Grupo Empresarial San José, S.A. and Subsidiaries

Report on Limited Review

Half-Yearly Condensed Consolidated Financial Statements and Interim Directors' Report for the six-month period ended 30 June 2019

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

Deloitte.

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

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Grupo Empresarial San José, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated balance sheet as at 30 June 2019, the condensed consolidated income statement, condensed consolidated statement of recognized income and expenses, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

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

Conclusion

Based on our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2019 are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, pursuant to Article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw attention to Note 2.1 to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018. Our conclusion is not modified in respect of this matter.

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

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2019 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2019. Our work was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Grupo Empresarial San José, S.A. and Subsidiaries.

Other Matters

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

DELOITTE, S.L.

Antonio Sánchez-Covisa Martín-González

30 July 2019

Grupo Empresarial San José, S.A. and Subsidiaries

Consolidated Condensed Half-Yearly Financial Statements and Consolidated Half-Yearly Director's Report for the period ending 30 June 2019.

Translation into English of the Condensed Consolidated half-year Financial Statements for the period ending 30 June 2019 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails. In-house translation, under its sole responsibility and not deemed official.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

Condensed Consolidated Balance Sheet at 30 June 2019 and 31 December 2018

(Thousand of euros)

ASSETS	Note	30-6-2019	31-12-2018	EQUITY AND LIABILITIES	Note	30-6-2019	31-12-2018
NON-CURRENT ASSETS:				**EQUITY:**			
Intangible assets	6	**18,378**	**18,079**	**Share capital**		**1,951**	**1,951**
Consolidated goodwill	6.1	**9,984**	**9,984**	**Issurance premium**		**155,578**	**155,578**
Property, plant and equipment	7	**73,426**	**71,033**	**Reserves**		**(137,024)**	**(150,222)**
Investment property	8	**10,841**	**10,731**	**Translation differences**		**(49,734)**	**(51,053)**
Investments in associates and joint ventures	9.1	**45,710**	**40,422**	**Equity-Valuation adjustments**		**189**	**154**
Long-term investments	9.1	**55,160**	**87,738**	**Profit for the year**		**13,003**	**13,198**
Deferred tax assets		**34,993**	**36,558**	**Total Equity**		**(16,037)**	**(30,394)**
TOTAL NON-CURRENT ASSETS		**248,492**	**274,545**	**Minority interests**		**23,093**	**24,262**
				TOTAL EQUITY	11	**7,056**	**(6,132)**
				NON-CURRENT LIABILITIES			
				Long-term provisions	12	**37,900**	**40,121**
				Long-term debt	13	**214,158**	**252,435**
				Bonds and other securities		35,163	66,476
				Bank loans and overdrafts		173,195	180,940
				Other financial liabilities		5,800	5,019
				Deferred tax liabilities		**25,376**	**25,635**
				Long-term accruals		**883**	**865**
				TOTAL NON-CURRENT LIABILITIES		**278,317**	**319,056**
				CURRENT LIABILITIES:			
				Short-term provisions	12	**33,824**	**31,227**
CURRENT ASSETS:				**Short-term debt**	13	**174,348**	**177,149**
Inventories	10	**112,793**	**114,885**	Bonds and other securities		33,720	32,714
Trade and other receivables		**318,550**	**259,865**	Bank loans and overdrafts		135,197	141,935
Trade receivables for sales and services	9.3	280,088	231,942	Other financial liabilities		5,431	2,500
Related companies receivables	17	3,425	3,301	**Payable to Group and associated companies**	17	**-**	**12**
Sundry accounts receivable		4,126	3,055	**Trade and other payables**		**478,419**	**469,068**
Public administrations		30,911	21,567	Trade payables		336,254	327,221
Investments in associates and joint ventures	9.2	**71,377**	**58,166**	Tax payables		19,955	19,915
Short-term accruals		**4,210**	**4,902**	Other currents liabilities		122,210	121,932
Cash and cash equivalents		**222,345**	**283,434**	**Short-term accruals**		**5,803**	**5,417**
TOTAL CURRENT ASSETS		**729,275**	**721,252**	**TOTAL CURRENT LIABILITIES**		**692,394**	**682,873**
TOTAL ASSETS		**977,767**	**995,797**	**TOTAL EQUITY AND LIABILITIES**		**977,767**	**995,797**

Notes 1 to 18 of the accompanying notes are an integral part of the Condensed Consolidated Balance Sheet at 30 June 2019.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

Condensed Consolidated Income Statement for half years 2019 and 2018

(Thousand of Euros)

	Note	30-6-2019	30-6-2018
CONTINUING OPERATIONS			
Revenue	5	**440,068**	**329,878**
Change in inventories of finished goods and work	10	**2,396**	**57**
Work performed by the Group for its property, plant and equipment		**-**	**3**
Procurements		**(302,620)**	**(214,193)**
Cost of raw materials and other consumables used		(109,941)	(70,522)
Works performed by other companies		(193,045)	(143,729)
Impairment of goods held for resale, raw materials and other supplies		366	58
Other operating income		**8,603**	**1,768**
Staff costs		**(66,652)**	**(53,843)**
Other operating expenses		**(53,233)**	**(44,082)**
Impairment losses and changes in provisions for trade		(661)	(886)
Other operating expenses		(52,572)	(43,196)
Depreciation and amortisation charge	6,7 y 8	**(5,590)**	**(2,450)**
Excessive provisions		**14**	**1,154**
Impairment and gains or losses on disposal of non-current assets	7 y 8	**(58)**	**3,373**
PROFIT FROM OPERATIONS		**22,928**	**21,665**
Finance income	16.2	**6,060**	**6,824**
Finance costs		**(9,704)**	**(10,503)**
Fair value variation on financial instruments		**22**	**(2)**
Exchange differences		**691**	**8,786**
	2.3	**(612)**	**-**
Impairment and gains or losses on disposal of financial instruments	9.1 y 9.2	**118**	**(7,464)**
FINANCIAL PROFIT		**(3,425)**	**(2,359)**
Entities valued by the equity method profit	9.1	**(508)**	**(954)**
PROFIT (LOSS) BEFORE TAXES		**18,995**	**18,352**
Income Tax	15	(4,147)	(6,203)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**14,848**	**12,149**
PROFIT (LOSS) ATTRIBUTABLE TO EXTERNAL PARTNERS		**1,845**	**5,449**
PROFITS / (LOSSES) OF THE YEAR		**13,003**	**6,700**

Accompanying notes 1 to 18 form an integral part of
The Condensed Consolidated income Statement al 30 June 2019

Translation into English of the Condensed Consolidated half-year Financial Statements for the period ending 30 June 2019 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails. In-house translation, under its sole responsibility and not deemed official.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES
FOR HALF YEAR 2019 AND YEAR 2018
(Thousand of Euros)

	Note	30/06/2019	30/06/2018
CONSOLIDATED PROFITS / (LOSSES) OF THE YEAR		**14,848**	**12,149**
Income and expenses recognised directly in equity		**(1,248)**	**(1,268)**
-For cash flow hedges		(18)	86
-Translation differences		(1,269)	(1,349)
-Other		44	11
-Tax effect		(5)	(16)
Transfer to income statement		**37**	**(6,155)**
-For cash flow hedges		78	148
-Translation differences		-	(6,294)
-Other		(29)	(9)
-Tax effect		(12)	-
TOTAL RECOGNISED INCOMES / (EXPENSES)		**13,637**	**4,726**
a) Attributable to Parent		14,357	1,937
b) Attributable to minority interests		(720)	2,789

Accompanying notes 1 to 18 form an integral part of the condensed consolidated statement of recognized income and expenses at 30 June 2019.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR HALF YEAR 2019 AND YEAR 2018

(Thousand of Euros)

						Consolidated Reserves					Total Equitty		
	Note	Share Capital	Issurance premium	Legal Reserve	Other reserves of the parent	In consolidated companies	In associated companies	Translation differences	Equity Adjustments	Profit of the year	attributable to parent	Minority interests	Total Equity
Balance at December 31, 2017		**1,951**	**155,578**	**263**	**(197,890)**	**34,616**	**5,239**	**(60,365)**	**(67)**	**11,440**	**(49,235)**	**20,866**	**(28,369)**
Adjustments for the first application IFRS 15 y IFRS 9		-	-	-	-	(3,890)	-	-	-	-	**(3,890)**	(6)	**(3,896)**
Balance at January 1, 2018		**1,951**	**155,578**	**263**	**(197,890)**	**30,726**	**5,239**	**(60,365)**	**(67)**	**11,440**	**(53,125)**	**20,860**	**(32,265)**
Distribution of profit for year 2017:													
-To reserves		-	-	-	401	11,249	(210)	-	-	(11,440)	**-**	-	**-**
-Dividend payment		-	-	-	-	-	-	-	-	-	**-**	(261)	**(261)**
Variation of the consolidation perimeter		-	-	-	-	(3,291)	3,291	-	-	-	**-**	-	**-**
Other equity movements		-	-	-	-	8,641	(8,641)	-	-	-	**-**	-	**-**
Total recognized income/expenses (1S-2018)		-	-	-	-	-	-	(4,961)	198	6,700	**1,937**	2,789	**4,726**
Balance at June 30, 2018		**1,951**	**155,578**	**263**	**(197,489)**	**47,325**	**(321)**	**(65,326)**	**131**	**6,700**	**(51,188)**	**23,388**	**(27,800)**
Distribution of profit for year 2017:													
-To reserves		-	-	-	-	-	-	-	-	-	**-**	-	**-**
-Dividend payment		-	-	-	-	-	-	-	-	-	**-**	-	**-**
Variation of the consolidation perimeter		-	-	-	-	-	-	-	-	-	**-**	(126)	**(126)**
Other equity movements		-	-	-	-	-	-	-	-	-	**-**	-	**-**
Total recognized income/expenses (2S-2018)		-	-	-	-	-	-	14,273	23	6,498	**20,794**	1,000	**21,794**
Balance at December 31, 2017		**1,951**	**155,578**	**263**	**(197,489)**	**47,325**	**(321)**	**(51,053)**	**154**	**13,198**	**(30,394)**	**24,262**	**(6,132)**
Distribution of profit for year 2018:													
-To reserves		-	-	-	490	12,620	88	-	-	(13,198)	**-**	-	**-**
-Dividend payment		-	-	-	-	-	-	-	-	-	**-**	(449)	**(449)**
Total recognized income/expenses at (1S-2019)		-	-	-	-	-	-	1,319	35	13,003	**14,357**	(720)	**13,637**
Balance at June 30, 2019		**1,951**	**155,578**	**263**	**(196,999)**	**59,945**	**(233)**	**(49,734)**	**189**	**13,003**	**(16,037)**	**23,093**	**7,056**

Accompanying notes 1 to 18 form an integral part of the consoslidated financial statements and the consolidated statement of changes in equity at 30 June 2019.

GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR HALF YEARS 2019 Y 2018

(Thousand of Euros)

	Note	Half year 2019	Half year 2018
Cash flows from operating activities:			
(+) Profit (Loss) before tax		18,995	18,352
(+) Depreciation and amortisation charge		5,590	2,450
(+/-) Changes in operating allowances		267	(131)
(-) Financial income		(6,060)	(6,824)
(+) Financial costs		9,704	10,503
(+/-) Exchange differences		(79)	(8,786)
(+/-) Result of changes in value of financial instruments		(22)	2
(+/-) Result of companies accounted for using the equity method		508	954
(+/-) Result of companies accounted for using the equity method		(118)	7,464
(+/-) Other gains or losses		(3,651)	(3,938)
Total Cash Flows from operating activities		**25,134**	**20,046**
Other adjustments			
(-) Income tax paid in the year		(2,419)	(3,946)
(+/-) (Increase) / Decrease in working capital			
Current Assets			
a) (Increase) / Decrease in inventories		3,163	(1,685)
b) (Increase) / Decrease in debtors and other receivables		(57,723)	(2,731)
c) (Increase) / decrease in other non financial current assets		553	672
Current Liabilities			
a) (Increase) / Decrease in trade payables		7,947	(12,807)
b) (Increase) / decrease in other non financial current liabilities		532	(53)
(+/-) Other collections / (payments) due to operating activities		(270)	1,969
1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES		**(23,083)**	**1,465**
Investments:			
(-) Intangible assets		(702)	(213)
(+) Property, plant and equipment		(3,016)	(1,569)
(-) Shares and other financial assets		(5,481)	(5,159)
Total Investments		**(9,199)**	**(6,941)**
Dividends received		**-**	**-**
Disposals:			
(+) Intangible assets		-	-
(+) Property, plant and equipment		367	205
(+) Shares and other financial assets		268	1,346
Total Disposals		**635**	**1,551**
Other collections / (payments) due to financing activities		**25,233**	**46,820**
2. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES		**16,669**	**41,430**
		(449)	**-**
Increase / (decrease) in borrowings		**(56,176)**	**(47,924)**
Non Current		(1,053)	(9,074)
Current		(55,123)	(38,850)
Net interests:		**(1,474)**	**(2,291)**
Received		3,596	2,350
Paid		(5,070)	(4,641)
Other collections / (payments) due to financial activities		**1**	**-**
3. TOTAL NET CASH FLOWS FROM FINANCIAL ACTIVITIES		**(58,098)**	**(50,215)**
3. TOTAL NET CASH FLOWS FROM FINANCIAL ACTIVITIES		**3,423**	**-**
TOTAL CASH FLOWS FOR THE YEAR		**(61,089)**	**(7,320)**

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**283,434**	**220,134**
Changes in the year		(61,089)	(7,320)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**222,345**	**212,814**

Accompanying notes 1 to 18 form an integral part of the Condensed Consolidated Cash Flow Statement at 30 June 2019.

Grupo Empresarial San José, S.A. and Subsidiaries

Notes to the Consolidated Condensed Half-Yearly Financial Statements for the period ending 30 June 2019.

1. Activities of the Group

Grupo Empresarial San Jose, S.A. (hereinafter "the Parent") was incorporated on 18 August 1987 for an unlimited period of time by virtue of a public deed executed in Pontevedra in the presence of Pontevedra notary, Rafael 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 from "Udra, S.A." into "Grupo Empresarial San Jose S.A.", which was duly formalised by means of a public deed dated 17 July 2009.

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

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

Activities

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

1. Development of all forms of real estate construction.
2. Performance of all manner of public or private construction work, mainly buildings, road networks and hydraulic works.
3. Purchase and sale, administration, operation and any other similar activities in relation to all manner of rural or urban property.
4. Lease of all manner of assets.
5. Design, construction and management of electricity and renewable energy facilities.
6. Storage, distribution, purchase and sale and import of manufactured products.
7. Management and recruitment of personnel for all types of company, association and organisation.
8. Study, design, development and purchase and sale of all manner of electronic, computer, telecommunications and audio-visual components, products and systems.
9. Full maintenance of hospital facilities, maintenance of operating theatres and electro medical equipment, and manufacture and sale of integrated systems for operating theatres, ICUs and patient rooms.
10. Study, design and installation of air conditioning, heating, industrial cooling and plumbing facilities; purchase and sale or manufacture of all kinds of related mechanisms; to sell and act as representative for third-party products.
11. Healthcare: construction of hospital facilities and public and private healthcare maintenance services; electro medicine and gas facilities and maintenance.
12. Facilities and services: integral installation work, electrical, mechanical and hydraulic installation work, turnkey projects and special installation work, as well as the maintenance of all manner of other facilities not related to the healthcare industry such as industrial facilities, other properties, etc.

13. Infrastructure and transport: performance of infrastructure and transport studies, projects and installation work, including those relating to airports, ports, railways and other types of transport infrastructure.

14. Energy and environment: performance of studies and projects focused on the production and sale of energy and industrial maintenance, waste water treatment, installation of water treatment plants and other environmental activities.

Under no circumstances shall the company object be deemed to include activities the performance of which requires any type of administrative authorisation which the Company does not hold.

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

Furthermore, Grupo Empresarial San Jose, S.A. is the Parent of the San Jose Group. Its main object is the management and control of all the business activities performed by the companies in which it has a material and lasting ownership interest.

The San Jose Group's activities are led by Grupo Empresarial San Jose, S.A. (holding company), which in turn mainly participates in: “Constructora San José, S.A.” (construction activity), “San José Energía y Medio Ambiente, S.A.” (energy activity), “San José Concesiones y Servicios, S.A.” (services) and “Desarrollos Urbanísticos Udra, S.A.” (urban developments).

The Group companies, whose business activities have to meet certain environmental requirements, have adopted the relevant environmental measures in order to comply with current legislation in this connection. Since the costs relating to these requirements are not considered to be material with respect to equity, financial position and results of these companies, no specific disclosures are included in these notes to the financial statements.

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

2.1 Accounting principles

The Consolidated Financial Statements of “Grupo Empresarial San José, S.A.” and Subsidiaries (Grupo SANJOSE or “the Group”) for the year ending 31 December 2018 were elaborated by the Directors of the Parent at the meeting of the Board of Directors which took place on 28 February 2019 and passed by resolution of the General Meeting held on 27 June 2019, pursuant to the provisions under the International Financial Information Regulations adopted by the European Union, in compliance with Regulations (CE) No 1606/2002 of the European Parliament and the Board (hereinafter “NIIF-UE”, detailed on Notes 2-4 of the accompanying consolidated notes to the financial statements), taking into considerations the accounting regulations and standards and assessment criteria of the NIIF-UE, so that they provide a true and exact image of the equity and financial situation of Grupo SANJOSE at 31 December 2016 and its transactions, and the changes net equity and in the consolidated cash flow statement during the year ending on said date.

These Summary Half-Yearly Financial Statements comply with IAS 34 on Interim Financial Information and have been drafted by the Directors of the Parent on 30 July 2019, pursuant to provisions under Article 12 of Royal Decree 1362/2007.

The interim financial information is prepared with the sole purposes of updating the content of the latest annual financial statements prepared by the Group, with special emphasis on new activities, events and circumstances that occurred during the first half of 2019 and not duplicating the information released previously in the consolidated financial statements for the year 2018. Therefore, for a proper understanding of the information included in these Summary Half-Year Financial Statements, they should be read in conjunction with the financial statements of the Company for the year 2018.

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

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

The accounting policies and method applied in the elaboration of these Summary Half-Year Financial Statements are the same as those applied to the consolidated financial statements for year 2018.

Enforcement of new accounting standards:

During the first half of year 2019 the following standards and interpretations, compulsory as from year 2019 onwards and adopted by the European Union, became in force and have been applied by the Group in the elaboration of the accompanying interim consolidated summary financial statements:

New standards, amendments and interpretations compulsory for year starting as of 01 January 2019:

Adopted for use within the EU		**Compulsory application as from**:
New standards		
IFRS 16 Leases (released in January 2016)	New single accounting model for lessors (It replaces IAS 17).	1 January 2019
Amendments and/or understanding		
Amendment to IFRS 9 Features of the early repayment to offset loss carry-forwards (released in October 2017)	This amendment will allow the valuation at amortised cost of some financial assets repayable in advance for an amount less than the outstanding amount of principal and interest on said principal.	1 January 2019
IFRIC 23 Uncertainty about tax treatments (published in June 2017)	This interpretation clarifies how to apply the registration and measurement criteria of IAS 12 when there is uncertainty about the acceptability by the tax authority of a specific tax treatment used by the entity.	1 January 2019
Amendment IAS 28 on Long-term interest in associates or joint ventures (released in October 2017)	It clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if the equity method is not applied.	1 January 2019
Amendments of IFRS 3 Business combinations - Improvement annual cycle 2015-2017 (published December 2017).	Acquisition of control of a former joint venture transaction	1 January 2019
Amendments of IFRS 11 Joint Ventures - Improvement annual cycle 2015-2017 (published December 2017).	Acquisition of control of a joint venture replacing a business.	1 January 2019
Amendments of IFRS 12 Income tax - Improvement annual cycle 2015-2017 (published December 2017).	Record of the tax impact of the remuneration of financial instruments qualifying as net equity.	1 January 2019
Amendments of IFRS 23 Interest cost - Improvement annual cycle 2015-2017 (published December 2017).	Capitalisation of financing interest pending payment, referring to an asset ready for use.	1 January 2019
Amendment of IAS 19 – Amendment - reduction or liquidation of a plan (released in February 2018)	It details how to calculate the cost of the service for the current period and the net interest for the remainder of an annual period when a modification, reduction or liquidation of a defined benefit plan occurs.	1 January 2019

The enforcement of these standards and regulations has not had any significant impact on the accompanying consolidated summary financial statements, with the exception of IFRS 16.

The Group has applied, as of 1 January 2019, IRFS 16 "Leases" replacing IAS 17. This rule establishes for the lessee that all leases (excluding exceptions for reduced amount or duration) generate the accounting of an asset for the right of use, registered as a material asset according to its nature, and of a liability for future payment obligations incurred into.

The liability will be recorded at the current value of the future cash flows of each lease and the asset for an equivalent amount adjusted for any advance payment paid.

In the first application of the aforementioned standard, the Group has opted for applying it with modified retroactive nature without re-expressing the previous year, without impact on reserves, so that the accounting record is made for those contracts previously classified as operating leases under IAS 17 until 31 December 2018. The Group has recorded a financial liability equivalent to the current value of the estimated future payments discounted at the incremental rate of the debt at the date of the first implementation, recording as a counterpart the corresponding material asset, adjusted as appropriate for the fees paid in advance and for provisions for retirement and dismantling expenses, without the value of the asset being able to exceed its fair value. No adjustment has been made for leases previously considered as financial leases.

