
PROFIT (LOSS) BEFORE TAXES		5,868	3,449
Income Tax	11.2	(308)	(485)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		5,560	2,964
PROFITS / (LOSSES) OF THE YEAR		5,560	2,964

Notes 1 to 16 of the accompanying notes form an integral part of the income statement for year 2022.

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR PERIOD ENDED AT DECEMBER 2022 AND 2021

A) STATEMENTS OF RECOGNISED INCOMES AND EXPENSES

(Thousand of Euros)

	<u>Note</u>	Year 2022	Year 2021
PROFITS/(LOSSES) OF THE YEAR		5,560	2,964
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 Transfers to profits and losses account		-	-
TOTAL RECOGNISED INCOMES/(EXPENSES)		5,560	2,964

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR PERIOD ENDED AT DECEMBER 2022 AND 2021

B) STATEMENTS OF CHANGES IN EQUITY

(Thousand of Euros)

	<u>Note</u>	Share capital	Issurance premium	Voluntary reserves	Profit of the year	TOTAL
Balance at December 31, 2020		1,951	390	5,393	45,789	53,523
Distribution of profit for year 2020:						
-To reserves		-	-	39,286	(39,286)	-
-To dividends		-	-	-	(6,503)	(6,503)
Total recognized income/expenses year 2021		-	-	-	2,964	2,964
Balance at December 31, 2021		1,951	390	44,679	2,964	49,984
Distribution of profit for year 2021:						
-To reserves		-	-	2,964	(2,964)	-
Distribution of dividends		-	-	(6,503)	-	(6,503)
Total recognized income/expenses year 2022		-	-	-	5,560	5,560
Balance at December 31, 2022		1,951	390	41,140	5,560	49,041

Notes 1 to 16 of the accompanying notes form an integral part of the statement of changes in equity at 31 December 2022.

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

CASH FLOW STATEMENTS FOR YEARS 2022 AND 2021

(Thousands of Euros)

	Note	Year 2022	Year 2021
Cash flows from operating activities:			
(+) Profit (Loss) before tax		5,868	3,449
(+) Depreciation and amortisation charge		619	616
(-) Financial income		(1,566)	(1)
(+) Financial costs		2,562	2,145
(+/-) Exchange differences		8	(65)
(+/-) Result of changes in value of financial instruments		(141)	84
Total Cash Flows from operating activities		5,153	6,228
Other adjustments			
(-) Income tax paid in the year		(149)	16,927
(+/-) (Increase) / Decrease in working capital		14,135	(8,204)
(+/-) Other collections / (payments) due to operating activities		-	2,197
1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES		19,139	17,148
Investments:			
(+) Property, plant and equipment		(76)	(8)
(-) Shares and other financial assets		(1,325)	(1,000)
Total Investments		(1,401)	(1,008)
Dividends received		1,250	1,500
Disposals:			
(+) Shares and other financial assets		35	40
Total Disposals		35	40
Other collections / (payments) due to financing activities		(1,636)	(2,861)
2. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,752)	(2,329)
Dividends paid			
		(6,503)	(6,503)
Increase / (decrease) in borrowings			
Non-current		(275)	(1,701)
Current		(10,518)	(3,320)
Net interests:		(1,705)	(1,656)
Received		165	(1,645)
Paid		(1,870)	(11)
Other collections / (payments) due to financial activities		-	5
3. TOTAL NET CASH FLOWS FROM FINANCIAL ACTIVITIES		(19,001)	(13,175)
TOTAL CASH FLOWS FOR THE YEAR		(1,614)	1,644
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			
		1,691	52
Changes in the year		(1,614)	1,639
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		77	1,691

Notes 1 to 16 of the accompanying notes form an integral part of the Cash Flow Statement for year 2022.

Grupo Empresarial San José, S.A.

Notes for the year ended 31 December 2022

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 VAI identification numbers A-36.046.993.

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

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

b) Legal framework

The Company is governed by its by-Laws, 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 it takes part in in a significant and lasting manner.

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.

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) Accounting Standard approved by Royal Decree 1514/2007 dated 16 November and adaptation for activity sectors.

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 similar. expected to be approved without any changes. As far as they are concerned, the financial statements for year 2021 were approved by the Ordinary General meeting of Shareholders held on 30 March 2022, 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 number of certain provisions (see Note 4.h and 4.i).
- The assessment of credit recovery feasibility (see Notes 4.f and 11.3).
- Management of financial risk (Note 7.4)

Estimations have based prepared based on the best information available at the end of year 2022. 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 2021 is provided for comparison purposes only with that provided for the year ended 31 December 20212

g) Working capital and assets

As shown in the accompanying balance sheet as of 31 December 2022 the Company has at said date a positive working capital amounting to EUR 2,212 thousand (EUR 4,042 thousand at 31 December 2021) as current assets are greater than current liabilities.

The Company records under current liabilities 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 2022 to EUR 14,856 thousand (EUR 23,253 thousand at 31 December 2021) (see Notes 4.f and 13.2). Directors of the Company do not expect difficulties to face payments of debts at maturity dates.

At 31 December 2022 and 2021, the Company records a positive net equity amounting to EUR 49,041 thousand and EUR 49,984 thousand, respectively.

h) Consolidation

The Company is head of the group of dependent companies and associated (see Note 7.2), which issue separate financial statements. Consolidated financial statements for year 2022 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 2020 were approved on at the Annual General Meeting held on 30 March 2022 and registered at the Trade 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	1,951
Reserves and equity attributed to the Parent	155,872
Net profit/(loss) for the year attributable to the Parent	16,613
Total assets	978,663
Turnover	1,092,213

i) Changes in the accounting criteria

During year 2022, no significant changes in accounting criteria have been applied with regards to those implemented in year 2021.

j) Correction of errors

In the preparation of the accompanying financial statements, no significant errors leading to restatement of the amounts included under financial statements for the year ended 31 December 2021 have been recorded.

k) Geostrategic situation in Europe

On 24 February 2022, the invasion of Ukraine by the Russian army began, with the international community positioning itself in favour of peace, establishing numerous actions aimed at isolating and weakening the Russian economy. As a result, there has been a deterioration in the overall macroeconomic picture resulting, inter alia, in a generalised increase in the costs of raw materials, as well as disruptions in their availability (breaks in supply chains), which have led to the current high levels of inflation.

The Company, in coordination with its clients, manages the current situation in order to ensure the proper execution of the works, respecting the established delivery deadlines. Although the impact is limited, as it is not

possible to pass on the full cost increase to clients, there is a slight reduction in the profitability margins achieved in 2022.

This is expected to be a cyclical situation and that, due to the economic measures being implemented by governments, current inflation levels will be reduced during year 2023 Furthermore, due to the Company's very positive equity and financial position, no liquidity stress situations are foreseen, even in negative development scenarios. More in particular:

- Impairment in the registered goodwill is not expected.
- The Company assesses the recoverability of its real estate assets based upon valuation reports issued by independent appraisers.
- Recoverable value of the main financial assets registered as of 31 of December, 2022, paying special attention to the recorded investments under the participation accounting method (Note 7). Likewise, regarding commercial receivables, there is no risk of default. Collection period remains unchanged.
- As for the deferred registered taxes, assumptions regarding their recoverability have been updated as of 31 of December.
- The Company reckons that the level of provisions registered as 31 of December, 2022, is enough to cover up for any likely risk that might arise.

Taking into account all of the above, and considering the limited impact, and the preventive actions launched to ensure the assets, as well as the liquidity surplus presented, the Company has drawn up its financial statements under the going concern principle.

I) Assets of environmental nature

Assets of natural environment are those which are used for the Group's business activity and whose main goal is to minimise environmental impact and protection of the environment, as well as the reduction and elimination of future pollution.

Grupo SANJOSE, which the Company forms part of, considers the preservation of the environment and sustainable development as fundamental premises within its strategic lines of business. Due to the type of activity carried out by the Company, and the companies within the Group, as well as the concern and awareness measures implemented internally so as to minimise the environmental impact, the Company has no expenses, assets, provisions or contingencies of an environmental nature. that could be significant in relation to equity, financial position and profit/(loss) for the year (see Note 15).

3. Distribution of profit/(loss)

Directors of the Company will propose the AGM the distribution of EUR 5,560 thousand profit for year 2022 according to the following breakdown:

	Thousands of euros
Distribution base:	
Current year profit	5,560
Distribution:	
To other reserves	5,560

There are no specific limitations on the distribution of dividends, other than those established in the Capital Companies Act and other regulations that apply to the Company.

In the last five years, the Company has distributed dividends throughout the years 2020, 2021, and 2022, for a gross amount of EUR 0.10 per share, amounting to a total of EUR 6,502,608.30 each year.

4. Accounting principles and measurement basis

Main accounting principles and measurements used in the preparation of the accompanying financial statements for year 2022 and 2021 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 four 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 assets

Classification

Financial assets are classified into the following categories:

- a. Financial assets at amortised cost: it includes those financial assets which the Company invests in so as to receive the cash flows derived from the execution of the contract, and the contractual conditions of these assets give rise, on specified dates, to cash flows that are solely collections of principal and interest on the principal amount outstanding.

Overall, it includes:

- i) Credits for commercial transactions: originated in the sale of goods or in the provision of services for transactions with deferred payment, and
 - ii) Credits for non-commercial transactions: they come from loan or credit transactions granted by the Company whose collections are of a determined or determinable amount.
- b. Financial assets at cost: basically, the following investments are included in this category: a) equity instruments of Group companies, jointly controlled entities and associates and b) participating loans with contingent interest.

Companies of the Group are those managed and/or controlled directly or through 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.

Initial recognition

Financial assets are, in general terms, measured at fair value plus direct costs incurred. However, transaction costs directly attributable to assets recorded at fair value with changes in the income statement will be recorded in the income statement for the year.

In the event of investment in assets from the group companies, fees paid up to legal advisers or independent professionals as a result of investments in equity of companies of the Group are recognised at the income statement.

Subsequent recognition

Financial assets at amortised cost will be recorded applying said valuation criterion, allocating accrued interest to the income statement applying the effective interest rate method.

Financial assets at cost are valued at their cost, deducting 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. Unless there is better evidence of the recoverable amount, net equity of the investee company is taken into account, corrected for tacit capital gains existing on the valuation date.

Impairment

Financial assets at amortised cost or at cost are subject to an impairment test 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.

Specifically, and with respect to valuation adjustments related to trade receivables and other receivable, criteria used by the Company to calculate the corresponding valuation adjustments, if any, consists of evaluating based on the solvency of the debtor and the maturity of the debt the recoverable amounts.

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, such as profits through sale of assets, factoring credit transfers, sale of assets with put option at fair value or financial assets lacking on behalf of the Company subordinated financing or any collateral or risk.

On the contrary, the Company does not write off the financial assets and recognises a financial liability for an amount equal to the consideration received, in the assignments of financial assets in which the risks and rewards inherent to its property are substantially retained, such as the discount of effects, the "factoring with recourse", the sales of financial assets with repurchase agreements at a fixed price or at the sale price plus an interest and the securitisation of financial assets in which the transferor retains subordinated financing or other guarantees that substantially absorb all expected losses.

Interest and dividends from financial assets:

In any event, interest and dividends on financial assets accrued subsequent to the time of acquisition are recognised as revenue in the income statement. The interest received on financial assets at amortised cost is acknowledged in accordance with the effective interest rate and the dividends shall be recorded when the right of the shareholder to receive dividends is declared.

For these purposes, in the initial valuation of the financial assets, the amount of the explicit interest accrued and not due at that time, as well as the amount of the dividends agreed by the competent body in the time of acquisition shall be recorded separately. "Explicit interest" shall be understood as those obtained by applying the contractual interest rate of the financial instrument.

Likewise, if distributed dividends unequivocally come from profit generated prior to the date of acquisition for the distribution of amounts greater than the profits generated by the investee as from the acquisition date, these shall not be recorded as income, and shall, in turn, reduce the book value of the investment.

The judgement as to whether profits have been generated by the investee shall be made based exclusively on the profits recorded in the individual income statement as from the date of acquisition, unless the distribution charged to said profits is undoubtedly qualified as a recovery of the investment from the perspective of the entity receiving the dividend.

Interest and dividends derived from the holding of financial instruments in subsidiaries are recorded under the item "Net Turnover" in the income statement, given the consideration of the holding company, in accordance with the criteria of the Institute of Accounting and Auditing of Accounts collected in query 2 of BOICAC nº79 "Determination of the net amount of the turnover of a Holding Company".

e) Financial Liabilities

Financial liabilities assumed or incurred into by the Company correspond, basically, to financial liabilities at amortised cost, that is, debts and payables of the Company that have originated in the purchase of goods and services for traffic business transactions of the company, or those that, without having a commercial origin, nor being derivative instruments, come from loan or credit transactions received by the Company.

These liabilities are stated at their face value plus direct costs incurred in to. Subsequently, said liabilities are valued according to their amortised costs.

Assets and liabilities are presented separately in the balance sheet and are only presented at their net amount when the company has the enforceable right to offset the recognised amounts and, furthermore, intends to settle the net amounts or to execute the assets and cancel the liability simultaneously.

Financial liabilities are derecognised when the obligations they generate have been extinguished.

f) 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 2022, the following SANJOSE group companies filed consolidated tax returns, acting "Grupo Empresarial San José, S.A." as the head of the consolidated tax group:

Constructora San José, S.A.

Cartuja Inmobiliaria, S.A.U.

Desarrollos Urbanísticos Udra, S.A.U.

Inmobiliaria Americana de Desarrollos Urbanísticos, 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.

g) 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:

Ordinary income from the sale of goods and the provision of services is valued at the monetary amount received or, as the case may be, at the fair value of the consideration received, or expected to be received, and unless there is evidence to the contrary, it will be the agreed price deducting any discount, taxes and interest included in the nominal value of the credits. The best estimate of the variable consideration will be included in the valuation of income when its reversal is not considered highly probable.

Revenue recognition occurs when (or as) control over the promised goods or services is transferred to the customer.

Revenue recognised over time, as it corresponds to goods or services whose control is not transferred at a given moment in time, is valued considering the degree of completion of the provision at the balance sheet date, as long as reliable information is available to measure the degree of completion. Otherwise, revenue will only be recognised in an amount equivalent to the costs incurred into that are expected to be reasonably recovered in the future.

Income derived from commitments that are executed at a given time are recorded on that date, recording as inventories the costs incurred into up to the date of production of said goods or services.

h) 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 2022, 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 9.1).

i) 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 2022, the company has not recorded any entry for this item.

j) 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.

k) 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 2022 and 2021, the Company does not hold treasury shares. Likewise, no transactions involving treasury shares were carried out during years 2022 and 2021 (see Note 8.5).

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 2022 and 2021 is as follows:

Year 2022:

	Thousand of Euros			
	Balance 31/12/2021	Additions / (Provisions)	Disposals	Balance 31/12/2022
Cost:				
Goodwill	6,095	-	-	6,095
Computer software	150	-	-	150
Total Cost	6,245	-	-	6,245
Accumulated amortisation:				
Goodwill	(3,659)	(610)	-	(4,269)
Computer software	(144)	(2)	-	(146)
Total Accumulated Amortisation	(3,803)	(612)	-	(4,415)
Net cost	2,442	(612)	-	1,830

Year 2021:

	Thousand of Euros			
	Balance 31/12/2020	Additions / (Provisions)	Disposals	Balance 31/12/2021
Cost:				
Goodwill	6,095	-	-	6,095
Computer software	146	4	-	150
Total Cost	6,241	4	-	6,245
Accumulated amortisation:				
Goodwill	(3,049)	(610)	-	(3,659)
Computer software	(142)	(2)	-	(144)
Total Accumulated Amortisation	(3,191)	(612)	-	(3,803)
Net cost	3,050	(608)	-	2,442

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 2022, no impairment is recorded under this item.

The cost of the assets fully amortised at 31 December 2022 and 2021 amounts to EUR 146 thousand and EUR 144 thousand, respectively.

6. Property, plant and equipment

Breakdown of this item for years 2022 and 2021 is as follows:

Year 2022:

	Thousand of Euros		
	Balance 31/12/2021	Additions / (Provisions)	Balance 31/12/2022
Cost:			
Other items of property, plant and equipment	1,222	76	1,298
Total Cost	1,222	76	1,298
Accumulated amortisation:			
Other items of property, plant and equipment	(818)	(7)	(825)
Total Accumulated Amortisation	(818)	(7)	(825)
Net property, plant and equipment	404	69	473

Year 2021:

	Thousand of Euros		
	Balance 31/12/2020	Additions / (Provisions)	Balance 31/12/2021
Cost:			
Other items of property, plant and equipment	1,218	4	1,222
Total Cost	1,218	4	1,222
Accumulated amortisation:			
Other items of property, plant and equipment	(814)	(4)	(818)
Total Accumulated Amortisation	(814)	(4)	(818)
Net property, plant and equipment	404	-	404

This item includes mainly equipment for the treatment of information.

Carrying net cost at 31 December 2022 and 2021 amounts to EUR 810 thousand and EUR 805 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. Financial Assets

The breakdown under this item at 31 December 2022 and 2021 is as follows:

Year 2022:

	Euros						
	Non-Current			Current			TOTAL
	Heritage Instruments	Debt securities	Derivatives and Others	Heritage Instruments	Debt securities	Derivatives and Others	
Financial assets at amortized cost (Note 7.1)	-	-	2,024	-	-	22,104	24,128
Financial assets at cost (Note 7.2)	102,061	-	1,225	-	-	-	103,286
Total	102,061	-	3,249	-	-	22,104	127,414

Year 2021:

	Euros						TOTAL
	Non-Current			Current			
	Heritage Instruments	Debt securities	Derivatives and Others	Heritage Instruments	Debt securities	Derivatives and Others	
Financial assets at amortized cost (Note 7.1)	-	-	2,059	-	-	21,406	23,465
Financial assets at cost (Note 7.2)	101,920	-	900	-	-	-	102,820
Total	101,920	-	2,959	-	-	21,406	126,285

7.1. Assets at amortised cost

The breakdown under this item at 31 December 2022 and 2021 is as follows:

	Euros	
	31/12/2022	31/12/2021
<u>Non-Current:</u>		
-Loans to related companies (Note 13.2)	2,014	2,014
-Other non-current financial assets	10	45
<u>Current:</u>		
-Related companies receivables (Note 13.2)	2,043	2,919
-Other debtors	59	51
-Investments in associates and joint ventures (Note 13.2)	19,999	18,436
-Short-term financial investments	3	-
Total	24,128	23,465

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 amount at 31 December 2022 and 2021 to EUR 13,377 thousand and EUR 11,604 thousand, respectively, that accrue interest at Euribor plus a market spread (3,101% during years 2022 and 2021). Breakdown for associates at 2022 and 2021 year-end is detailed on Note 13.2.

Additionally, 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 of various companies that make up the tax group, for a total amount of EUR 6,622 thousand and EUR 6,832 thousand at 31 December 2022 and 2021, respectively, corresponding to the amount to be paid as corporate income, and value added tax of Group companies within the scope of the tax perimeter (see Note 13.2).

7.2. Financial Assets at cost

The breakdown under this item at 31 December 2022 and 2021 is as follows:

	Euros	
	31/12/2022	31/12/2021
<u>Non-Current:</u>		
Equity Investments in associates	102,061	101,920
Loans to related companies (Note 13.2)	1,225	900
Total	103,286	102,820

The movement in the item "Equity instruments of Group companies and associates" and "Loans to Group companies and associates" during years 2022 and 2021, is as follows:

Year 2022:

	Thousand of Euros				
	Balance at 31/12/2021	Additions	Reversals	Transfers	Balance at 31/12/2022
Equity instruments					
Cost	123,105	1,000	-	-	124,105
Impairment	(21,185)	(73)	214	(1,000)	(22,044)
	101,920	927	214	(1,000)	102,061
Granted loans and credits	2,914	975	(650)	-	3,239
Total	104,834	1,902	(436)	(1,000)	105,300

Year 2021:

	Thousand of Euros				
	Balance at 31/12/2020	Additions	Reversals	Transfers	Balance at 31/12/2021
Equity instruments					
Cost	122,105	1,000	-	-	123,105
Impairment	(20,101)	(190)	106	(1,000)	(21,185)
	102,004	810	106	(1,000)	101,920
Granted loans and credits	2,914	-	-	-	2,914
Total	104,918	810	106	(1,000)	104,834

During years 2022 and 2021, the Company has increased the capital of its subsidiary "SJB Müllroser Baugesellschaft GmbH" in EUR 1,000 thousand each year, holding 100% of its share capital. Consequently, the impairment associated with said investment has been increased by reclassifying, for said amount, the provision for possible liabilities associated with said investee that was recorded as of 31 December 2021 and 2022 (see Note 9.1).

Detail of stakes in Group companies, as well as of credits and loans granted as of 31 December 2022 and 2021 is as follows:

Year 2022:

	Ownership %		Thousand of Euros					Long-term loans (Note 13.2)
			Net carrying amount of the stake					
	Direct	Indirect	Cost	Impairment of the year	ed impairmen	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	(73)	(4,439)	3,525	975	
Energías Renovables de Galicia, S.A (b)	25.00%	0.00%	662	-	(431)	231	-	
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%	-	2,730	(1,000)	(2,730)	-	-	
Udra Medios, S.A.U. (b)	100.00%	-	15,600	214	(14,423)	1,177	250	
Xornal de Galicia. S.A. (b)	-	0.00%	-	-	-	-	2,014	
Udra México, S.A. de C.V. (c)	0.17%	99.83%	23	-	(21)	2	-	
GSJ Solutions, S.L.U.(a)	100%	-	337	-	-	337	-	
Total			124,105	(859)	(22,044)	102,061	3,239	

Year 2021:

	% de participación		Thousand of Euros					Long-term loans (Note 13.2)
			Valor en libros de la participación					
	Direct	Indirect	Cost	Impairment of the year	ed impairmen	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	(190)	(4,366)	3,598	650	
Energías Renovables de Galicia, S.A (b)	25.00%	75.00%	662	-	(431)	231	-	
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%	-	1,730	(1,000)	(1,730)	-	-	
Udra Medios, S.A.U. (b)	100.00%	-	15,600	106	(14,637)	963	250	
Xornal de Galicia. S.A. (b)	-	92.73%	-	-	-	-	2,014	
Udra México, S.A. de C.V. (c)	0.17%	99.83%	23	-	(21)	2	-	
GSJ Solutions, S.L.U.(a)	100%	-	337	-	-	337	-	
Total			123,105	(1,084)	(21,185)	101,920	2,914	

(a) Companies audited by Deloitte.

(b) Non audited companies

(c) Companies audited by other auditing company.

During year 2022, the company recorded an increased impairment associated to its financial holdings, amounting to EUR 141 thousand, under the item "Impairment and profit/(loss) arising from the disposal of financial instruments" in the accompanying income statement for year 2022.

Further, at 31 December 2022 and 2021 the Company records a provision for EUR 3,091 thousand and EUR 4,091 thousand, respectively, under the item "Long-term provisions" in non-current liabilities in the balance sheet, devoted to cover any contingencies of Group companies (see Note 9.1).