In calculating the lease liability as of 1 January 2019, the Group has applied the incremental rate of financial debt, which, in general, is equivalent to an effective interest rate of approximately 4% and, affecting a lower number of contracts, specific rates depending on the term and country applicable in the concerned country.

At 31 December 2018, obligations arising from operating leases by Grupo amounted to EUR 8.4 million. The difference between the aforementioned amount and that of the liabilities recorded as of 1 January 2019 under the application of IFRS 16, amounting to EUR 2.2 million, arising from the financial discount of future payments, the existence of leases of low value or with term smaller than one year and other impacts related to the extension and cancellation of contracts, mainly.

Details of the impact of the first application of IFRS 16 at 1 January 2019 is as follows:

	Thousands of Euros
<u>Net Cost</u>	
Land and buildings	1,187
Plant and machinery	4,797
Other items of property, plant and equipment	202
Total net cost	**6,186**
Financial debt	
Non-Current bank borrowings	1,229
Current bank borrowings	4,957
Total financial debt	**6,186**

With regard to the income statement of the Group corresponding to the first half of year 2019, the first application of IFRS 16 as of 1 January 2019 has mainly led to an improvement in the operating result amounting to EUR 97 thousand and a higher financial expense amounting to EUR 120 thousand.

<u>Non-applicable issued standards and interpretations</u>

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

Non-adopted for use within the EU		**Compulsory application as from**:
New standards		
IFRS 17 Insurance Contracts (released in May 2017)	It replaces IFRS 4 and reflects the principles of registration, valuation, presentation and disclosure of insurance contracts so that the entity provides relevant and reliable information for allowing users to determine the effect that contracts have on financial statements.	1 January 2021
Amendments and/or understanding		

Amendment to IFRS 3 Negative definition of business (released in October 2018)	Classification of business.	1 January 2020
Amendment IAS 1 and IAS 8 Definition of “materiality” (released in October 2018)	Amendment of IAS 1 and IAS 8 to align the definition of “materiality” within the framework.	1 January 2020

2.2 Responsibility for the information and use of estimates

Consolidated results and the determination of consolidated equity are sensitive to accounting principles and policies, valuation and estimation criteria followed by the Parent Company's Directors for the preparation of the Consolidated Condensed Financial Statements. Main accounting principles and policies and assessment criteria are detailed on Note 4 to the consolidated financial statements for year 2018.

In the preparation of the accompanying consolidated summary financial statements, estimates were occasionally made by management of the Group and of the consolidated companies to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimations have been made according to the nest available information regarding:

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

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

3. Measurement of goodwill arising on consolidation.

4. The budgetary estimates which are considered for the recognition of results on contracts to which the percentage of completion method is applied (construction and industrial areas).

5. Assessment of potential impairment losses by independent professionals at 30 June 2019. These valuations are carried out pursuant to the method of discount of cash flows for equity for rent and the dynamic residual method for real estate stocks, methods that comply with the criteria established by The Royal Institution of Chartered Surveyors (RICS).

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

7. The classification of operation and financial leases.

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

9. The fair value of certain financial instruments.

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

11. The probability of recovery of financial loans.

12. Management of financial risk.

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

During the first half of 2019 no significant changes are expected in accounting assessments and forecasts used by the Group at the end of the consolidated financial statements for year 2018.

2.3 Currency

These Summary Half-Year Financial Statements are presented in Euros, since this is the functional currency of the main economic environment where the Group operates. Foreign operations are recognised in accordance with the policies established under Note 4.13 1h of the financial statements for year 2018.

The breakdown of the closing and average exchange rates of the period used to prepare the Summary Half-YearlyFinancial Statements at 30 June 2019 is as follows:

Country	Currency	Exchange rate at 30/06/2019	Average exchange rate half year 2019
The United States /Eas	US Dollar (USD)	1.1367	1.1306
Argentina	Argentine Peso (ARS)	50.2000	-
Mexico	Mexican Peso	21.8643	21.88
Cape Verde	Cape Verde Escudo	110.265	110.265
Panama	Panamanian Balboa	1.1367	1.1306
Uruguay	Uruguayan Peso	39.7295	37.9722
Paraguay	Guaraní	6,923.29	6,868.47
Peru	Peruvian Sol	3.71248	3.7577
Chile	Chilean Peso (CLP)	772.110	768.0343
Brazil	Brazilian Real	4.3725	4.3605
India	Indian Rupee	78.1285	79.1543
Nepal	Nepalian Rupee	125.990	127.1543
United Arab Emirates	UAE Dirham	4.1748	4.1521
Colombia	Colombian Peso	3,643.65	3,622.93
Morocco	Morocco Dirham	10.8469	10.8146
Bolivia	Boliviano	7.6615	7.6581

None of these countries, with the exception of Argentina, are considered to be hyper-inflationary economies as defined by IAS 29.

Hyper-inflationary economy

On 1 July 2018, as a result of reaching cumulative inflation in the year exceeding 100% during the last three years, Argentina has been declared a hyper-inflationary economy. Thus, terms under IAS 29 rule.

Criteria followed in the application of IAS 29 for the year ending 31 December 2018 is described under Note 2.3 of the notes to the financial statements of Grupo SANJOSE for the year ending 31 December 2018.

Inflation considered for this calculation in the first half of year 2019 has been 22.7%. This index is extracted from the information published by the National Institute of Statistics and Censuses (INDEC), a public body, through the publication of the Consumer Price Index that measures the variation in the prices of goods and services representative of consumer spending of homes.

Breakdown for the last years is as follows:

	31.12.2016	31.12.2017	31.12.2018	1S-2019
Price Index	100	124.8	184.3	226.2
Changes	n/a	24.8%	47.7%	22.7%

Re-expression profits/(loss) recorded in the financial statements of companies with Argentine peso functional currency are included in the consolidated income statement under adjustment for inflation in hyper-inflationary economies". The effect on profit/(loss) of the adjustments for inflation of Group companies with Argentine peso functional currency, corresponding to the first half of year 2019, amounts to a loss of EUR 612 thousand. Further, during the first half of year 2019, a higher income tax, amounting to EUR 375 thousand, was recorded.

The effect on equity of the revaluation of non-monetary items, as well as the translation differences generated when the restated financial statements of subsidiaries in Argentina are converted into Euros, are recorded under "Translation differences in consolidated companies" under consolidated net assets of the Group.

2.4 Provisions and contingent liabilities

Information on provisions, contingent liabilities and guarantees given to third parties during 2018 is provided in Notes 15, 21 and 22.10 of the notes to the Financial Statements of the Group for year 2018. In addition to that discussed in Note 12, during the first half of 2019, no significant changes regarding the information contained in the consolidated financial statements of the Group for the year ending 31 December 2018 have taken place.

2.5 Relative importance

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

2.6. Consolidated Condensed cash flow statement

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

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

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

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

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

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

2.7 Comparison of information

Information recorded on the Summary Half-Year Financial Statements for the period ending 30 June 2019 and 31 December 2018 is provided for comparison purposes only with that provided for the six-month term ended 30 June 2019.

2.8 Events after the reporting period

There are not significant events occurring after 30 June 2019 which could impact the Consolidated Condensed Half-Yearly Financial Statements and the accompanying Notes to the same.

However, it should be noted that, at July 29, 2019, the plenary session of the Madrid City Council has provisionally approved unanimously the urban development project named “Madrid Nuevo Norte”, which will be developed by the company “Distrito Castellana Norte, S.A.”, in which the Group participates in a 24,46%, which closes the last municipal administrative process of the planning phase, pending final approval, on which the Community of Madrid must pronounce in the next 4 months (see Note 9.1).

3. Changes in the compositions of the Group

Note 2.4 and Exhibits I, II and III to the consolidated financial statements for year ending on 31 December 2018 provide relevant information on Group companies consolidated at that date and on the companies accounted for using the equity method.

During the first half of 2019, no significant changes have taken place within the consolidation scope: However, it should be noted that as of 11 April 2019, the General Meeting of the investee "Distrito Castellana Norte, S.A. agreed on a capital increase for a total amount of EUR 22,000 thousand. The Group, through its associate "Desarrollos Urbanísticos Udra, S.A.U.", has subscribed and paid up the totality of its shares, for a total amount of EUR 5,381 thousand, holding is 24.46% stake in the social capital of this investee (see Note 9.1).

4. Distribution of the Parents' loss

The proposed distribution of the parent's profit for year 2018, prepared by the Directors of the Parent Company, at its meeting held on 28 February 2019, has been approved by the General Meeting of Shareholders held on 27 June 2019, being the details as follows:

	Thousands of Euros
Distribution basis:	
Profit for the year	490
Distribution:	
To offset losses from previous years	490

5. Segment information

Note 6 to the consolidated financial statements of the Group for year ending on 31 December 2018, details the criteria used by the Company to define its operational segments. There have been no changes in the segmentation criteria.

Information on main segments:

Next, information by activity segments for the first half of 2019 and year 2018 is provided:

30 June 2019:

	Thousands of Euros					
	Construction	Real estate and property development	Energy	Concessions and Services.	Adjustments and other	TOTAL
External sales	394,313	5,058	4,799	24,649	11,248	**440,068**
Inter-segment sales	6,878	-	-	475	(7,353)	-
Net Revenues:	**401,191**	**5,058**	**4,799**	**25,124**	**3,896**	**440,068**
EBITDA	**18,410**	**634**	**1,437**	**1,768**	**6,563**	**28,812**
Amortisation	(4,051)	(230)	(596)	(318)	(395)	**(5,590)**
Provisions	(335)	138	27	(22)	(44)	**(236)**
Profit/(Loss) after disposal	-	-	(58)	-	-	**(58)**
Profit/(Loss) from operations	**14,024**	**542**	**810**	**1,428**	**6,124**	**22,928**
Financial income	4,998	431	-	4,351	(3,719)	**6,060**
Financial costs and similar expenses	(5,742)	(15)	(222)	(2,485)	(1,241)	**(9,704)**
Translation differences and other	434	(112)	1	(127)	25	**220**
Profit/(loss) from associates	665	(1,173)	-	-	-	**(508)**
Profit/(Loss) before tax	**14,379**	**(328)**	**589**	**3,166**	**1,189**	**18,995**

30 June 2018:

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

Sales between segments take place at market prices and consist mainly in construction, real estate and urban development transactions.