The most significant information regarding investees in which the Company takes parts, at 2022 and 2021 year-end is as follows:

Year 2022:

			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	27,554	9,892	178,616	196,584
GSJ Solutions, S.L.U.	Engineering services	Ronda de Poniente, 11 – Tres Cantos (Madrid)	300	116	91	594	985
San José Concesiones y Servicios, S.A.U.	Provision of healthcare and social services	Rosalía de Castro, 44 (Pontevedra)	2,446	(4)	-	172	2,618
San José Energía y Medio Ambiente, S.A.U.	Construction, provisions of services and management of energy contracts	Ronda de Poniente, 11 – Tres Cantos	4,039	(178)	(306)	(1,955)	1,778
Cadena de Tiendas, S.A.U.	Storage, destruction and sale of goods	Rosalía de Castro, 44	60	(1)	8	80	148
Comercial Udra, S.A.U.	Storage, distribution and sale of manufactured products	Rosalía de Castro, 44	4,181	1,661	1,483	869	6,533
Constructora Udra Limitada	Construction, maintenance and repair	C/ 1º de Dezembro, 12-14 - Monção Gewerparkrinh	350	1,727	1,300	8,375	10,025
SJB Müllroser Baugesellschaft GmbH	Construction	Mullroser.	1,625	(8)	(8)	(4,685)	(3,068)
Enerxias Renovables de Galicia, S.A.	Production and trade of electric energy by renewable energy resources	Rosalía de Castro, 44 (Pontevedra)	2,649	17	-	(2,076)	573
Udra Medios, S.A.U.	Edition, production, reproduction and release of books, newspapers, magazines and video	Rosalía de Castro, 44 (Pontevedra)	1,500	(3)	280	(574)	1,206
Udra México, S.A. de C.V.	Holding company	Miravalle, México	3,427	(376)	(138)	149	3,438

Year 2021:

			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	36,837	19,925	158,639	186,640
GSJ Solutions, S.L.U.	Engineering services	Ronda de Poniente, 11 – Tres Cantos (Madrid)	300	173	162	323	785
San José Concesiones y Servicios, S.A.U.	Provision of healthcare and social services	Rosalía de Castro, 44 (Pontevedra)	2,446	(2)	12	160	2,618
San José Energía y Medio Ambiente, S.A.U.	Construction, provisions of services and management of energy contracts	Rosalía de Castro, 44 (Pontevedra)	4,039	(189)	(191)	(1,952)	1,896
Cadena de Tiendas, S.A.U.	Storage, destruction and sale of goods	Honda de Poniente, 11 – Tres Cantos (Madrid)	60	-	1	27	88
Comercial Udra, S.A.U.	Storage, distribution and sale of manufactured products	Rosalía de Castro, 44 (Pontevedra)	4,172	86	(66)	2,106	6,212
Constructora Udra Limitada	Construction, maintenance and repair	C/ 1º de Dezembro, 12-14 - Monção (Portugal)	350	2,806	2,254	6,121	8,725
SJB Müllroser Baugesellschaft GmbH	Construction	Gewerparkrinh , 1315299 Mullroser. Alemania	625	(5)	(5)	(4,679)	(4,059)
Enerxias Renovables de Galicia, S.A.	Production and trade of electric energy by renewable energy resources	Rosalía de Castro, 44 (Pontevedra)	2,649	44	-	(2,076)	573
Udra Medios, S.A.U.	Edition, production, reproduction and release of books, newspapers, magazines and video	Rosalía de Castro, 44 (Pontevedra)	1,500	9	91	(665)	926
Udra México, S.A. de C.V.	Holding company	Miravalle, México	3,427	722	734	(971)	3,190

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

None of the associates is listed on the stock exchange market at 31 December 2022 and 2021.

7.3. 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.

7.4. Management of financial risk

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 auditing 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 counterparty 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.

b) 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 2022, 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 2022 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 7.2). The Group's policy is that funding of these units, if applicable, would be in local currency.

8. Net Equity

8.1 Share Capital

At 31 December 2022 and 2021, 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. The closing and mean quote for the last quarter of the year stood at EUR 3.96 and EUR 3.86 for year 2022 and EUR 4.90 and 4.32 for year 2021, respectively.

At 31 December 2022, 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.

8.2 Issuance fee

The Capital Companies Act expressly allows the use of the balance of the share issue premium to increase the share capital of the entities which it is registered in and does not establish any specific restriction regarding the availability of said balance.

8.3 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, as long as sufficient other reserves are not available for this purpose. At year-end 2022, the legal reserve has not been fully provided.

8.4 Distribution of dividends

At 31 December 2022 there are no restrictions on the distribution of dividends.

8.5 Treasury shares

At 31 December 2022 and 2021 the Company did not hold any treasury shares neither had executed transactions with treasury shares during 2022 and 2021.

8.6 Equity

The company has a solid asset and financial situation. At 31 December 2022 and 2021, the company has positive net assets amounting to EUR 49,048 thousand and EUR 49.984 thousand, representing 33.7% and 32.8% of the assets, so it is in a balanced situation.

9. Provisions and contingencies

9.1 Long-term provisions

The detail of long-term provisions under the balance sheet at 2022 y 2021 year-end, as well as main movements during years 2022 and 2021, are as follows:

Year 2022:

	Thousand of Euros			
	Balance at 31/12/2021	Additions	Transfers	Balance at 31/12/2022
Provision for risks and expenses	4,091	-	(1,000)	3,091
Total	4,091	-	(1,000)	3,091

Year 2021:

	Thousand of Euros			
	Balance at 31/12/2020	Additions	Transfers	Balance at 31/12/2021
Provision for risks and expenses	5,091	-	(1,000)	4,091
Total	5,091	-	(1,000)	4,091

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 7.2). At 31 December 2022 and 2021, the amount of the provision refers mainly to the Company's stake in the Group company "SJB Müllroser Baugesellschaft GmbH" (see Note 7.2)

9.2 Short-term provisions

At 31 December 2022 and 2021, the Company has short-term provisions amounting to EUR 430, and 545 thousand euros, respectively, in order to meet contingencies arising from its activity.

9.3 Contingencies

The amount of the guarantees granted to third parties by the Company is very insignificant. Directors of the Company do not consider any liability arising in connection to committed guarantees, in addition to those recorded in the accompanying financial statements at 31 December 2022.

10. Financial Liabilities

The breakdown under this item at 31 December 2022 and 2021 is as follows:

Year 2022:

	Euros						
	Non-Current			Current			TOTAL
	Bank borrowings	Bonds and other securities	Credits, Derivatives and Others	Bank borrowings	Bonds and other securities	Credits, Derivatives and Others	
Financial liabilities at amortized cost or cost	-	-	66,672	-	-	21,551	88,223
Liabilities at fair value with changes in P&G							
Trading book	-	-	-	-	-	-	-
Designated	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-	-
Total	-	-	66,672	-	-	21,551	88,223

Year 2021:

	Euros						TOTAL
	Non-Current			Current			
	Bank borrowings	Bonds and other securities	Credits, Derivatives and Others	Bank borrowings	Bonds and other securities	Credits, Derivatives and Others	
Financial liabilities at amortized cost or cost	-	-	66,672	-	-	26,835	93,507
Liabilities at fair value with changes in P&G							
Trading book	-	-	-	-	-	-	-
Designated	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-	-
Total	-	-	66,672	-	-	26,835	93,507

10.1. Financial liabilities at amortised cost or at cost.

Long-term financial liabilities at amortised cost

The Company records under this item the long-term debt with Group companies which, at 31 December 2022 and 2021, amounts to EUR 66,672 thousand in both years (see Note 13.2).

Short-term financial liabilities at amortised cost

The breakdown under this item at 31 December 2022 and 2021 is as follows:

	Euros	
	31/12/2022	31/12/2021
Current bank borrowings (Note13.2)	88	87
Payable to Group and associated companies (Note 13.2)	14,856	23,253
Trade payables	212	132
Suppliers Group and associated companies	3,644	531
Staff, remuneration payable	2,751	2,832
Total	21,551	26,835

11. Taxation

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

11.1. Tax receivables and payables

Breakdown of tax receivables at 31 December 2022 and 2021 is as follows:

	Thousand of Euros	
	31/12/2022	31/12/2021
Current assets:		
VAT receivables	4,321	7,900
Income tax receivables and other	-	2,617
Total	4,321	10,517

Breakdown of tax payables at 31 December 2022 and 2021 is as follows:

	Thousand of Euros	
	31/12/2022	31/12/2021
Current liabilities:		
Income tax payable (Note 11.2)	1,693	1,541
Personal income payable and other	528	569
Social Security payables	88	82
Total	2,309	2,192

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.

11.2. 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 2022 and 2021 is as follows:

	Thousand of Euros	
	2022	2021
Profit/(Loss) before tax	5,868	3,449
Permanent differences		
Increase	613	559
Decrease	(3,795)	(1,425)
Offset of prior years' tax losses	(1,469)	(646)
Prior taxable profit	1,217	1,937
Prior setting 25%	304	484
Deductions	(1)	(11)
Regularisation	5	12
Income tax expense	308	485
Temporary differences		
Decrease prepaid tax	-	-
Increase prepaid tax	1	1
To offset tax credit	-	(507)
Deductions	-	-
Adjustments and other	(7)	(14)
Principal transactions	(4,834)	(4,900)
Amount (payable) / receivable	(4,532)	(4,935)
-Offset against tax group (Note 13.2)	6,225	6,476
-Tax debit	-	-
-Tax credit	(1,693)	(1,541)

On 30 December 2020, Law 11/2020, of General State Budgets for year 2021 was approved, in force on 1 January 2021, introducing some modifications on Corporate Tax Law. Among the most relevant measures with an impact on the Company, it is worth highlighting the limitation that is introduced with respect to the exemption on dividends and positive income derived from the transfer of securities representing the own funds of resident and non-resident entities in Spanish territory, establishing that their amount is 5% of the dividend or positive income obtained, so that the amount will be exempt in 95% of said dividend or income.

Subsequently, on 29 December 2021, Law 22/2021 dated 28 December, on General State Budgets for year 2022, is approved with effect as from 1 January 2022. Special attention should be given, for being applicable to the

companies of the Group, to the introduction of a minimum tax regime of 15% of the tax base for those taxpayers whose net turnover is at least EUR 20 million during the 12 months prior to the date on which the tax period begins or that are taxed under the corporate tax consolidation regime, regardless of the net amount of turnover.

Permanent adjustments made in the tax base are chiefly due to the adjustment of the dividend income received by the Company in years 2022 and 2021, amounting to EUR 1,250 thousand and EUR 1,500 thousand, respectively (see Note 12.1), as well as the adjustment due to the registration and reversal of non-deductible provisions and the goodwill amortisation.

11.3. Deferred tax assets and liabilities

The detail of deferred tax assets under the balance sheet at 31 December 2022 y 2021, as well as main movements during years 2017 and 2016, are as follows:

Year 2022:

	Thousand of Euros			
	31/12/2021	Tax for the year (Note 11.2)	Regularisation and other	31/12/2022
Temporary differences on other items	2,365	1	(2)	2,364
Offset of tax loss carry forwards (Note 13.2)	8,900	-	-	8,900
Total	11,265	1	(2)	11,264

Year 2021:

	Thousand of Euros			
	31/12/2020	Tax for the year (Note 11.2)	Regularisation and other	31/12/2021
Temporary differences on other items	2,367	1	(3)	2,365
Offset of tax loss carry forwards (Note 13.2)	20,996	(510)	(11,586)	8,900
Total	23,363	(509)	(11,589)	11,265

The detail of deferred tax assets under the balance sheet at 31 December 2022 y 2021, as well as main movements during years 2017 and 2016, are as follows:

Year 2022:

	Thousand of Euros			
	31/12/2021	Tax for the year (Nota 11.2)	Regularisation and other	31/12/2022
Temporary differences in margins for group transactions	2,054	-	-	2,054
Payable to group companies for income tax (Note 13.2)	231	-	-	231
Total	2,285	-	-	2,285

Year 2021:

	Thousand of Euros			
	31.12.2020	Tax for the year (Nota 11.2)	Regularisation and other	31.12.2021
Temporary differences in margins for group transactions	13,446	-	(11,392)	2,054
Payable to group companies for income tax (Note 13.2)	234	(3)	-	231
Total	13,680	(3)	(11,392)	2,285

Loss carry forwards

At 31 December 2022, the Company has the following tax loss outstanding offset, which were generated within the tax group to which it belongs (residual amount upon the company tax forecast of year 2020):

Year of inclusion	Thousand of Euros
2009	30,875
2010	-
2011	-
2012	751
2013	10
2015	337,918
	369,554

The Company partially activates the negative tax bases generating a tax credit. At 31 December 2022 and 2021, the amount of the tax credit registered by the Company amounts to EUR 8,900 thousand.

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 2022-2031, 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 of last years and, specially, that achieved during the year. 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 2022, 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 a 3-6% annual growth of total construction activity for the period 2022-2031.
- A relatively margin EBITDA standing between 5.5%- 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 annual growth amounting to [1.5-4] %.
- 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 2022, in a given period of 6 years.

Deductions

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

At 31 December 2022 and 2021, the Company has no outstanding deductions.

11.4. Years open for review

The Company, as well as its subsidiaries, that integrate the fiscal consolidation Group perimeter, are undergoing a tax inspection of the last four years (starting at 2017 as for the corporate income tax). Furthermore, the Company was reported by the Tax Authorities the start of a procedure in which the corporate tax, the value added tax and withholdings and payments on account of work income, professionals and movable capital, would be open for inspection covering from 2017 up to 2020.