Information regarding the amount of assets and liabilities contributed to the Group by the defined segments is as follows:

30 June 2019:

	Thousands of Euros					
	Construction	Real estate and property development	Energy	Concessions and Services	Adjustments and other	TOTAL
Balance sheet:						
Non-current assets:						
Intangible assets	1,598	1,601	15,650	1,974	7,539	**28,362**
Property, plant and equipment	18,221	6	9,420	744	45,034	**73,426**
Real estate investments	571	10,267	-	-	3	**10,841**
Deferred tax assets	20,129	1,055	1,942	2,301	9,566	**34,993**
Other	15,805	37,572	3	36,503	10,987	**100,870**
Current assets:						
Inventories	63,197	41,148	124	-	8,323	**112,793**
Receivables	287,026	3,831	2,152	13,593	11,949	**318,550**
Other current assets	4,239	459	18	853	256	**5,826**
Short-term financial investments	75,901	17	1	62,137	(68,295)	**69,762**
Cash and cash equivalents	166,453	26,375	4,391	13,501	11,626	**222,345**
Total Assets						
In Spain	327,835	46,285	33,702	8,873	(34,129)	**382,566**
In foreign countries	325,306	76,047	-	122,732	71,117	**595,201**
Total Activo	**653,141**	**122,332**	**33,702**	**131,605**	**36,988**	**977,767**
Non-current liabilities:						
Long-term payables	168,002	2,828	6,076	35,611	218	**212,736**
Deferred tax liabilities	5,786	5,105	1,417	10,920	2,149	**25,376**
Other non-current liabilities	7,786	1,358	1,269	4,667	25,124	**40,205**
Current liabilities:						
Short-term debts	19,665	3,371	1,704	33,831	115,777	**174,348**
Trade payables	454,704	5,339	2,035	6,958	9,385	**478,419**
Other current liabilities	29,720	4,941	1,405	6,405	(2,844)	**39,626**
Total Liabilities						
In Spain	420,637	7,841	13,905	4,711	399,818	**846,912**
In foreign countries	265,027	15,101	-	93,681	(250,010)	**123,799**
Total Pasivo	**685,664**	**22,942**	**13,905**	**98,391**	**149,808**	**970,711**
Additions to fixed assets:						
In Spain	927	-	192	1,226	22	**2,367**
In foreign countries	1,343	-	-	6	2	**1,351**
	2,270	**-**	**192**	**1,232**	**24**	**3,718**

31 December 2018:

	Thousands of Euros					
	Construction	Real estate and property development	Energy	Concessions and Services.	Adjustments and other	TOTAL
Balance sheet:						
Non-current assets:						
Intangible assets	1,601	1,601	15,710	1,597	7,554	**28,063**
Property, plant and equipment	14,432	4	9,644	614	46,339	**71,033**
Real estate investments	581	10,147	-	-	3	**10,731**
Deferred tax assets	18,837	1,503	2,038	2,267	11,913	**36,558**
Other	15,838	32,196	3	69,424	10,699	**128,160**
Current assets:						
Inventories	68,118	39,789	-	810	6,168	**114,885**
Receivables	234,911	1,858	1,383	12,409	9,304	**259,865**
Other current assets	5,409	312	44	320	755	**6,840**
Short-term financial investments	6,611	34	1	49,101	481	**56,228**
Cash and cash equivalents	215,306	27,662	3,304	24,096	13,066	**283,434**
Total Assets						
In Spain	254,773	41,182	32,127	10,939	28,079	**367,100**
In foreign countries	326,871	73,924	-	149,699	78,203	**628,697**
Total Assets	**581,644**	**115,106**	**32,127**	**160,638**	**106,282**	**995,797**
Non-current liabilities:						
Long-term payables	174,882	2,831	6,678	66,554	1,490	**252,435**
Deferred tax liabilities	5,417	4,875	1,414	10,507	3,422	**25,635**
Other non-current liabilities	19,145	1,368	1,211	4,803	14,459	**40,986**
Current liabilities:						
Short-term debts	26,544	3,610	940	32,743	113,312	**177,149**
Trade payables	444,341	4,905	1,581	7,481	10,760	**469,068**
Other current liabilities	19,500	5,291	1,071	6,241	4,553	**36,656**
Total Liabilities						
In Spain	409,240	8,053	12,895	4,987	136,281	**571,456**
In foreign countries	280,589	14,827	0	123,342	11,715	**430,473**
Total Liabilities	**689,829**	**22,880**	**12,895**	**128,329**	**147,996**	**1,001,929**
Additions to fixed assets:						
In Spain	905	-	42	4	29	**980**
In foreign countries	1,809	-	-	13	520	**2,342**
	2,714	**-**	**42**	**17**	**549**	**3,322**

There are no significant non-operating assets.

Information on secondary segments:

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

	Thousands of Euros					
	Net Revenue		Total assets		Additions to property, plant and equipment and investment property	
	Jun.-19	Jun.-18	Jun.-19	Dic.-18	Jun.-19	Jun.-18
Spain	233,811	163,053	382,565	367,100	587	738
Portugal	46,012	30,087	42,301	48,946	234	7
Cape Verde	21,686	7,192	26,326	24,325	412	-
Argentina	4,206	2,996	30,749	41,412	457	188
Paraguay	4,031	5,054	56,145	50,553	1,579	547
Bolivia	-	-	19	12	-	-
The United States	-	-	1,733	2,365	-	1
Peru	22,447	3,132	74,807	67,396	23	85
Brazil	-	-	6,184	6,156	-	-
Panama	-	-	60	75	-	-
France	-	-	261	309	-	-
Germany	-	-	33	38	-	-
Chile	27,881	45,806	191,293	216,723	198	29
India	4,971	5,703	8,775	7,800	(5)	2
Abu Dhabi	72,996	64,911	141,850	143,598	231	184
Nepal	-	-	8,177	7,986	-	-
Timor	-	56	58	4,659	-	-
Morocco	-	-	78	72	-	-
Mozambique	-	-	84	84	-	-
Colombia	-	-	3	5	-	-
Mexico	2,026	1,022	5,634	5,542	2	1
Malta	-	866	632	641	-	-
TOTAL	**440,068**	**329,878**	**977,767**	**995,797**	**3,718**	**1,782**

Note 2.3 details the main foreign currencies of the countries where the Group operates. From total assets as of 30 June 2019 and 31 December 2018, EUR 551,975 thousand and EUR 578,763 thousand, respectively, correspond to assets in a currency other than the Euro. Likewise, from total revenue for the first half of year 2019 and year 2018, the activity developed in said countries amounts to EUR 160.245 thousand and EUR 135.872 thousand, respectively.

6. Intangible assets

Breakdown of intangible assets within the consolidated balance sheet at 30 June 2019 and 31 December 2018 as follows:

	Thousands of Euros	
	30.06.2019	31.12.2018
Goodwill on consolidation (Note 6.1)	9,984	9,984
Concession agreements (Note 6.2)	14,334	14,426
Other items of property, plant and equipment (Note 6.3)	4,044	3,653
Total	**28,362**	**28,063**

6.1 Consolidation goodwill

The breakdown of the item "Consolidation goodwill" of the summary half-year balance sheets for 30 June 2019 and 31 December 2018, by company, is as follows:

	Thousands of Euros	
	30.06.2019	31.12.2018
Cartuja Inmobiliaria, S.A.U.	600	600
San José Perú Inmobiliaria, S.A.	1,601	1,601
Constructora San José, S.A.	7,662	7,662
Otros	121	121
Total net	**9,984**	**9,984**

During the first half of year 2019 no significant changes have been recorded under this item in the accompanying condensed consolidated balance sheet, as well as not loss due to impairment has been recorded.

According to the estimates and projections available to the Directors of the Group, the estimated revenue attributable to the Group of these companies adequately supports the carrying amount of goodwill allocated to the relevant registered CGUs.

6.2 Concession agreements

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

Breakdown of this item for the first half of year 2019 is as follows:

	Thousands of Euros		
	Cost	Amortisation	Net
Balance at 31 December 2018	**24,084**	**(9,658)**	**14,426**
Additions	193	(285)	(92)
Disposals	-	-	-
Balance at 30 June 2019	**24,277**	**(9,943)**	**14,334**

At 30 June 2019 there are no significant investment commitments in intangible assets.

6.3 Other intangible assets

Breakdown of this item for the first half of year 2019 is as follows:

	Thousands of Euros		
	Cost	Amortisation	Net
Balance at 31 December 2018	**7,523**	**(3,870)**	**3,653**
Additions	509	(156)	353
Exchange rate differences	122	(84)	38
Balance at 30 June 2019	**8,154**	**(4,110)**	**4,044**

During the first half of year 2019, no significant changes have been recorded under this item.

7. Property, plant and equipment

Breakdown of this item for the first half of year 2019 is as follows:

	Thousands of Euros			
	Cost	Accumulated amortisation	Impairment	Net
Balance at 31 December 2018	**126,161**	**(55,105)**	**(23)**	**71,033**
1st application effect NIIF 16 (Note 2.1)	**6,186**	**-**	**-**	**6,186**
Additions	3,016	(5,093)	(2)	(2,079)
Disposals	(296)	38	-	(258)
Transfers	(2)	-	-	(2)
Exchange rate differences	(135)	(1,319)	-	(1,454)
Balance at 30 June 2019	**134,930**	**(61,479)**	**(25)**	**73,426**

The main change under this item for the first half of year 2019 refers to the application of IFRS 16 as from 1 January 2019, recording an increase under items of property, property, plant and equipment amounting to EUR 6,186 thousand (see Note 2.1). Further, in terms of leasing contracts, the first half of year 2019 has recorded the settlement and/or cancellation, as well as new procurement, recording additions and withdrawals in the period amounting to EUR 987 thousand and EUR 277 thousand, respectively.

As of 30 June 2019 and 31 December 2018, certain properties act as a guarantee for part of the syndicated loan of the Group for an amount of EUR 25.1 million, on both dates (see Note 13.4). During the first half of year 2019, no significant changes have been recorded under the nest cost of said items.

The Group takes out insurance policies to cover the possible risks to which its investment property is subject. The Parent's directors consider that the insurance coverage arranged is sufficient.

At 30 June 2019 the Group does not hold any purchase commitments of property, plant and equipment.

Fair value of items of property, plant and equipment

Each year the Group commissions studies from independent valuers to determine the fair values of its investment property. At 30 June 2019 and 31 December 2018, said studies were conducted by "Instituto de Valoraciones, S.A.". Such valuations were performed on the basis of the sale value and lease value of the property on the market (which consists of capitalising the net income from each property and discounting future flows), as defined by the Royal Institution of Chartered Surveyors (RICS) and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), which group together international and European asset valuation institutions. The fair value was calculated using the discount rates acceptable to a prospective investor and in line with those applied by the market for properties of similar characteristics in similar locations.

According to the above-mentioned study, both, during the first half of 2019 and during year 2018, no significant changes have been recorded in the assessment of real estate investments.

At 30 June 2019 and 31 December 2018, the fair value of the Group's inventories based on the aforementioned study amounted to EUR 21.4 million and EUR 22.7 million, respectively.