With respect to corporate income tax, the right of the Spanish tax authorities to initiate the procedure to verify the bases or quotas offset or pending offset or deductions applied or pending application shall expire in ten years as from the day following the end of the statutory period established for filing the return or self-assessment corresponding to the tax year or period in which the right to offset such bases or quotas or to apply such deductions arose.

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 statutory of limitations period of four years has expired or until they have been reviewed and approved by the tax authorities.

Directors of the Company deem that no significant additional liabilities will arise to those already recorded as a result of possible verifications, which may be carried out, in the years open to inspection.

11.5. 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.

11.6 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 through 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.

12. Revenue and expenditure

12.1 Net Revenue and other operating income

Net revenue by activity for years 2022 and 2021 is as follows:

	Thousand of Euros	
	2022	2021
Dividends received	1,250	1,500
Financial incomes from Group companies	316	164
Total	1,566	1,664

"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 13.1).

"Other operating income" in the accompanying income statement for years 2022 and 2021 amounts to EUR 22,545 thousand and EUR 18,372 thousand, respectively, and corresponds mainly to income from the provisions of management services by the Company to its investees (see Note 13.1).

12.2 Social security costs

Breakdown for years 2022 and 2021 is as follows:

	Thousand of Euros	
	2022	2021
Social security	925	899
Other social costs	296	273
Total	1,221	1,172

12.3 Staff costs

The average number of employees during years 2022 and 2021 is as follows:

Category	2022		2021	
	Men	Female	Men	Female
University graduates	24	14	24	13
Medium term grades	12	8	10	10
Clerical staff	8	13	7	14
Technicians	1	-	1	-
Total	45	35	42	37

At 31 December 2022 and 2021, average workforce amounted to 80 employees (45 men and 37 women) and 79 employees (42 men and 37 women), respectively, being the distribution by type of grade similar in both periods.

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.

12.4 External services

Breakdown for years 2022 and 2021 is as follows:

	Thousand of Euros	
	2022	2021
Rents and royalties	449	447
Repair and maintenance services	-	-
Independent professional services	646	719
Insurance premiums	640	549
Banking services and similar	2	22
Advertising, publicity and public relations	28	29
Utilities	4	3
Other Services	7,294	3,824
Total	9,063	5,593

"Other services" includes mainly services provided by companies of the Group amounting to EUR 6,306 thousand and EUR 2,851 thousand in years 2022 and 2021, respectively (see Note 13.1).

12.5 Finance income

There is no financial income as for the year 2022.

12.6 Audit fees

During years 2022 and 2021, the fees for auditing services amount to EUR 96 thousand and EUR 83 thousand, respectively. The Company has not requested its main auditor, or other firms belonging to its professional and partner network, any non-audit services. Deloitte, S.L. Is the auditor of the Company.

13. Associates

13.1. Transactions with associates

The detail of transactions with associates for years 2022 and 2021 is as follows:

Year 2022:

	Thousand of Euros			
	Provision from services (Note 12.1)	Reception of services (Note 12.4)	Financial expenses	Financial income (Note 12.1)
Comercial Udra, S.A.U.	463	-	7	1,250
Pinos Altos X.R., S.L.	-	121	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	743	6	-	-
Cartuja Inmobiliaria, S.A.U.	540	-	-	-
Constructora San José, S.A.	16,718	6,147	702	-
San Jose Concesiones y Servicios, S.A.U.	227	-	9	10
San Jose Energía y Medio Ambiente, S.A.U.	122	-	-	169
Udramedios, S.A.U.	-	-	183	18
Constructora Udra Limitada	1,000	-	-	-
Cadena de Tiendas, S.A.	-	-	4	-
San José Inmobiliaria Perú S.A.C.	180	-	-	-
Rexa Constructora S.A.C.	255	-	-	-
Concesionaria San Jose Tecnocontrol, S.A.	504	-	-	-
Constructora Sanjose Chile Ltda.	1,237	-	-	78
Fotovoltaica El Gallo, S.A.	-	-	-	41
Constructora San José Argentina, S.A.	123	-	-	-
Udra México S.A. de C.V.	8	-	-	-
GSJ Solutions, S.L.	54	-	-	-
Desarrollos Urbanísticos Udra, S.A.U.	-	32	7	-
Constructora San Jose Perú	-	-	1,647	-
Other companies of the Group	371	-	-	-
Total	22,545	6,306	2,559	1,566

Year 2021:

	Thousand of Euros			
	Provision from services (Note 12.1)	Reception of services (Note 12.4)	Financial expenses	Financial income (Note 12.1)
Comercial Udra, S.A.U.	300	-	5	1,500
Pinos Altos X.R., S.L.	-	119	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	400	-	-	-
Cartuja Inmobiliaria, S.A.U.	400	-	-	-
Constructora San José, S.A.	12,821	2,702	255	-
San Jose Concesiones y Servicios, S.A.U.	400	-	52	-
San Jose Energía y Medio Ambiente, S.A.U.	99	-	-	95
Udramedios, S.A.U.	-	-	151	18
Constructora Udra Limitada	1,203	-	-	-
Cadena de Tiendas, S.A.	-	-	2	-
San José Inmobiliaria Perú S.A.C.	223	-	-	-
Concesionaria San Jose Tecnocontrol, S.A.	624	-	-	-
Constructora Sanjose Chile Ltda.	1,287	-	-	48
Fotovoltaica El Gallo, S.A.	116	-	-	-
Constructora San José Argentina, S.A.	-	-	-	-
Udra México S.A. de C.V.	63	-	-	-
GSJ Solutions, S.L.	-	30	-	-
Desarrollos Urbanísticos Udra, S.A.U.	-	-	1,675	-
Constructora San Jose Perú	309	-	-	-
Other companies of the Group	127	-	-	3
Total	18,372	2,851	2,140	1,664

The number of services rendered by the investee company "Constructora San José, SA" in 2022 and 2021 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.

13.2. Balances with associates

Breakdown of balances with associates is as follows:

Year 2022:

	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.	-	47	-	-	46	-
San José Energía y Medio Ambiente, S.A.U.	975	12	4,798	-	-	-
San José Concesiones y Servicios, S.A.	-	-	984	-	-	-
Constructora Udra Limitada	-	250	-	-	-	-
Xornal de Galicia, S.A.	2,014	-	-	-	-	-
Cadena de Tiendas, S.A.U.	-	-	-	-	142	-
Constructora San José, S.A.	-	808	-	-	6,390	3,624
SJB Mullroser Baugeschellsaft	-	-	4,275	-	-	-
Udra Medios, S.A.U.	250	-	-	-	5,152	-
San José Inmobiliaria Perú, S.A.C.	-	15	-	-	-	-
Constructora San José Colombia, S.A.S.	-	1	-	-	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	-	75	-	-	-	-
Pinos Altos XR, S.L.	-	-	-	-	-	11
Cartuja Inmobiliaria, S.A.U.	-	54	-	-	-	-
Udra México, S.A. de CV	-	45	-	-	-	-
GSJ Solutions, S.L.	-	-	-	-	316	9
Desarrollos Urbanísticos Udra, S.A.U.	-	-	-	66,672	-	-
Sociedad Concesioaria San José Tecnocontrol S	-	168	-	-	-	-
San Jose Constructora Chile S.A.	-	412	3,320	-	-	-
Constructora San José Argentina, S.A.	-	11	-	-	-	-
Other companies of the Group	-	145	-	-	-	-
Balances with companies of the group by tax consolidation	-	-	6,622	-	2,810	-
Total	3,239	2,043	19,999	66,672	14,856	3,644

Year 2021:

	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.	-	30	-	-	43	-
San José Energía y Medio Ambiente, S.A.U.	650	20	4,528	-	-	-
San José Concesiones y Servicios, S.A.	-	40	-	-	915	-
Constructora Udra Limitada	-	201	-	-	-	-
Xornal de Galicia, S.A.	2,014	-	-	-	-	-
Cadena de Tiendas, S.A.U.	-	-	-	-	87	-
Constructora San José, S.A.	-	1,571	-	-	16,051	508
SJB Mullroser Baugeschellsaft	-	-	5,087	-	-	-
Udra Medios, S.A.U.	250	-	-	-	4,967	-
San José Inmobiliaria Perú, S.A.C.	-	19	-	-	-	-
Constructora San José Colombia, S.A.S.	-	1	-	-	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	-	40	-	-	-	-
Pinos Altos XR, S.L.	-	-	-	-	-	10
Cartuja Inmobiliaria, S.A.U.	-	40	-	-	-	-
Udra México, S.A. de CV	-	148	-	-	-	-
GSJ Solutions, S.L.	-	-	-	-	91	13
Desarrollos Urbanísticos Udra, S.A.U.	-	-	-	66,672	-	-
Sociedad Concesioaria San José Tecnocontrol S.A.	-	260	-	-	-	-
San Jose Constructora Chile S.A.	-	429	1,989	-	-	-
Constructora San José Argentina, S.A.	-	3	-	-	-	-
Other companies of the Group	-	117	-	-	1	-
Balances with companies of the group by tax consolidation	-	-	6,832	-	1,098	-
Total	2,914	2,919	18,436	66,672	23,253	531

The balance of item "long-term debts with Group companies" as of 31 December 2022 and 2021, amounting to EUR 66,672 thousand in both years corresponds entirely to the loan made between the Company and the Group company "Desarrollos Urbanísticos Udra, S.A.U." on 31 October 2019, for 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 2022, and 2021, it also includes EUR 275 thousand corresponding to the financial expense accrued on that date pending settlement.

At 31 December 2022 and 2021, the amount recorded under "Long-term Group loans and advances to companies", amounting to EUR 3,239 thousand and EUR 2,914 thousand, respectively, corresponds mainly to the participatory loans granted by the Company to its investees. The participative loans granted by the Company to its investee "San José Energía y Medio Ambiente, SAU" and "Udra Medios,S.L.U." are included, for an amount of EUR 975 thousand and EUR 250 thousand, where the accrual of financiers is subject to the borrowing company obtaining positive results with the aim of strengthening its equity position.

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 231 thousand at 31 December 2022 and 2021, 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" with regards to negative tax bases contributed to the tax perimeter by them (see Note 11.3). Likewise, and derived from the corporate tax forecast, and VAT statements, for the year 2022, the item "Short-term investments in Group companies" at 31 December 2022 and 2021 includes EUR 6,622 thousand and EUR 6,832 thousand, respectively.

Further, "Short-term loans" and "Short-term liabilities" at 31 December 2022 and 2021 are derived from current financial account contracts signed with Group companies and accrue interest at Euribor plus a market spread (3.101% in years 2022 and 2021).

At 31 December 2021, the Company has granted loans to senior management amounting to EUR 35 thousand, recorded under "Long-term financial investments" under the non-current assets of the accompanying balance sheet (see Note 7.2) Said loan has been fully amortised during year 2022.

Also, at 31 December 2022 and 2021, the Company has a balance payable to shareholders, directors and executives amounting to EUR 88 thousand and EUR 87 thousand, respectively, which is recognised under "Current liabilities" in the accompanying balance sheet (see Note 10.1).

14. Other disclosure

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

In relation to the information required by the third additional provision of Law 15/2010, of 5 July, amended by article 9-two of Law 18/2022, of 28 September, on the creation and growth of companies, the weighted average payment period to suppliers of the Company during years 2022 and 2021, as well as the balance of payments to suppliers made and those pending at 31 December 2022 and 2021, are detailed below:

	Year 2022	Year 2021
Average payment term to suppliers (days)	22	14
Ratio of paid transactions (days)	22	13
Ratio of transactions pending payment (days)	24	27
Total payments made (thousands of Euros)	3,483	3,833
Total pending payments (thousand of Euros)	212	132

The maximum legal payment period applicable to all the Spanish companies of the Group, as stated in Law 15/2010 of 5 of July, modified by Law 3/2004 of 29 of December, and Law 11/2013 of 26 of July, in which measures against default in commercial operations are set out, is 30 days; but might be extended up to 60 days, in those cases agreed between the parties.

During the year 2022, the total amount in euros and number of invoices paid to suppliers in a period shorter than the maximum established in the legislation in force, as well as how much they represent out of the total amount of payments to suppliers, is as follows:

	Num. of invoices	Thousand of euros
Supplier payments within less than 60 days	713	3,401
% out of the invoices paid	97.7%	97.7%

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. Likewise, it is considered the effective payment date, the one in which the commercial creditor receives the money paid by the company.

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 invoices paid out of the legal deadline is owed to the existence of incidences that may have arisen upon delivery of a particular product, or the execution of a hired service. However, in those cases in which there has been a delay on payments, the derived financial costs have been assumed by the Company, as agreed with suppliers in the different contract signed with them. Occasional payments to creditors that might have exceeded the legal time limit, are considered a common practice within the sector, and considered an objective reason, and not an abusive maneuver, as stated in the legislation in force before mentioned.

14.2. Remuneration of Directors and Executives

The detail of the remuneration of all kinds earned in 2022 and 2021 by the members of the Board of the Company is as follows:

Type of Directors	Thousand of Euros	
	2022	2021
Executive	3,249	3,187
Independent board members	177	187
Other external board members	198	228
Total	3,624	3,602

Total remuneration paid by the Company in years 2022 and 2021 to executive directors amounts to EUR 570 thousand and EUR 530 thousand, respectively.

At 2022 year-end, the Company's Board of Directors is made up of 9 men and 2 women, with no changes having occurred with respect to the existing composition at 2021 year-end.

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 allowance amounts to EUR 391 thousand (EUR 309 thousand in 2021).

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

In relation to the participation of the Company's directors, or persons related to them, in the capital of companies outside the Company, or if they carry out for their own account or for the account of others the same, similar or complementary type of activity to that which constitutes the corporate purpose, or if they have carried out transactions with the Company or with any company of the same Group in their own name or on behalf of a person acting on their behalf that are outside the ordinary business of the Company or under conditions that were not normal market conditions, it should be indicated that the directors:

- 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 2022 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.

15. Information on the environment

Assets of natural environment are those which are used for the Group's business activity and whose main goal is to minimise environmental impact and boost the protection of the environment, as well as the reduction and elimination of future pollution.

Grupo SANJOSE, which the Company forms part of, considers the preservation of the environment and sustainable development as fundamental premises within its strategic lines of business. The Group's environmental policy includes:

- Protection of the environment through the prevention or mitigation of environmental impact, the prevention of pollution, the reduction of waste generation, the sustainable use of resources and energy efficiency.
- Continuous improvement in the management of our environmental performance, through the establishment and monitoring of environmental targets and goals, aimed at contributing to the improvement of processes and services.
- Compliance with application environmental legislation and regulations.
- Qualification and awareness, through training and awareness activities addressed to all workers, subcontractors and other concerned parties.

Since 1999 the Grupo has maintained a firm commitment to the environment in continuous review and adaptation to needs and expectations of the society and the environment. Hence, the implementation of an environmental management system in order to integrate business development, generate social value and environmental protection is a priority for the Group. Since 2006, the Group has been certified under the ISO-14001 standard with regard to environmental management systems.

The Group shares the concern of society and interested parties in relation to climate change, assuming responsibility for the possible impacts arising from the development of its works and services. To adapt to the consequences of climate change, the Group promotes mitigation and adaptation measures that contribute to the transition to a low-carbon economy, among which we highlight:

- Energy saving and efficiency measures, replacing equipment and facilities for more efficient ones. In this sense, and despite the fact that the Group's activity is not very intensive in the use of fixed assets, in light of the regulatory requirements regarding the environment and climate change mitigation, the Group has revalued the recoverable value of its main items of property, plant and equipment (machinery, technical installations, etc.), without having identified signs of impairment. As these items of fixed assets are fully depreciated, they will be replaced by more sustainable ones. Likewise, cash outflows for potential investments to be made in the future to adapt to current regulations do not have a significant impact on the recoverable value of other Group assets (real estate investments, goodwill or inventories).
- Promotion of renewable energy generation. In this sense, the Group owns and operates a 5.4 MW photovoltaic plant in Jaen (Spain), as well as a polygeneration plant for electrical energy, cold and heat. Likewise, it is a specialist in the construction, start-up and maintenance of renewable energy generation plants, both wind and photovoltaic.
- Study and implementation of environmental proposals to the client to improve the resilience of buildings in the face of the expected effects of climate change, promoting energy savings, the use of renewable energies, proper waste management, the integration of vegetation in projects.
- Sensitisation and awareness of all personnel involved in the development of projects and services in order to promote behaviours that contribute to reducing energy consumption and the environmental impact of the activities carried out.

- Energy services designed and executed in order to provide integral solutions adapted to customers' needs in order to guarantee the maximum energy efficiency of facilities, ensuring and developing sustainable energy solutions capable of reducing the consumption of energy and optimising its reuse.

Due to the type of activity carried out by Group Companies, as well as the concern and awareness measures implemented internally so as to minimise the environmental impact, the Group has no expenses, assets, provisions or contingencies of an environmental nature. that could be significant in relation to equity, financial position and profit/(loss) for the year. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements. Although there is no legal contracting obligation in Spain, Grupo SANJOSE has taken out an Environmental Civil Liability Insurance Programme, in which the Company is included.

16. Events after the reporting period

There are no significant events occurred after 31 December 2022 which may have impacted on the accompanying financial statements.

"These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the company in Spain (see Note 2.a). Certain accounting practices applied by the Company that conform with that regulatory financial reporting framework may not conform with other generally accepted accounting principles and rules".

GRUPO EMPRESARIAL SAN JOSE, S.A.

Management report for the year ended 31 December 2022

1. Situation of the Company

1.1. Organisational Structure

Grupo Empresarial San José S.A. (hereinafter, the Company) is the leading GRUPO SAN JOSE (onwards, the Group) company, and its main business is being the holding company, as it renders management and administrative services to its subsidiary companies, as well as developing an executive and coordinative role for all of them. The Group is arranged as a set of companies that operate 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. In 2022, 25% total revenue of the Group comes from overseas (27% in 2021).

The Group is present in more than 20 countries spread over 4 continents, with special importance being given to development in Portugal, Latin America and the Middle East.

The Group's main objective is to maintain sustained growth while keeping the profitability margins of recent years, taking the construction activity as the main driver and increasing its weight in the international sphere, boosting development in the countries in which we are already present and in those with future penetration, maintaining the levels of quality in production and customer and supplier satisfaction that have already positioned Grupo SANJOSE as a benchmark in the market, analysing and encouraging the application of innovations and technological progress, and maintaining the utmost respect for the environment, not only by adequately managing and minimising the possible negative impact arising from the development of the activity, but also by carrying out efficient construction developments.

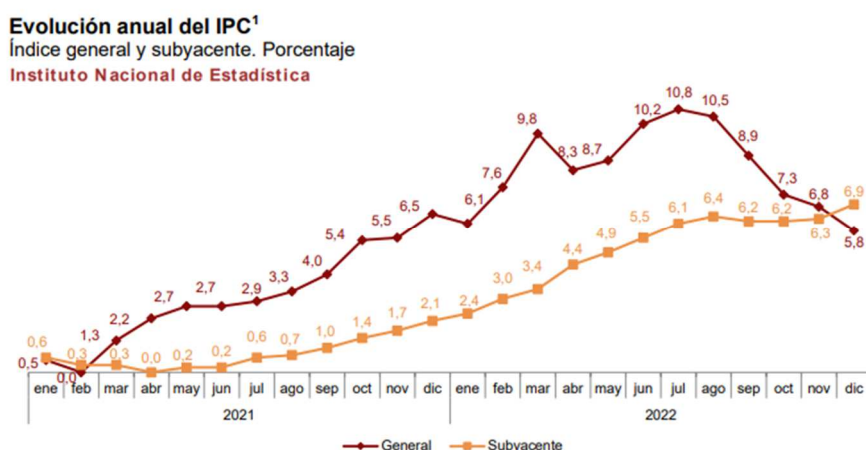
2. Evolution of the market

2.1. Market performance

In the last two years, the evolution of the Spanish economy has been marked, to a greater or lesser extent, by the COVID-19 health crisis. The actions carried out by the different governments worldwide, generally limiting activity in the different sectors of the economy, caused economic activity to plummet in 2020 (with a GDP growth in Spain of -10.8%). In FY 2021 there was some revival effect in Spain (averaging 5.5% GDP growth). However, the recovery was not full at the global level, with less developed economies slow to recover. During the second half of FY2021, problems in the proper functioning of supply channels in world trade became evident, which led to higher prices for productive resources.

2022 got off to a turbulent start, with Russia's invasion of Ukraine (24 February), the emergence of a new variant of COVID-19 (Omicron) and the 14 March transporters' strike that reduced the supply of goods for a few weeks, affecting supply chains.

With all these factors, and unlike in previous crises, the Spanish economy has managed to face the year 2022 with greater guarantees, shielding above all the most important part of the productive sector, the workers. To this end, with the labour reform of 22 February, it was possible to reduce temporary employment, creating more stable and higher quality employment (Social Security enrolment reached an all-time high of 20.4 million workers). It is true that the increase in the prices of the shopping basket and energy has caused inflation to soar to levels of almost 11% in the summer months, making productive resources, especially energy, more expensive, which has been reflected in a loss of business profits, as well as workers' purchasing power. Inflation performance over years 2021 and 2022 are shown below.



Due to the evolution of the energy component of prices, inflation has stabilised, decreasing to 5.8% in December. During 2023, the Banco de España expects the current containment effect on inflation to continue. Also, by 2024, inflation is expected to fall back to 3.6% and to fall below 2% by 2025.

The main macroeconomic projections prepared by the Banco de España are shown below:

Tasa de variación anual (%), salvo indicación en contrario	PROYECCIONES DE DICIEMBRE DE 2022 (a)					
	2020	2021	2022	2023	2024	2025
PIB	-11,3	5,5	4,6	1,3	2,7	2,1
Índice armonizado de precios de consumo (IAPC)	-0,3	3,0	8,4	4,9	3,6	1,8
IAPC sin energía ni alimentos	0,5	0,6	3,8	3,4	2,2	1,8
Tasa de paro (% de la población activa). Media anual	15,5	14,8	12,8	12,9	12,2	12,0
Capacidad (+) / necesidad (-) de financiación de las AAPP (% del PIB)	-10,1	-6,9	-4,2	-4,1	-3,7	-4,5
Deuda de las AAPP (% del PIB)	120,4	118,3	113,1	110,6	108,8	109,8

Looking ahead to 2023, the Bank of Spain expects GDP growth to decline to 1.3%, recovering slightly in 2024. The unemployment rate is expected to fall slightly in the coming years, stabilising at around 12%-13%.

In terms of recovery, the economy is expected to regain some momentum from spring 2023 onwards, as it will be driven by a number of factors, such as the gradual easing of inflationary pressures in energy and the shopping basket, the continued deployment of NGEU (Next Generation) funds and the end of distortions in global supply chains.

Macroeconomic projections for the world economy (2020-2024)

In terms of the global economy, emerging countries, BRICs and developing countries all face a variety of factors that may jeopardise the long-term growth of their economies. Thus, all growth forecasts for the next two years have been downgraded. Tight monetary policies to mitigate inflation are having a major impact on growth in Latin America and the Caribbean, South Asia and sub-Saharan Africa.

For developed countries, this economic slowdown will have a major impact on East Asia and the Pacific, Europe and Central Asia, due to a slowdown in imports of goods. High energy prices are also eroding the financial capacity of many of these importers.

According to the analysis and forecasts made by the World Bank, the different areas of the world will share a significant drop in growth percentages, but not all of them will do so with the same intensity; thus:

East Asia and Pacific: growth is forecast to slow to 4.3% in 2023, rising to 4.9% in 2024. The reduction in 2023 is mainly due to the slowdown in the Chinese economy (which accounts for 85% of the area's GDP), with growth slowing to 2.7%. Excluding China, average growth in the region would be 5.6%.

Latin America and the Caribbean: growth will slow to 1.3% in 2023 and then recover to 2.4% in 2024. This slowdown in 2023 reflects the efforts of monetary authorities in these countries to control inflation and a downward outlook for global economic growth.