8. Investment property:

Breakdown and details of this item for the first half of year 2019 are as follows:

	Thousands of Euros			
	Cost	Accumulated amortisation	Impairment	Net
Balance at 31 December 2018	**33,013**	**(22,257)**	**(25)**	**10,731**
Additions	-	(56)	-	(56)
Exchange rate differences	1,506	(1,340)	-	166
Transfers and others	-	-	-	-
Balance at 30 June 2019	**34,519**	**(23,653)**	**(25)**	**10,841**

8.1 Mortgaged investment property

At 30 June 2019 the Group does not have real estate assets as collateral for mortgage investments.

In addition to this, certain investment property act as collateral of the syndicated loan of the Group for EUR 781 thousand at both dates (see Note 13.4). During the first half of year 2019, no significant changes have been recorded under the nest cost of said items.

8.2. Fair value of financial instruments

Each year the Group commissions studies from independent valuers to determine the fair values of its investment property at the balance sheet date. At 30 June 2019 and 31 December 2018, said studies were conducted by "Instituto de Valoraciones, S.A.". Such valuations were performed on the basis of the sale value and lease value of the property on the market (which consists of capitalising the net income from each property and discounting future flows), as defined by the Royal Institution of Chartered Surveyors (RICS) and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), which group together international and European asset valuation institutions. The fair value was calculated using the discount rates acceptable to a prospective investor and in line with those applied by the market for properties of similar characteristics in similar locations.

According to the above-mentioned study, both, during the first half of 2019 and during year 2018, no significant changes have been recorded in the assessment of real estate investments.

At 30 June 2019 and 31 December 2018, the fair value of the Group 's inventories based on the aforementioned study amounted to EUR 89.2 million and EUR 72.1 million, respectively. Said amount, at 30 June 2019 and 31 December 2018, includes EUR 47.8 million and EUR 35.5 million, respectively, corresponding to real estate investments of investees according to the Groups' ownership interest.

8.3 Insurance policy

The Group takes out insurance policies to cover the possible risks to which substantially all its inventories are subject. Directors consider that contracted coverage insurance at 30 June 2019 is sufficient and adequate.

9. Financial Assets

9.1. Non-current financial assets

The detail of the non-current financial assets of the Company at 30 June 2019 is as follows:

	Thousands of Euros				
	Other financial assets	Financial assets held available for sale	Loans and receivables	Investments until maturity	Total
Equity instruments	45,710	3,165	-	-	**48,875**
Credits and loans granted	-	-	-	-	-
Other financial assets	-	-	-	51,995	**51,995**
Total	**45,710**	**3,165**	-	**51,995**	**100,870**

Investments accounted for using the equity method

The Group's most significant investments in associates at 30 June 2019 and 31 December 2018 were as follows:

	Thousands of Euros	
	30.06.2019	31.12.2018
Distrito Castellana Norte, S.A. (DCN)	36,022	31,299
Panamerican Mall, S.A. (PM)	1,527	877
Pinar de Villanueva, S.L.	2,042	2,792
Cresca, S.A.	31	25
CSJ GVK Projects ´n Technical SS. P.L.	6,088	5,429
Total net	**45,710**	**40,422**

The breakdown under this item in the consolidated condensed financial statements for the first half of 2019 is as follows:

	Thousands of Euros
Balance at 31 December 2018	**40,422**
Loss for the year	(508)
Additions	5,381
Exchange rate differences	415
Balance at 30 June 2019	**45,710**

During the first-half of year 2019, the AGM of the investee “Distrito Castellana Norte, S.A.” has agreed on a capital increase for EUR 22,000 thousand. The Group, through its associate “Desarrollos Urbanísticos Udra, S.A.U.”, has subscribed and paid up the totality of its shares, for a total amount of EUR 5,381 thousand, holding is 24.46% stake in the social capital of this investee (see Note 3).

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

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

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

Likewise, during December 2016, the investee has signed an extension of the contract with ADIF, extending the term agreed on the Basic Agreement on 22 January 2015 for the approval of the Internal Reform Partial Plant within the following two years. On 28 December 2018, the agreement between the investee company and ADIF was renewed, by which the PGOU's specific amendment is assumed.

On 27 July 2017, the parties have reached an understanding on the basic guidelines of the future urban planning of the project, thus unblocking the operation.

During year 2018 and the first half of year 2019, the City Council of Madrid has been working proactively on the main modification of its PGOU:

i) On 20 September 2018, the Government Body of the City Hall of Madrid approved the initial modification of the PGOU;

ii) On 5 December, the public information period for the submission of allegations ended;

iii) During the month of May 2019, the Madrid City Council received the ordinary strategic environmental statement of the Community of Madrid.

iv) On July 29, 2019, the plenary session of the Madrid City Council has provisionally approved unanimously the urban development project named “Madrid Nuevo Norte”, which closes the last municipal administrative process of the planning phase, pending final approval, on which the Community of Madrid must pronounce in the next 4 months.

As of the current date, despite the existence of a very significant progress in recent months, to the extent that the project must receive final approval from the Community of Madrid, there is an uncertainty in the fair value of the financial participation hold by the Group in this company However, currently existing expectations are very positive. The Group supports the project as it has been doing since its inception and does not doubt about the recoverability of the amount for which this stake is recorded in its consolidated financial statements. This fact is manifested, among others, to the extent that shareholders have attended the capital increases that have been required in recent years.

Appendix II to the consolidated financial statements of the Group for the year ending 31 December 2018 includes a list of the main ownership interests in associates, detailing name, country and participation percentage. The Group does not consider very relevant the impact on assets, profit or net equity of its participation in these companies. However, next is listed financial information of the main associates of the Group:

At 30 June 2019 (first six months of 2019):

	Millones de Euros		
	DCN	**PM**	**GSJ GVK**
Non-current assets	6.7	291.0	0.0
Current assets	156.8	9.6	25.0
Total Assets	**163.5**	**300.6**	**25.0**
Non-current liabilities	11.8	92.3	0.0
Current liabilities	4.5	7.4	12.9
Total Liabilities	**16.3**	**99.7**	**12.9**
Income from ordinary activities	0.0	5.8	20.8
Profit/(Loss) from continuing operations	-2.7	3.9	1.3
Profit/(Loss) for the year	-2.7	3.9	1.3

At 31 December 2018 (year ending 31 December 2016):

	Millions of Euros		
	DCN	PM	GSJ GVK
Non-current assets	6.3	299.5	0.0
Current assets	140.7	12	26.4
Total Assets	**147.0**	**311.5**	**26.4**
Non-current liabilities	11.8	96.8	0.0
Current liabilities	7.3	5.7	15.8
Total Liabilities	**19.1**	**102.5**	**15.8**
Income from ordinary activities	0.0	14.1	58.8
Profit/(Loss) from continued operations	(4.5)	25.3	11.8
Profit/(Loss) for the year	(4.5)	25.3	11.8

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

At 30 June 2019

	Millones de Euros		
	DCN	PM	GSJ GVK
Total net equity	147.2	200.9	12.1
% ownership of Grupo SANJOSE	24.46%	20.00%	50.00%
Net carrying amount of the stake (NCV)	36.0	40.2	6.1
Amendments of the NCV and other	-	(38.7)	-
Cost of the Groups' stake	**36.0**	**1.5**	**6.1**

At 31 December 2018

	Millones de Euros		
	DCN	PM	GSJ GVK
Total net equity	127.5	209.0	10.6
% ownership of Grupo SANJOSE	24.46%	20.00%	50.00%
Net carrying amount of the stake (NCV)	31.2	41.8	5.4
Amendments of the NCV and other	-	(40.9)	-
Cost of the Groups' stake	**31.2**	**0.9**	**5.4**

Investments available for sale

The financial assets presented above basically represent investments in equity securities of unlisted entities. These ownership interests are stated at the underlying carrying amount. In the event of listed companies, the lower quoted value at the end of the financial year or the average quotation of the last quarter is taken as reference of the recoverable value.

Net cost at which interest ownership of the Group is recorded, by associate, at 30 June 2019 and 31 December 2018 is as follows:

Company	Thousands of Euros	
	30.06.2019	**31.12.2018**
Bodegas Altanza, S.A.	994	994
Unirisco SCR, S.A.	407	407
Filmanova, S.A.	-	-
Editorial Ecoprensa, S.A.	530	725
Oryzon Gernomics, S.A. (*)	974	657
Otros	260	158
	3,165	**2,941**

(*) Company listed in the Stock Exchange Market

Non-current investments held until maturity

This item includes mainly loans and receivables due to certifications issued by Group company "Sociedad Concesionaria San José-Tecnocontrol, S.A.", for a total amount of EUR 36,446 thousand and EUR 69,582 thousand at 30 June 2019 and 31 December 2018, respectively, as payment of the execution works of the Hospitals of Maipu and La Florida, in compliance with IFRIC12 (see Note 4.3 to the consolidated financial statements for year 2018) for concessions with no demand risk.

The payment of the Chilean Ministry of Public Works is arranged into 8 annual instalments of UF 1.1 million each, having collected instalments on 31 March 2014, 2015, 2016, 2017, 2018 and 2019. The Group records the outstanding receivables under non-current or current, based on the maturity of the outstanding instalments, discounting the financial effect of the deferral of collection.

Changes in this item for the first half of year 2019 are as follows:

- Short-term transfer of receivables in March 2020 for amounts of EUR 39,842 thousand.

- Finance income arising from the update of said items amounting to EUR 1,944 thousand (see Note 16.2).

- Record of exchange and translation differences due to fluctuations between the exchange rate of the UF with respect to the euro, insofar the nominal amount of the collection right is in UF currency, resulting in a EUR 2.376 thousand increase.

Further, at 30 June 2019 and 31 December 2018, "Other current financial assets" records a short-term receivable amounting to EUR 38,199 thousand and EUR 37,879 thousand, respectively (see Note 9.2).

Likewise, "Other non-current financial assets" includes the Group's collection right against customers, derived from long-term debt renegotiation procedures, or due to discrepancies outstanding the resolution in a judicial or arbitration proceeding. Special mention deserves the following:

- Collection right for a total amount of EUR 10,740 thousand and EUR 10,434 thousand, as of 30 June 2019 and 31 December 2018, respectively, against the Chilean Ministry of Public Works, as a result of the termination of the contract and execution of the guarantees at the first request, which it was maintained with the company of the Group "Sociedad Concesionaria San Jose Rutas del Loa, SA", in Chile.

  Based on the analysis of the recoverability of said debt carried out by the Group, under the framework of IFRS 9, taking into consideration of counterparty's risk, the associated impairment recorded at 30 June 2019 and 31 December 2018 amounts to EUR 1,961 thousand and EUR 1,905 thousand. Further, as of 30 June 2019 and 31 December 2018, the Group has recorded a provision for possible liabilities that may arise from this contract, amounting to EUR 9,509 thousand and EUR 9,238 thousand, respectively.

- Right of collection for a total amount of EUR 13,433 thousand and EUR 13,150 thousand, as of 30 June 2019 and 31 December 2018, respectively, against the Civil Aviation Authority of Nepal (CAAN), as a result of the unilateral termination of the contract by the client and execution of the guarantees at the first request, referred to the construction contract for the improvement of the infrastructures in the Simikhot and Rara airports, in Nepal

Based on the analysis of the recoverability of said debt carried out by the Group, under the framework of IFRS 9, taking into consideration of counterparty's risk, the associated impairment recorded at 30 June 2019 and 31 December 2018 amounts to EUR 10,694 thousand and EUR 10,521 thousand. Further, as of 30 June 2019 and 31 December 2018, the Group has recorded a provision for possible liabilities that may arise from this contract, amounting to EUR 1,158 thousand and EUR 1,143 thousand, respectively.

The Group considered that the reasons alleged by the client lacked a legal basis, setting in motion all the mechanisms contemplated in the contract for the effective defence of its interests. Its resolution is not expected in the short-term.

9.2. Current financial assets

The detail of the non-current financial assets of the Company at 30 June 2019 is as follows:

	Thousands of Euros						
	Financial assets held for trading	Other financial assets at fair value with changes in income statement	Financial assets held available for sale	Loans and receivables (Note 17)	Investments until maturity	Hedge derivatives	Total
Créditos y préstamos concedidos	-	-	-	-	40,054	-	**40,054**
Derivatives	-	-	-	-	-	9	**9**
Other financial assets	-	-	-	-	31,314	-	**31,314**
Total	**-**	**-**	**-**	**-**	**71,368**	**9**	**71,377**

Current investments held until maturity

This item includes deposits at banks, short-term deposits and other receivables maturing in over three months.

At 30 June 2019, it mainly includes the following:

- the amounts derived from short-term deposits, amounting to EUR 29,140 thousand.
- Further, it includes short-term payments to be collected from the Ministry of Public Works of Chile, for the certificates issued by the Group company "Sociedad Concesionaria San Jose-Tecnocontrol, S.A.", for a total value of EUR 38,199 thousand and EUR 37,879 thousand at 30 June 2019 and 31 December 2018 for the construction of the Hospitals of Maipu and La Florida, in Santiago de Chile. During the first half of year 2019 and year 2018, finance income arising from the update of said items amounting to EUR 1,944 thousand and EUR 2,527 thousand, respectively, were recorded (see Note 16.2).

9.3 Trade receivables and customer advances

The detail of "Trade receivables for sales and services" at 30 June 2019 and 31 December 2018 is as follows:

	Thousands of Euros	
	30.06.2019	**31.12.2018**
Progress billings receivable and trade receivables for sales and provision of services	188,274	171,030
Executed works pending billing (OEPC)	59,464	43,383
Retentions for guarantees	39,216	36,182
Customers, discounted instruments	21,258	13,072
Impairment	(28,124)	(31,725)
Total	**280,088**	**231,942**
Advances	(110,452)	(110,536)
Total net accounts receivable	**169,636**	**121,406**

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

The item “Executed works pending billing - OEPC” includes executed works pending certification for construction contracts of the Group amounting to EUR 59,464 thousand. This amount includes the differences between the production units executed, valued at sale price, and the certification made to date under the current contract.

"Trade payables" under current liabilities on the consolidated condensed balance sheet at 30 June 2019 and 31 December 2018, includes EUR 110,452 thousand and EUR 110,536 thousand, respectively, corresponding to "Advances from customers" for work certified in advance and advances received for a total amount of EUR 48,345 thousand and EUR 62,107 thousand, respectively, at 30 June 2019. Work certified in advance is recognised as a lower income of the Group, according to the application of the method of recognition of income by progress of work (see Note 4.11 of the accompanying notes to the consolidated financial statements for the year ended 31 December 2018).

10. Inventories

The detail of this item at 30 June 2019 and 31 December 2018 is as follows:

	Thousands of Euros	
	30.06.2019	**31.12.2018**
Acquired property	8,685	8,684
Land and plots of land	64,476	64,848
Raw materials and other supplies	8,048	7,130
Developments under construction	22,107	21,596
Finished stocks	8,985	8,633
Advances to suppliers	11,603	15,651
Issuance rights	123	-
Impairment losses on inventories	(11,235)	(11,657)
	112,793	**114,885**

Borrowing costs for financing the development of property inventories incurred in the year are capitalised by the Company only when they are associated with those inventories whose production cycle is longer than a year. During the first half of 2019 and 2018, no financial expense has been recorded.

At 30 June 2019 and 31 December 2018, the Group has inventories used as collaterals for mortgage loans or developer loans granted by financial entities for an amount drawn of EUR 4,299 thousand and EUR 4,561 thousand, respectively (see Note 13.3).

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

During the first half of 2019, and according to the valuation of real estate assets carried out by the independent expert (see Note 10.3), no significant changes have been recorded in the assessment of real estate investments.

10.1 Land purchase commitments

At 30 June 2019, the Group had entered into various memorandums of understanding or agreements with purchase options for land totalling approximately EUR 2.4 million, of which the Group had paid EUR 651 thousand, amount recognised under "Advance payments to suppliers" in the accompanying consolidated summarized balance sheet.

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

Remaining recorded payments in advance at 30 June 2019 are not related to real estate. Yet, they refer to payments in advance to suppliers for the acquisition of raw materials and/or the provision of services.

10.2 Commitments to sell property developments in progress and completed buildings

At 30 June 2019 and 31 December 2018, the Group had entered into private agreements and reservation documents for the sale of property developments in progress and completed buildings at that date, for a total amount of EUR 8,745 thousand and EUR 12,535 thousand. At said date, the Group had received advances from the related customers totalling EUR 3,738 thousand and 3,197 thousand, respectively.

10.3 Impairment losses on inventories

Each year the Group commissions studies from independent valuers to determine the fair values of its investment property at the end of the year. At 30 June 2019 and 31 December 2018, said studies were conducted by "Instituto de Valoraciones, S.A.". Such valuations were performed on the basis of the sale value of the property on the market, as defined by the Royal Institution of Chartered Surveyors (RICS) and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), which group together international and European asset valuation institutions.

The comparison method (for finished products) and the static and dynamic residual method (basically for plots of land and developments under construction) were used to calculate the fair value. Under the Residual Method, the residual value of property is obtained by discounting the cash flows calculated on the basis of projected expenses and income at the established rate by taking into account the period until these flows are realised. The total cash receipts deemed to have been received prior to the valuation date are added to this amount in order to obtain the total value. The discount rate used is that which represents the average annual return on the project, without taking borrowings into account, that an average developer would obtain from a development similar to that analysed.

This discount rate is calculated by adding the risk premium (determined by evaluating the risk of the development, taking into account the property asset to be constructed, its location, liquidity, construction period and investment required) to the risk-free interest rate. When the determination of the cash flows takes into account borrowings, the aforementioned risk premium is increased in proportion to the percentage of the borrowings (degree of leverage) attributed to the project and the habi1tual interest rates in the mortgage market.

At 30 June 2019 and 31 December 2018, the fair value of the Group 's inventories based on the aforementioned study amounted to EUR 178,6 million and EUR 157.9 million, respectively.

10.4 Insurance policy

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

10.5 Issuance rights

At 30 June 2019, "Inventories" includes the emission rights of greenhouse gases received by the company of the Group "Polygeneration Parc de l'Alba ST-4, SA" which are pending redemption against the Public Administration, with a total cost amounting to EUR 201 thousand, not having associated any deterioration. During the first half of 2019, we received emission rights amounting to EUR 36 thousand, having proceed to the redemption against the public administration for the emission rights for CO2 emissions for year 2018 amounting to EUR 448 thousand, being largely provisioned under the item "Short-term provisions" under current liabilities on the consolidated balance sheet of the Group at 31 December 2018.

At 30 June 2019, under "Emission rights", the Group also includes a negative amount of EUR 176 thousand for the consumption of rights in 2019, which at the end of the first half of the year have not yet been subject of redemption before the Public Administration. This expense has been recorded under "Procurements" in the accompanying consolidated income statement for the year 2019.

11. Net equity

11.1 Share capital

At 30 June 2019 and 31 December 2018, share capital of the Parent was represented by 65,026,083 shares of EUR 0.03 par value each.

At 20 July 2009, Parent Company shares can be listed on the Continuous Market, with a market value of EUR 12.86 per share.

The closing and average quote for the last quarter of 2018 has been EUR 4.6 and EUR 4.89, respectively. The closing quote at 28 June 2019 and the average quote for the second quarter of year 2018 has been EUR 7.8 and EUR 7.11, respectively.

At 30 June 2019, the Group holds an ownership interest of 10% of the company's share capital. Mr. Jacinto Rey Gonzalez, with direct and effective ownership interest of 24.95% and 48.292%, respectively,

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

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

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

11.2 Issuance premium

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

11.3 Legal reserve

Under the Consolidated Spanish Companies Act, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

In addition, and in compliance with the terms set forth in article 273.4 section of the Spanish Companies Act and wording of Law 16/2007 of 4 July, on the reform and adjustment of business law, the obligation to provide a restricted reserve equal to 5% of the goodwill registered at year end, with charge to the profit or loss of the year if any, and otherwise with charge to unrestricted reserves.

11.4 Restrictions on the distribution of dividends

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

11.5 Valuation adjustments

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

11.6 Shares of the Parent

At 30 June 2019 the Parent did not hold any treasury shares neither had executed transactions with treasury shares during the first half of 2019.

11.7 Property status of the Parent

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

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

At 30 June 2019, the parent records a positive net equity amounting to EUR 39,112 thousand. Further, the Parent Company has a participating loan at 30 June 2019 amounting to EUR 113,641 thousand (see Note 13), received from creditor financial institutions, that comes to strengthen its financial position. The resulting total net equity, including the participating loan, is well above the subscribed and paid-in capital. Therefore, there is an equity unbalance according to provisions of Art. 327 and Art 363 of the Companies Act.

11.8 Earnings per share

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

	At 30 June 2019	**At 30 June 2018**	**Changes**
Net profit/(loss) for the year attributable to the Parent (thousands of Euros)	13,003	6,700	6,303
Weighted average number of shares (shares)	65,026,083	65,026,083	-
Basic profit/(loss) per share (Euros/Share)	0.20	0.10	0.10

The dilutive effect of warrants issued on earnings per share attributed to the Group corresponding to the first half of year 2019 is as follows:

	At 30 June 2019	**At 30 June 2018**
Adjusted Profit/(Loss) for the year attributed to the Parent (thousands of Euros)	14,692	7,925

Convertible shares	22,759,129	22,759,129
Total number of shares for the calculation	87,785,212	87,785,212
Diluted earnings per share (Euros/Share)	0.17	0.09

12. Current and non-current provisions

Breakdown of these items within the consolidated summary balance sheet for the first half of year 2019 is as follows:

	Thousands of Euros	
	Long-term provisions	**Short-term provisions**
Balance at 31 December 2018	**40,121**	**31,227**
Provisions	193	4,059
Reversals	(1,507)	(1,754)
Applications	(206)	(64)
Exchange rate differences and other	(701)	356
Balance at 30 June 2019	**37,900**	**33,824**

12.1. Non-current provisions:

This item mainly includes provisions to cover possible contingencies that may affect Group SANJOSE, arising from litigation and court proceedings (see Note 9.1).