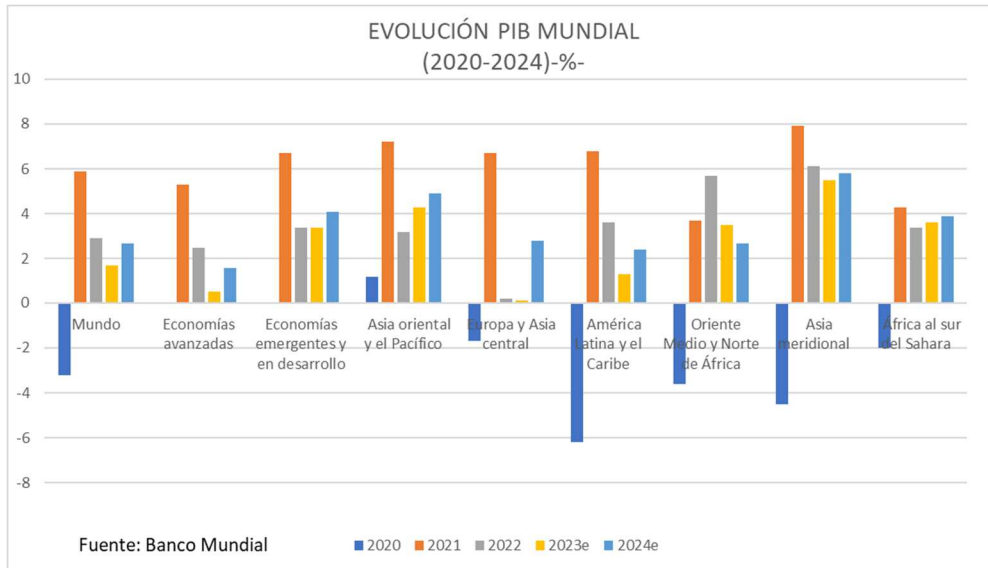
Middle East and North Africa: projected growth will be 3.5% in 2023, falling to 2.7% in 2024. In 2022 it stood at 5.7%, mainly due to the external sector, and in particular to higher gas and energy prices. The stabilisation of energy prices after the initial boom has caused exporting countries such as Saudi Arabia and Iran to revise their growth downwards to around 3.5% or 2.5%, as export inertia has slowed.

South Asia: growth is projected to slow to 5.5% in 2023, before picking up to 5.8% in 2024. This decline is mainly due to the shock in the area of the Russian invasion of Ukraine, higher energy and food prices, as well as credit constraints to lower inflation. Likewise, in certain countries such as Bangladesh and Sri Lanka, the level of their foreign debt is very high and in 2022 they will run out of currency to be able to import food and oil.

Sub-Saharan Africa: projected to decelerate to 3.6% in 2023, rising by three tenths in 2024 (3.9%). This is mainly due to the increase in inflation and also to the fall in growth in four countries that weigh heavily in the area: Angola, South Africa and Nigeria (inflation above 21%) and to rising food prices and floods in the region.

Europe and Central Asia (ECA): the ECA economy is projected to shrink to 0.1% in 2023, as it incorporates the effect of the slowdown in the Russian economy due to the invasion of Ukraine and the deep recession in Ukraine. If both countries were excluded, the estimate would be 4.2% with growth forecast to fall to 2.8% in 2024.

Below is a table showing the evolution of global and regional GDP based on data provided by the World Bank:



Macroeconomic projections for the Euro Zone (2020-2024)

With the latest available information provided by the European Central Bank, we can affirm that the invasion of Ukraine by Russia continues to produce economic consequences that will worsen the forecasts for the Euro Zone and will increase the existing inflationary pressure with a decrease in activity, as previously indicated.

Natural gas supply disruptions, as well as higher gas and electricity prices, have diminished consumer confidence, resulting in a loss of consumer purchasing power that has become latent in the second half of 2022 and will be felt at least in the first quarter of 2023.

All experts agree that gas demand will stabilise due to high prices and the agreement among EU members to reduce gas demand by up to 15% and that gas rationing will not be necessary during the winter season.

The labour market will weaken as a result of the economic slowdown, although it will remain fairly resilient (the effects of the labour reform and the ERTES are still being felt).

Overall, the Eurozone grew above 3% in 2022 and the economic slowdown is expected to cause growth to slow sharply to 0.9% in 2023, before picking up to 2% in 2024, when the authorities' tightening measures are expected to start to take effect.

Inflation closed 2022 at 10.4%, with Spain being the country with the lowest inflation in the Eurozone at 5.8%.

Proyecciones de crecimiento e inflación para la zona del euro

(tasas de variación interanual)

	Septiembre 2022				Junio 2022			
	2021	2022	2023	2024	2021	2022	2023	2024
PIB real	5,2	3,1	0,9	1,9	5,4	2,8	2,1	2,1
IAPC	2,6	8,1	5,5	2,3	2,6	6,8	3,5	2,1

Fuente: Banco Central Europeo

Sectoral performance of the Group's most significant business lines

Construction:

This is the segment that contributes the most to Grupo SANJOSE's turnover. In FY 2022, turnover of the construction sector contributes EUR 969.1 million to the Group, representing 88.7% of the total, with Spain being the country with the greatest weight from a geographical point of view, representing 76% of the total. Also, as of 31 December 2022, project backlog amounts to EUR 1,888 million, where residential construction stands out, with orders amounting to EUR 1,010 million.

The main countries in which the Group is present, in terms of construction activity, are Portugal, Abu Dhabi, Peru, Chile, Mexico and Cape Verde.

With the end of the pandemic, many public projects were reactivated and the arrival of European funds brought public works tenders to pre-pandemic levels amounting to some EUR 30,000 million in Spain, 27% more than in the previous year, according to data provided by Seopan (*Asociación de Empresas Constructoras y Concesionarias de Infraestructuras*).

The recent history of public tenders is a reflection of the economy, as can be seen in the attached evolutionary chart, where prior to the 2007 crisis, tenders for works amounting to EUR 45,000 million were issued, until the arrival of the financial crisis and the austerity measures of the different governments, when tenders decreased, reaching its minimum between 2012 and 2013, amounting to EUR 6,000 million. Subsequently, there was another drop between 2015 and 2016 (tenders worth EUR 9 billion), with a series of ups and downs until 2020, when public works reactivate from the EUR 14 billion tendered to EUR 30.074 billion at the end of the financial year 2022.

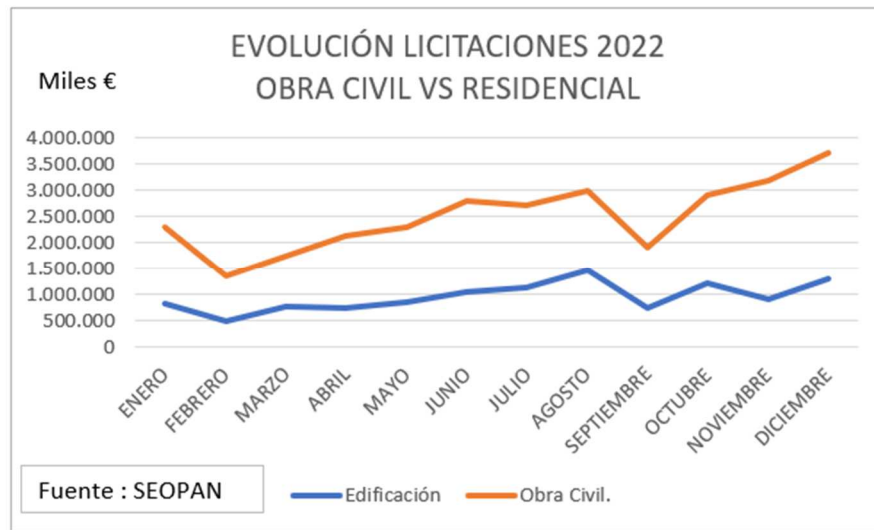


Fuente: SEOPAN

The outcome of this improvement are the figures for 2022, where the state administration tendered works for EUR 8,376 million (7% more than in 2021), while the autonomous communities and local councils tendered works for EUR 10,148 million (48% more than in 2021) and EUR 11,550 million (30% more).

With regard to public tenders in Spain, the total amount tendered in 2022 was EUR 30,074 million. Of the total, 38% was carried out by Local Administration, through local councils; followed by the Autonomous Communities, with 34%, where Madrid and Catalonia stand out as the main bidding regions (EUR 2.4 billion and EUR 1.5 billion, respectively), and the remaining 28% by the State Public Administration (EUR 8.376 billion), where ADIF has tendered contracts worth EUR 4.13 billion).

The evolution of civil and residential construction tenders in 2022 is shown below:



Finally, it should be noted that, despite the increase in the price of raw materials in 2021 and 2022, the cost of raw materials is expected to decrease by approximately 5% in 2023, and that in the medium term it could return to the levels of 2018 and 2019.

Concessions & Services

Within the CONCESSIONS and SERVICES segment, the Group has a solid presence in Spain with long-term contracts whose main activity is the maintenance of buildings, sports facilities, gardens and hospitals, among others. Similarly, the SANJOSE group has had hospital concessions in Chile for several years.

The Concessions and Services segment has contributed EUR 65.6 million to the Group's turnover in year 2022, which represents 6% of the total. The Group is particularly committed to the service provided to its customers, most of whom are hospitals and health centres, and pays special attention to ensuring that its staff carry out their work in conditions of maximum safety and hygiene. As at 31 December 2022, the Group has an order backlog of EUR 217 million for this business sector.

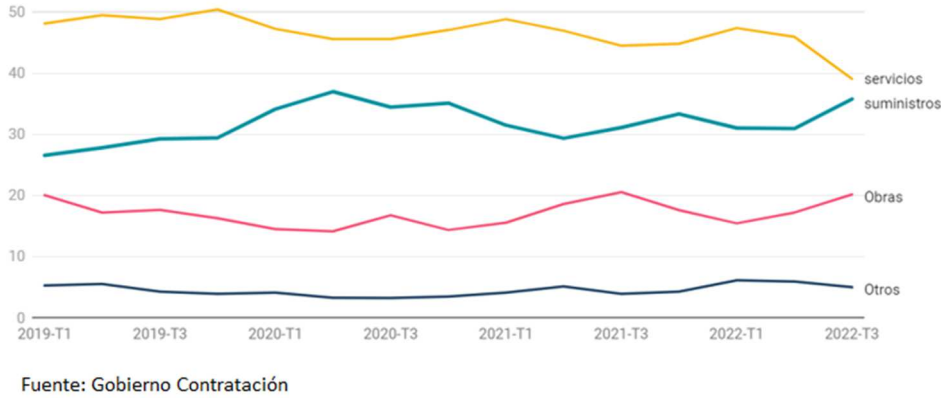
The SANJOSE Group has the goal of consolidating and expanding the contracts in this segment, which are a stable source of income, as well as maintaining its commitment to respect the environment in carrying out the activities developed.

In relation to public procurement in Spain, during the year 2022; after a second semester, in which tenders increased by a 30%, administrative procedures fell significantly a 20%. Below, the following chart shows the public procurement trend in last years, up to now:



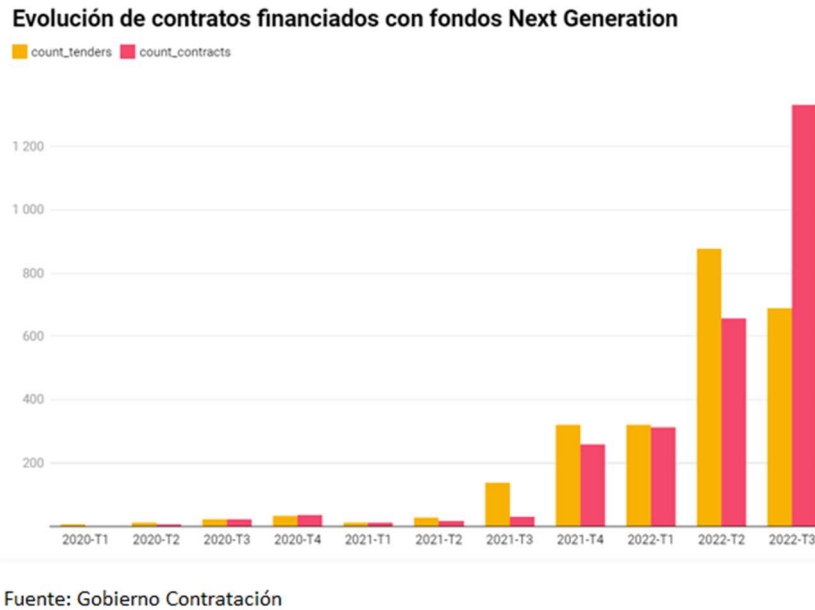
Fuente: Gobierno Contratación

In relation to the foregoing, within public procurement, services contracts have undergone a significant decrease, whereas, supplies and construction works have increased considerably, as shown below:



Contracts related to the *Next Generation (NG)* European recovery funds have also increased importantly. At present, more than 40% of all biddings are made in lots, which increases the number of contracts financed with the NG funds, making it easier for small businesses to participate.