Note 15 to the consolidated financial statements for year 2018 describes the main litigation and court proceedings and other risks provisions at said date.

During the first half of year 2019, no significant changes with regards to current claims have been recorded.

12.2. Current provisions:

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

13. Financial Liabilities

Breakdown of this item within the consolidated balance sheet at 30 June 2019 and 31 December 2018 as follows:

30 June 2019:

	Thousands of Euros		
	Debts and accounts payable	**Derivatives** (Nota 13.5)	**Total**
Non-current financial liabilities:			
Obligations and other securities (Note 13.1)	35,163	-	**35,163**
Bank borrowings (Note 13.2)	172,936	259	**173,195**
Other financial liabilities	5,800	-	**5,800**
Total non-current	**213,899**	**259**	**214,158**
Current financial liabilities:			
Obligations and other securities (Note 13.1)	33,720	-	**33,720**
Bank borrowings (Note 13.2)	135,197	-	**135,197**
Other financial liabilities	5,431	-	**5,431**
Total current	**174,348**	-	**174,348**

31 December 2018:

	Thousands of Euros		
	Debts and accounts payable	**Derivatives**	**Total**
Non-current financial liabilities:			
Obligations and other securities (Note 13.1)	66,476	-	**66,476**
Bank borrowings (Note 13.2)	180,589	-	**180,589**
Derivatives (Note 13.5)	-	351	**351**
Other current liabilities	5,019	-	**5,019**
Total non-current	**252,084**	**351**	**252.435**
Current financial liabilities			
Obligations and other securities (Note 13.1)	32,714	-	**32,714**
Bank borrowings (Note 13.2)	141,920	-	**141,920**
Derivatives (Note 13.5)	-	15	**15**
Other current liabilities	2,500	-	**2,500**
Total current	**177,134**	**15**	**177,149**

“Other current financial liabilities” and “Other current financial liabilities:” include, mainly, the debt arising from the application of IFRS 16, amounting to EUR 450 and EUR 3,292, respectively, at 30 June 2019 (see Note 2.1). Further, these items include long-term liabilities for acquisition of property assets and activity development by companies of the Group with minority partners. Likewise, it includes real estate liabilities.

13.1 Obligations and other securities

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

There are no other additional guarantees from said financing transaction.

Syndicated loan amortisation shall be executed in seven annual payments due as of 30 June from 2015 to 2021. At 30 June 2019, the Group has paid the fifth instalment. The outstanding principal of these loans at 30 June 2019 matures approximately as follows:

Miles de euros		
Year 2020	**Year 2021**	**Total**
33,720	35,163	**68,883**

(*) Gross amounts prior to deducing borrowing costs, amounting to EUR 779 thousand at 30 June 2019.

13.2 Bank borrowings

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

	Thousands of Euros	
	30.06.2019	**31.12.2018**
Non-current:		
Finance leases	179	81
Bank loans and credit facilities	5,687	6,306
Syndicated loan "Constructora San José, S.A" (Note 13.4)	167,070	174,202
Derivatives (Note 13.5)	259	351
Total no corriente	**173,195**	**180,940**
Current:		
Finance leases	29	28
Syndicated loan "Grupo Empresarial San José, S.A." (Note 13.4)	113,641	111,390
Syndicated loan "Constructora San José, S.A" (Note 13.4)	9,489	18,273
Debts for discounted effects	672	261
Bank loans and credit facilities	7,143	7,436
Total mortgage loans secured by inventories (Note 13.3)	4,223	4,532
Derivatives (Note 13.5)	-	15
Total current	**135,197**	**141,935**
TOTAL	**308,392**	**322,875**

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

At 30 June 2019, "Non-current bank borrowings and loans" under non-current liabilities includes mainly:

- EUR 5,251 thousand corresponding to Project finance, granted for the construction, commissioning and operation of the Plant and the facilities of the Group company Poligeneraci Parc de LAlba ST-4, S.A.'s Policy Project (see Note 6.2). Said plant acts as collateral for credit facilities, without recourse for the Group.

- EUR 5,933 thousand for credit facilities, with maturity in 2019 and for a variable interest rate according to three-month Euribor plus a market spread.

"Bank borrowings and loans" from current liabilities of the attached consolidated balance sheet at 30 June 2019 and 31 December 2018 includes EUR 892 thousand and EUR 1,074 thousand, respectively, for financial expenses pending settlement at said dates. Most of it (EUR 892 thousand at 30 June 2018 and EUR 973 thousand at 31 December 2018) refer to the syndicated credit of the company (see Note 13.4).

13.3 Mortgage loans

The Groups records as collateral to mortgage loans, real estate assets for a net cost amounting to EUR 9,142 thousand at 31 December 2018, not recording significant changes during the first half of year 2019 (see Notes 8 and 10).

Mortgage loans secured by inventories

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

These mortgage loans bear annual floating interest at a market rate, which in 2019 ranged from 2.18% to 2.88%.

The outstanding principal of these loans at 30 June 2019 matures approximately as follows:

-				
Year 2019	**Year 2020**	**Year 2021**	**Year 2022 and following**	**Total**
382	475	478	2,888	**4,223**

13.4 Syndicated financing

The SANJOSE Group concluded in year 2009 the renegotiation of the bank borrowings for a total amount of EUR 2,210 million in order to adapt the related obligations to the new business plan based on the global economic situation and taking into consideration cash requirements set out on Business Plan for 2009-2013, under a framework of stability

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

These financial restructuring agreements led to the novation of the syndicated financing agreement signed in April 2009, as well as a set of bilateral financing agreements. The terms and conditions of the new financing are detailed pursuant to the following three separate financing agreements:

a) Contract “Constructora San José, S.A.”

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

Tranche A: for a total amount of EUR 250 million and having a maturity of five years, renewable for another year (provided certain terms are satisfied), with a progressive payment schedule. At 30 June 2019, the amount recorded amounts to EUR 176.6 thousand. During years 2018 and 2017, the Group has made prepayments amounting to EUR 7,000 thousand, EUR 516 thousand and EUR 6,265 thousand, respectively.

Although the initial maturity date is established on 31 October 2019, in accordance with the terms of the agreement, the Company has the option to extend the maturity of this loan until 31 October 2020, in accordance with the following conditions: i) Repayment or full conversion of the debt related to the "Grupo Empresarial San José, SA" Contract b) (see Note 13.4.b); ii) Full compliance by the Company with its payment obligations for Tranche A and the contract terms; iii) That the Company has sufficient working capital facilities to carry out its activity.

At 30 June 2019, all conditions are fulfilled. In this sense, it is the Group's intention to make use of the power conferred by the contract, proceeding to its extension until 31 October 2020, which is why the amount of the long-term maturing instalments is recorded as non-current liabilities under the consolidated balance sheet for the year ended 30 June 2019.

Maturity of the outstanding amount shall be paid according to the following schedule:

-		
Year 2019	**Year 2020**	**TOTAL**
9,489	167,070	**176,559**

Quarterly settlement of accrued financial interest is established. At 30 June 2019 and 31 December 2018, accrued finance expense pending payment amounts to EUR 892 thousand and EUR 973 thousand (see Note 13.1).

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

- Trade and financial discount tranche amounting to EUR 49 million.
- Confirming amounting to EUR 28.8 million.
- Tender and execution guarantees amounting to EUR 241.4 million
- Financial bank guarantees amounting to EUR 98 million for recurrent financial bank guarantees and USD 8 million for non-recurrent financial bank guarantees.
- Tranche B: additional financing facilities in the event of execution of guarantees amounting to EUR 10 million

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

- EBITDA: referring to "Constructora San Jose, S.A. and Subsidiaries" Annual requirements are set out.
- Debt service coverage ratio: also referred to the Subgroup "Constructora San José, S.A. and subsidiaries". It shall be calculated quarterly on a year-on-year basis.

The Directors of the Parent deem at 30 June 2019 that the Group meets all the requirements.

b) Contract “Grupo Empresarial San José, S.A.”:

Pursuant to the modifying novation agreement of the debt of Grupo SANJOSE, the Company assumed a EUR 100 million participating loan on a 2% fixed interest rate to be increased up to 3% interest rate on the third and fourth year and a 4% interest rate on the fifth year, including a variable rate according to the outcome of the Group, with a 5-year bullet maturity, while being released from the guarantees granted pursuant to the previous financing agreement.

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

The part of this contract not attended at maturity shall be converted into shares of Grupo San José with a limit of 35% of total social capital of the company. This transaction has been materialised through the emissions of warrants approved at the Shareholders' Meeting of “Grupo Empresarial San José, S.A” held on 24 June 2015. Said warrants entitle holders the right to subscribe newly issued shares of Grupo San José by offsetting credit claims which were pending repayment at maturity date (including capitalised interest).

Conversion shall take place at market price of shares of Grupo San José by reference to the weighted average price of the previous 20 sessions prior to the maturity date. Warrants will not be listed on any secondary markets and shall only be transferable with debt of Grupo San José. Consequently, and to the extent that the execution price is referenced to the market value of the share, its fair value is zero, both at the time of initial recognition and subsequent valuation.

The Company's directors foresee that financial creditors will proceed to execute the right granted to them by the warrants issued, proceeding to the full capitalisation of said amount (see Note 11.8.)

Such novation agreement includes several terms and conditions to be fulfilled, among which highlights the court approval in compliance with the Fourth Additional Provision of the Bankruptcy Act. At year-end 2015, all requirements had been fully satisfied.

At 30 June 2019, the Group has real estate assets amounting to EUR 17,994 thousand, which guarantee the syndicated credit for EUR 34,176 thousand without recording any significant changes during the first half of year 2019.

13.5 Derivative financial instruments

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

To determine the fair value of interest rate derivatives (Fixed Rate Swaps or structures with options), the Group uses cash flow discounts based on assumptions established by the Euro interest rate curve according to market conditions at the date of measurement.

At 30 June 2019, derivative financial instruments of Grupo SANJOSE are mainly Interest Rate Swaps and cross-currency swaps. During the first half of year 2019, no significant changes with regards to contracted derivatives by the Group.