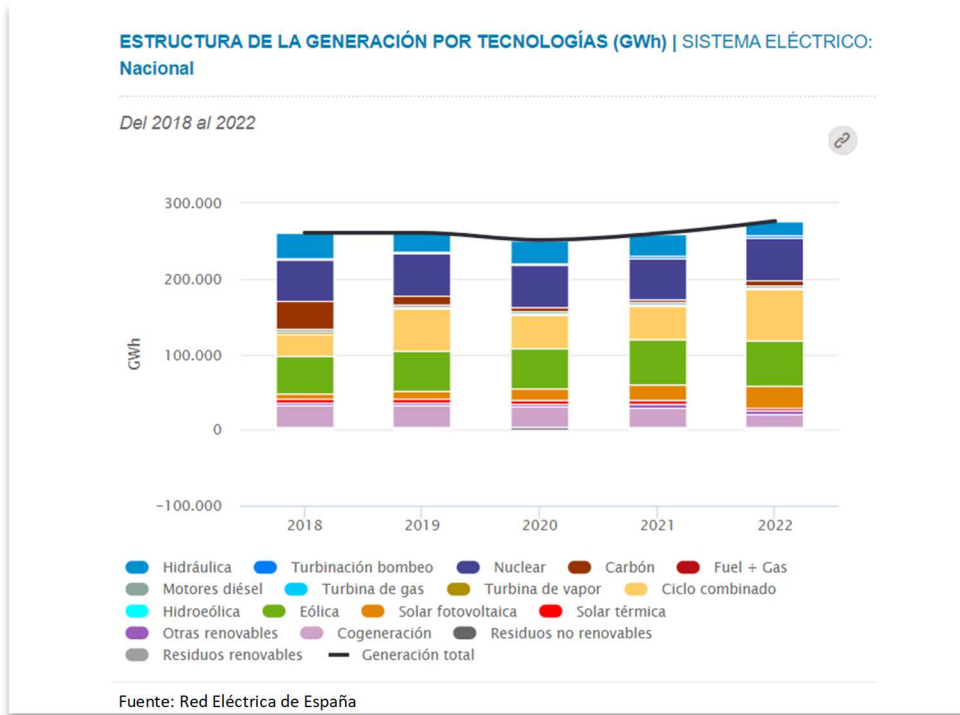
The following chart shows the evolution of contracts financed with the NG European funds:



Energy

During 2022, the energy segment contributed EUR 18 million to the Group's total turnover, which represents 1.6% of the Group's total activity, mainly focused on clean energy.

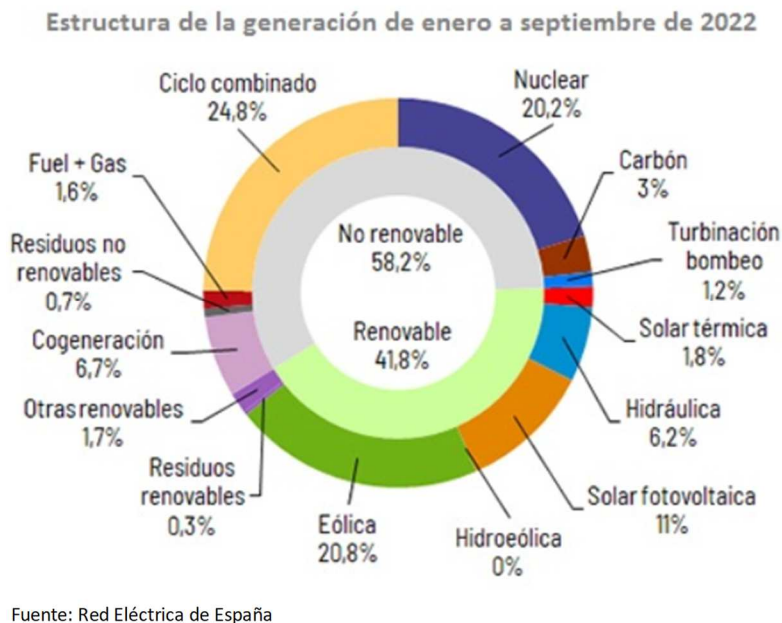
With regards to renewable and non-renewable energy generation, a table is incorporated with the different typologies of energy generation in our national electricity system between 2018 and 2022. Both hydro and nuclear power are of great importance in our system.



Grupo SANJOSE's ENERGY segment has projects for the generation of solar and wind energy and an energy polygeneration plant, among others, which provide a backlog amounting to EUR 376 million at the end of 2022. All of them respectful with the environment and in line with current legislation on climate change.

It is worth highlighting the determined European will for an energy transition towards clean energy, where the ECB has launched funds that will be invested exclusively in renewable energy projects, energy efficiency and other initiatives to support the environment. Spain is at the forefront of Europe in terms of installed renewable energy capacity, especially in terms of wind and solar energy.

The following graph shows electricity generation from renewable versus non-renewable energy sources for the period January-September 2022, extrapolated to year-end, in terms of representativeness.



2.2. Main figures

Main figures of the Group y for the year 2022 are as follows:

The Company is the leading GRUPO SAN JOSE (onwards, the Group) company, and its main business is being the holding company, as it renders management and administrative services to its subsidiary companies, as well as developing an executive and coordinative role for all of them.

As of 31 December, 2022 total assets amount to EUR 145.4 million (152.6 million in 2021), being especially relevant the items related to current and non-current investments in Group companies (associates, and joint ventures), and Group accounts receivable worth EUR 127.3 million (126.2 million at 31 December 2021).

At year-end of 2022, the Company's equity amounted to EUR 49 million, which represents 33.7% out of the total Company assets as of 31 December (in 2021, equity amounted to 50 million, representing 32.8%). The main liability corresponds to loans received from Group companies for a total of EUR 81.5 million at 31 December (89.9 million, in 2021).

Net turnover amounted to EUR 1.6 and 1.7 million in 2022, and 2021, respectively; mostly owed to financial income contributed by its subsidiaries, either as profit sharing, or financing provided to them. Additionally, the Company registered as " Other operating income", that, related to services rendered to its subsidiaries. and rebilling for a total of EUR 22.5, and 18.4 million, respectively.

Below are listed the main consolidated figures of Grupo SANJOSE as for the year 2022:

Consolidated Management Balance Sheet

Thousands of euros

	Dec.22		Dec. 21		Var.
	Amount	%	Amount	%	
Intangible assets	17,050	1.7%	17,646	1.9%	-3.4%
Property, plant and equipment	80,418	8.2%	74,136	7.9%	8.5%
Real state investments	15,820	1.6%	13,985	1.5%	13.1%
Investments accounted for using the equity method	20,509	2.1%	18,701	2.0%	9.7%
Long term financial investments	20,631	2.1%	23,900	2.5%	-13.7%
Deferred taxes assets	27,838	2.8%	28,988	3.1%	-4.0%
Goodwill on consolidation	9,984	1.0%	9,984	1.1%	0.0%
TOTAL NON-CURRENT ASSETS	192,250	19.6%	187,340	20.1%	2.6%
Inventories	85,879	8.8%	82,627	8.9%	3.9%
Trade and other receivables	369,350	37.7%	346,915	37.2%	6.5%
Other short term financial investments	21,461	2.2%	18,427	2.0%	16.5%
Short-term accruals	2,718	0.3%	2,265	0.2%	20.0%
Cash and cash equivalents	307,005	31.4%	295,496	31.7%	3.9%
TOTAL CURRENT ASSETS	786,413	80.4%	745,730	79.9%	5.5%
TOTAL ASSETS	978,663	100.0%	933,070	100.0%	4.9%

Thousands of euros

	Dec.22		Dec. 21		Var.
	Amount	%	Amount	%	
Equity attributable to shareholders of the parent	174,436	17.8%	151,665	16.3%	15.0%
Minority interest	32,117	3.3%	30,478	3.2%	5.4%
TOTAL EQUITY	206,553	21.1%	182,143	19.5%	13.4%
Long term provisions	27,337	2.8%	35,950	3.9%	-24.0%
Long term financial liabilities	100,027	10.1%	100,792	10.8%	-0.8%
Deferred taxes liabilities	18,324	1.9%	17,887	1.9%	2.4%
Long-term accruals	783	0.1%	810	0.1%	-3.3%
TOTAL NON CURRENT LIABILITIES	146,471	15.0%	155,439	16.7%	-5.8%
Short term provisions	35,252	3.6%	29,607	3.2%	19.1%
Short term financial liabilities	13,194	1.3%	13,438	1.4%	-1.8%
Trade accounts and other current payables	577,193	59.0%	552,443	59.3%	4.5%
TOTAL CURRENT LIABILITIES	625,639	63.9%	595,488	63.9%	5.1%
TOTAL EQUITY & LIABILITIES	978,663	100.0%	933,070	100.0%	4.9%

Consolidated Management Income Statement

Thousands of euros

	Grupo SANJOSE				
	Dec.22		Dec.21		Var.
	Amount	%	Amount	%	
Revenue	1,092,213	100.0%	927,687	100.0%	17.7%
Other operating income	26,074	2.4%	22,293	2.4%	17.0%
Change in inventories	-2,768	-0.3%	-3,694	-0.4%	-25.1%
Procurements	-775,046	-71.0%	-654,023	-70.5%	18.5%
Staff costs	-149,751	-13.7%	-131,311	-14.2%	14.0%
Other operating expenses	-132,772	-12.2%	-106,566	-11.5%	24.6%
EBITDA	57,950	5.3%	54,386	5.9%	6.6%
Amortisation charge	-9,111	-0.8%	-8,454	-0.9%	7.8%
Impairment on inventories	-218	0.0%	-3,129	-0.3%	-93.0%
Changes in trade provisions and other impairment	-16,191	-1.5%	-8,629	-0.9%	87.6%
EBIT	32,430	3.0%	34,174	3.7%	-5.1%
Ordinary financial results	-2,764	-0.3%	-3,765	-0.4%	-26.6%
Changes in fair value for financial instruments	-123	0.0%	13	0.0%	-
Foreign exchange results and others	-445	0.0%	-256	0.0%	73.8%
Impairment and profit/(loss) from disposal of financial instruments	-3,227	-0.3%	-4,367	-0.5%	-26.1%
NET FINANCIAL RESULT	-6,559	-0.6%	-8,375	-0.9%	-21.7%
Results on equity method	-566	-0.1%	-2,812	-0.3%	-79.9%
PROFIT BEFORE TAX	25,305	2.3%	22,987	2.5%	10.1%
Income tax	-9,915	-0.9%	-9,124	-1.0%	8.7%
PROFIT AFTER TAX CONTINUED OPERATIONS	15,390	1.4%	13,863	1.5%	11.0%
CONSOLIDATED PROFIT	15,390	1.4%	13,863	1.5%	11.0%

Alternative Performance Measures (APM):

The Group presents its results in the consolidated financial statements for the year ended 31 December 2022 in accordance with generally accepted accounting principles. 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; for 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.

Turnover

The net operating income (EBIT) of Grupo SANJOSE for the year ended 31 December 2022 stands at EUR 1,092.2 million.

Main business activity of Grupo SANJOSE is construction. Construction represents more than 88.7% of the total turnover for the Group in the period, and accounts for 76% of the Group's total portfolio at the end of the 2022. Turnover of this line of activity in 2022 stands at EUR 969.1 million, recording a 15.7% increase with regards to year 2021.

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

Thousands of euros

Revenues by activity	Grupo SANJOSE				
	Dec.22		Dec.21		Var.(%)
Construction	969,068	88.7%	837,557	90.3%	15.7%
Real estate and property development	23,228	2.1%	17,193	1.9%	35.1%
Energy	18,006	1.6%	11,481	1.2%	56.8%
Concessions and services	65,758	6.0%	52,162	5.6%	26.1%
Adjustment and other	16,153	1.5%	9,294	1.0%	73.8%
TOTAL	1,092,213		927,687		17.7%

The domestic market shows great strength, with revenue growth of 20.6% in 2022, accounting for 75% of the Group's total revenue in 2022.

Turnover obtained in 2022 in international markets amounts to EUR 274.1 million, which represents 25% of the Group's total revenue for the financial year.

Thousands of euros

Revenues by geography	Grupo SANJOSE				
	Dec.22		Dec.21		Var.(%)
National	818,158	75%	678,348	73%	20.6%
International	274,055	25%	249,339	27%	9.9%
TOTAL	1,092,213		927,687		17.7%

Profit:

EBITDA of Grupo SANJOSE for the year ended 31 December 2022 amounts to EUR 57.9 million, with a 5.3% margin on net revenue (5.9% in 2021).

EBITDA breakdown by activity is as follows:

Thousands of euros

EBITDA by activity	Grupo SANJOSE				
	Dec.22		Dec.21	Var.(%)	
Construction	35,516	61.4%	37,809	69.5%	-6.1%
Real estate and property development	7,740	13.4%	3,640	6.7%	112.6%
Energy	2,245	3.9%	2,387	4.4%	-5.9%
Concessions and services	2,997	5.2%	2,890	5.2%	3.7%
Adjustment and other	9,452	16.3%	7,660	14.1%	23.4%
TOTAL	57,950		54,386		6.6%

The Net Operating Income (EBIT) of the SANJOSE Group for the year 2022 stands at EUR 32.4 million.

Profit after tax of Grupo SANJOSE for the year ended 31 December 2022 stands at EUR 15.4 million, experiencing a 11% growth with regards to the figure obtained in 2021.

Contract Backlog

At 31 December 2022, the Group had a contracted backlog of EUR 2,481 million, an increase of 17.1% compared to the previous year. It is worth highlighting the increase in the domestic area, where the Group has increased its portfolio by EUR 435 million during year 2022, which represents an increase of 26.4% compared to the backlog at the end of year 2021.

The Construction portfolio, the main activity of Grupo SANJOSE, stands at EUR 1,888 million at the end of the 2022, 23.3% higher than that recorded for the previous year, and represents 76% of the Group's total portfolio

Millions of euros

BACKLOG by segment	Grupo SANJOSE				
	Dec.22		Dec.21		Var.(%)
Construction	1,888	76%	1,531	72%	23.3%
Civil works	195	8%	188	9%	3.7%
Non residential building	531	21%	486	23%	9.3%
Residential building	1,010	41%	798	38%	26.6%
Industrial	152	6.1%	59	3%	157.6%
Energy	376	14%	368	17%	2.2%
Concessions and services	217	9%	219	10%	-0.9%
Maintenance	27	1%	19	1%	42.1%
Concessions	190	8%	200	9%	-5.0%
TOTAL BACKLOG	2,481	100%	2,118	100%	17.1%

Millions of euros

BACKLOG by geography	Grupo SANJOSE				
	Dec.22		Dec.21		Var.(%)
National	2,081	84%	1,646	78%	26.4%
International	400	16%	472	22%	-15.3%
TOTAL BACKLOG	2,481		2,118		17.1%

Millions of euros

BACKLOG by client	Grupo SANJOSE				
	Dec.22		Dec.21		Var.(%)
Public client	577	23%	397	19%	45.3%
Private client	1,904	77%	1,721	81%	10.6%
TOTAL BACKLOG	2,481		2,118		17.1%

2.3. Average payment term to suppliers

During 2022, the Company has paid its suppliers during year 2021 with an average payment period of approximately 22 days (14 days in average in 2021). 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.

The invoices paid out of the legal deadline is owed to the existence of incidences that may have arisen upon delivery of a particular product, or the execution of a hired service. However, in those cases in which there has been a delay on payments, the derived financial costs have been assumed by the Company, as agreed with suppliers in the different contract signed with them. Occasional payments to creditors that might have exceeded the legal time limit, are considered a common practice within the sector, and considered an objective reason, and not an abusive maneuver, as stated in article 3 Law 3/2004.

3. Liquidity and capital resources

Liquidity

At 31 of December 2022, and 2021, the Company has a total liquidity of EUR 20.1 million, which includes cash, and cash-equivalents, as well as, short-term, and associates and joint venture current investments.

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

Net cash position of Grupo SANJOSE at 31 December 2022 is **positive amounting to EUR 215.2 million (EUR 199.7 at 31 December 2021), which involves an increase of 7.8% with respect to last year.**

Thousands of euros

NET CASH POSITION	Dec.22		Dec. 21		Var.
	Amount	%	Amount	%	
Other short term financial investments	21,461	6.5%	18,427	5.9%	16.5%
Cash and cash equivalents	307,005	93.5%	295,496	94.1%	3.9%
Total cash	328,466	100%	313,923	100%	4.6%
Long term financial liabilities	100,027	88.3%	100,792	88.2%	-0.8%
Short term financial liabilities	13,194	11.7%	13,438	11.8%	-1.8%
Total debt	113,221	100%	114,230	100%	-0.9%
TOTAL NCP	215,245		199,693		7.8%

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 2023.

Future contractual obligations

The Company does not have any significant contractual obligations with third parties. 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 Company, as the holding head of a set of subsidiaries, is exposed to the risks that affect the companies in which it has a share on, either by the activities they develop; or the country, or the legal, economic, and financial environment in which their businesses are run.

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 to which the Group is exposed as a result of the bank borrowings described in the notes to the consolidated financial statements. Furthermore, the Financial Department of Grupo SANJOSE, which the Company is a part of, in order to minimise exposure to this risk, analyses the need and, whenever deemed appropriate, formalises contracts for cash flow hedging financial instruments that protect the Group companies against future and foreseeable increases in interest rates.
- **Foreign currency risk:** The Group's policy is to borrow in the same currency as that of the cash flows of each business. 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. The Group's Finance Department assesses the foreign currency purchase requirements arising from planned foreign currency transactions and, whenever deemed appropriate, enters into cash flow hedging contracts to protect the Group companies against foreseeable future exchange rate fluctuations.
- **Credit risk:** risks arising 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 term of the contract, evaluating the credit rating of the receivables and reviewing and segregating the estimated recoverable receivables from doubtful receivables.
- **Liquidity risk:** dealt with on Note 3 of the report herein.

5. Events after the reporting period

Further, there are no other significant events occurred after 31 December 2022 which may have impacted in the current Management report.

6. Future outlook

The current global economic situation is characterised by a very high level of uncertainty, not only because of the possibility of possible rebounds in epidemiological levels that could return to the standstill situation of the last COVID-19 health crisis, but fundamentally because of the possible evolution of the geostrategic tensions that are being experienced at a global level as a result of the war situation in Europe.

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.

- Development of international activity, through geographical diversification and by business line, either by taking advantage of the value and knowledge acquired in countries in which it is present (Abu Dhabi, Chile, Mexico, Peru, etc.) to increase its presence, or in new geographical areas where there are high levels of legal certainty.

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.

Taking into consideration the backlog of the Group at 31 December 2022, amounting to EUR 2,481 million, the Group deems that its organic stability is assured, foreseeing to maintain the average size of the projects, trying to take advantage of public bidding opportunities, both at domestic and international level, especially in those where it has presence and expertise.

7. R&D and innovation

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:

The Group is involved in several R&D and innovation projects funded by the Centre for Industrial Technological Development (CDTI). R&D and innovations issues are widely developed in the Non-Financial Information and Diversity Information Report of Grupo Empresarial San José, S.A. and subsidiaries for the year ending 31 December 2022, prepared by the Group and accompanying the consolidated financial statements for the year ending 31 December 2022.

8. Treasury share transactions

The Company holds neither directly, nor indirectly, any treasury shares through its subsidiaries as of 31 December 2022, and 2021, and neither has it performed any transactions related to them.

Grupo SANJOSE did not have treasury shares at 31 December 2022 and 2021 nor made any transactions with treasury shares.

9. Other Information of Interest

Stock exchange information

The shares of the Company are listed on the stock market interconnection system in Spain (continuous market). The main indicators and the evolution of the shares are as follows:

Translation into English of the management report for the year ending 31 December 2022 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

	Capitalización * (miles de euros)	Nº de acciones (x 1.000)	Precio Cierre (euros)	Último Precio (euros)	Precio Máximo (euros)	Precio Mínimo (euros)	Volumen (miles de acciones)	Efectivo (miles de euros)
2023 (hasta el 15/2)	292.617	65.026	4,5000	4,5000	4,6600	3,9000	1.267	5.430
2022	257.503	65.026	3,9600	3,9600	5,2100	3,2300	5.669	23.948
2021	318.628	65.026	4,9000	4,9000	6,6600	3,5750	13.400	66.534
2020	291.642	65.026	4,4850	4,4850	6,8600	2,7550	20.172	99.764
2019	390.156	65.026	6,0000	6,0000	9,3300	4,5850	41.113	291.797

* La capitalización se calcula con acciones admitidas a cotización y no incluye acciones emitidas procedentes de ampliaciones que no han sido todavía admitidas a cotización

Source: Bolsas y Mercado Españoles (BMEX)

The evolution of the share price in the last financial year has been as follows:



Source: Bolsas y Mercado Españoles (BMEX)

Dividend policy

The Company aims to maintain a strong financial and equity structure. In the last two years, the Company has distributed dividends amounting to EUR 6,503 thousand each year.

Proposed distribution of profit

The Directors of the Company will propose the AGM to distribute the profit for the year ended 31 December 2022, amounting to EUR 5,560 thousand, to "Voluntary reserves".

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). The Company prepares a consolidated non-financial information statement", being it available within the consolidated management report corresponding to the year 2022, attached to the consolidated annual accounts.

11. Annual Corporate Governance Report

In accordance with the provisions of trade legislation, the Annual Corporate Governance Report forms an integral part of this Management Report, and it is attached herein. However, it is available for consultation in the consolidated management report, as well as the Company's, and the National Securities Market Commission (CNMV) websites.

12. Report on the Remuneration of Members of the Board

In accordance with the provisions of trade legislation, the Annual Corporate Governance Report forms an integral part of this Management Report and is attached herein. Nonetheless, it can be found for consultation in the consolidated management report, as well as the Company's, and the National Securities Market Commission (CNMV)'s websites.

RESPONSIBILITY DECLARATION

The Board of Directors of Grupo Empresarial San José S.A. have formulated in their meeting of 28 February, 2023, the individual Annual Accounts, along with the management report, in European Single Electronic Format (ESEF).

For the purposes of RD 1362/2007 of 19 October (art. 8.1. b) the Administrators of Grupo Empresarial San José S.A. all of them signatories below, make the following responsibility declaration:

To the best of their knowledge, the individual Annual Accounts elaborated in accordance with the applicable accounting principles, offer the true and fair view, the financial situation, and the results of the Company; and that the management report includes an accurate analysis of the evolution of the business results, and the financial position of the Company, along with a description of the main risks and uncertainties the Company might face.

As proof of compliance, the administrators proceed to sign below:

D. Jacinto Rey González

D. Jacinto Rey Laredo

D^a. Amparo Alonso Betanzos

D. Enrique Martín Rey

D^a. Altina de Fátima Sebastián González

D. Ramón Barral Andrade

D. José Manuel Otero Novas

D. Roberto Alvarez Álvarez

D. Javier Rey Laredo

D. Nasser Homaid Salem Ali Aldarei

D. José Luis González Rodríguez

At the behest of the President, the Board of Directors meeting has taken place today by telematic means, through videoconference. All members have attended with the exception of D. Nasser Homaid Salem Ali Aldarei, who has shown no disagreement with the formulation of the financial information.

Fernando Calbacho
Secretary of the Board of Directors

CERTIFICATION

CERTIFICACIÓN

I, Estefanía Calvo Iglesias, English Sworn Translator, certified by the Spanish Ministry of Foreign Affairs,

Yo, Estefanía Calvo Iglesias, Traductora e Intérprete Jurada de inglés por el Ministerio de Asuntos Exteriores del Gobierno de España,

do hereby certify

certifico que

that the preceding is a true and faithful English translation, on the essentials, of a document issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

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In Madrid, on the twenty-eight of February, two thousand and twenty-three.

Madrid, a veintiocho de febrero de dos mil veintitres.

Estefanía Calvo Iglesias