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

Interest rate derivatives contracted by the Group and effective at 30 June 2019 and 31 December 2018, together with their fair value at said date, are the following:

At 30 June 2019

	-				
	Financial Instrum.	**Maturity**	**Initial par value**	**Remaining par value at 30.06.2019**	**Balance at 30.06.2019** (Note 13)
Effcient Hedges					
Trendy King, S.A.U.	CCS-GBP	15/10/2019	58	58	(3)
Trendy King, S.A.U.	CCS-GBP	20/02/2019	179	179	3
Poligeneració Parc de l'Alba ST-4, S.A.	IR Swap	15/12/2021	15,451	3,418	(259)
			15,688	**3,655**	**(259)**

At 31 December 2018

Company	Financial Instrum.	Maturity	Thousands of Euros		
			Initial par value	Remaining par value at 31.12.2018	Balance at 31.12.2018 (Note 16.1)
Effcient Hedges:					
Trendy King, S.A.U.	CCS-usd	15/01/2019	1,428	1,428	56
Trendy King, S.A.U.	CCS-gbp	15/01/2019	204	204	(4)
Trendy King, S.A.U.	CCS-gbp	20/06/2019	263	263	(3)
Trendy King, S.A.U.	CCS-usd	15/01/2019	109	109	(4)
Trendy King, S.A.U.	CCS-usd	15/01/2019	85	85	(3)
Trendy King, S.A.U.	CCS-usd	15/01/2019	17	17	(1)
Trendy King, S.A.U.	CCS-usd	15/01/2019	8	8	-
Poligeneraciò Parc de l´Álba ST-4, S.A.	IR Swap	15/12/2021	15,451	4,046	(351)
TOTAL			**17,565**	**6,160**	**(310)**

Assets and liabilities as hedge financial instruments include the changes in the measurement of fair value of hedge financial instruments. At 30 June 2019, instruments hold by the Group company "Poligeneració Parc De L'Alba, S.A. (ST4)" and the commercial subgroup are Interest Rate Swaps and cross-currency swaps linked to assets and liabilities of the consolidated balance sheet, as well as to potential transactions in compliance with requirements established by IFRS 9 so as to be classified as hedge accounting.

Assets and liabilities as non-hedge financial instruments include the measurement of fair value of non-hedge financial instruments.

The Group records as equity the change in fair value of hedge accounting financial instruments. At 30 June 2019 and 31 December 2018, the change in fair value of Derivative Financial Instruments allocated as Hedge Elements for their effective portion accumulated in Equity amounts to EUR 143 thousand and EUR 167 thousand, respectively

During the first half of 2019 and during year 2018, EUR 78 thousand and EUR 148 thousand have been recycled from equity to interest costs as greater financial interest, respectively, as interests being hedged pursuant to allocated Hedging Relationships were recorded.

Classification of financial instruments

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

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

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

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

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

Derivatives of the Group are classified as Level 2. On a residual basis, as of 30 June 2019, the Group classified as Level 1 the investment made in shares of an investee (see Note 9.1).

No transfers from Level 1 to Level 2 have taken place during the first half of year 2019. Neither had taken place inputs or outputs of Level 3 at 31 December 2018.

Sensitivity analysis of interest rate and exchange rate

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

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

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

At 30 June 2019, changes in the value of financial instruments of the Group due to changes in interest rates are not significant.

14. Guarantee commitments to third parties

At 30 June 2019 and 31 December 2018, the Group had received from banks and insurance companies guarantees provided to third parties amounting to EUR 406 million and EUR 393 million, respectively (mainly project and definite tender and performance bonds to public and private bodies), of which EUR 40 thousand correspond to the Parent at both dates, and the remaining to subsidiaries.

Of the total of guarantees provided to third parties by the Group, EUR 284 million (approximately 70%) relate to the international activity of the Group, mainly in Abu Dhabi and India, amounting to EUR 139 million and EUR 52 million, respectively

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

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

Parent Directors do not consider any liability arising in connection to the committed guarantees.

15. Taxation

Directors of Grupo SANJOSE, for the preparation of this condensed consolidated financial statements at 30 June 2019, have taken into consideration the standards applicable during year 2018 up to now, without recording significant modifications with regards to the tax situation of the Group.

Years open for review by the tax authorities

Note 20.1 to the financial statements for year 2018 details the years open for review, as well as the main activities of the inspection.

On 16 May 2018, a review by the Tax Agency for VAT and withholdings for the periods between April 2014 and December 2017 of the companies of “Grupo Empresarial San José, SA" and "Constructora San José, SA" and on Income Tax on Companies of Tax Consolidation Group for years 2013 to 2017, both inclusive, was started.

Pursuant to available information, the Parent's Directors consider that no additional material liabilities will arise as a result of future audits of the years open for review.

16. Other disclosure

16.1. Average workforce

The average workforce by professional category is as follows:

Category	30/06/2019 Men	30/06/2019 Female	31/12/2018 Men	31/12/2018 Female
University graduates	456	107	440	99
University three-year degree graduates	500	107	467	97
Clerical staff	150	106	121	110
Officers and technical personnel	2,281	183	1,528	120
	3,387	**503**	**2,556**	**426**

The average workforce at 30 June 2019 amounted to 4,075, of which 3,548 were men and 527 women

The average number of people employed in the course of the year with a disability greater than or equal to 33% is similar to that at 31 December 2018, being mainly diploma graduates. 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.

16.2. Financial income

The consolidated income statement for the first half of 2019 includes, in addition to interest accrued by the Group's liquidity positions, the financial income associated with the account receivable from the Ministry of Public Works of Chile for the construction of Hospitals of Maipu and La Florida in Chile (see Note 9.1), amounting to EUR 1,944 thousand (EUR 4,062 thousand in the first half of 2018), as well as deferred interest amounting to EUR 373 thousand (EUR 384 thousand in the first half of 2018).

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

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

	Thousands of Euros					
	Granted Loans (Notes 9.1 and 9.2)	**Accounts payables**	**Trade receivables**	**Finance expense**	**Financial income**	**Services received**
Panamerican Mall, S.A.	-	-	-	-	-	-
Cresca, S.A.	-	-	-	-	-	-
Pinos Altos XR, S.L.	-	10	-	-	-	-
Pinar de Villanueva, S.L.	883	-	1,876	-	-	-
JV partners and others	732	-	1,549	-	-	-
Total	**1,615**	**10**	**3,425**	**-**	**-**	**-**

18. Remuneration

18.1 Remuneration of Directors

The detail of the remuneration of all kinds earned in 2019 and 2018 by the Directors of Grupo Empresarial San José, S.A., for any reason and by any group company, jointly controlled entity or associate obliged to pay such remuneration are as follows:

	Miles de euros	
Tipo de Consejeros	**30.06.2019**	**30.06.2018**
Ejecutivos	940	1,678
Externos independientes	108	106
Otros externos	18	9
Total	**1,066**	**1,793**

At 30 June 2019 and 31 December 2018, no advances, loans or other types of guarantees had been granted to the former or current directors and there were no additional pension or life insurance obligations to them. In addition, the Group does not have any other kind of transactions with related parties.

The directors of the Company are covered by the "Corporate Liability Insurance Policies of Directors and Officers" contracted by the parent company of Grupo SANJOSE , in order to cover possible damages that may be claimed, and that they arise as a result of an error of management committed by its managers or directors, as well as those of its subsidiaries, in the exercise of their positions (see Note 24.1 on Notes to the accompanying consolidated financial statements of the Group for the year ended 31 December 2018).

18.2 Remuneration and other benefits of senior executives

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

Number of people	**Thousands of Euros**
June 2018:	
9 Executives	648
Junio 2019:	
10 Executives	889

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

GRUPO EMPRESARIAL SAN JOSE, S.A.
and Subsidiaries

Interim Consolidated Directors' Report for the first half of year 2019

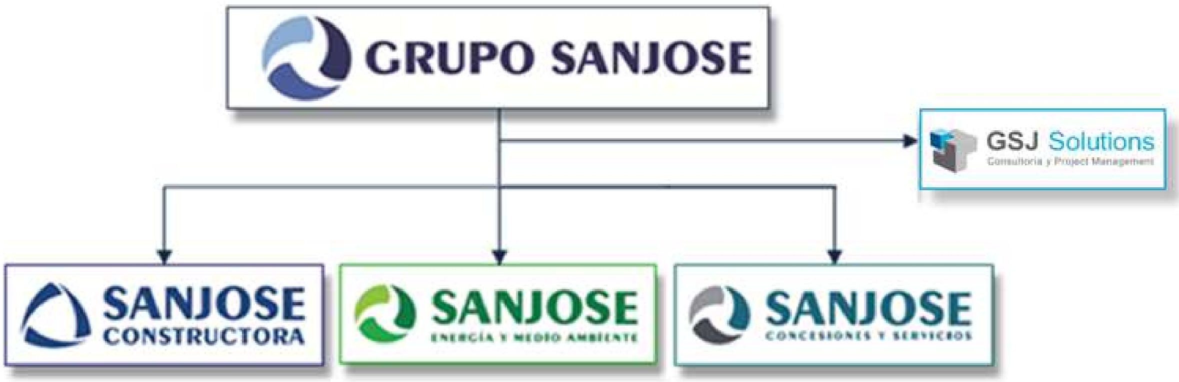
1. <u>Situation of the Company</u>

1.1. Organisational Structure

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

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

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



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

1.2. Performance

The business model of the Group is to create a diversified group regarding both, geographic distribution and lines of activity as a way of being less exposed to the risk inherent to a single activity. The Group has a clear international vocation, becoming increasingly important activities developed overseas, with a higher significance in the turnover of the Group. In 2018, 50.8% total revenue of the Group comes from overseas. Currently, international activity for the first half of year 2019 accounts for 47.9%.

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

The main objective of the Group is to continue balancing the turnover, taking the construction activity as the main engine, increasing its activity in the international arena –boosting development in the countries where we are already present and in those of future penetration–, maintaining quality standards and satisfaction of customers and suppliers that have positioned Grupo SANJOSE as a benchmark in the market, analysing and encouraging the application of innovation and technological progress, and maintaining a reduced cost level that guarantees the profitability of projects.

2. Evolution of the market

2.1. Market performance

The economic and financial crisis since the end of 2007 has resulted in an abrupt reduction in the level of activity from 2007 to present date, not only in Spain but worldwide. In the last years, signs of improvement have begun to appear. However, global geostrategic situation, as well as the political uncertainty in Spain and the low level of public investment, do not help to provide investors with the peace of mind and recover previous activity figures.

The Gross Domestic Product (GDP) grew by 0.7% in the first three months of 2019, standing at an annual rate of 2.4% (2.6% at the end of year 2018). This involves a slight economic acceleration with regards to the last quarter of 2018.

The International Monetary Fund (IMF) has again revised downward the growth of the world economy for year 2019 (-0.1 pp up to 3.2%) and for the year 2020 (-0.1 pp up to 3, 5%), on this occasion, because of the deterioration in emerging economies; basically, developed economies have behaved better than expected in the first half of the year, compared to emerging economies that have been disappointing in overall. On the other hand, there is a clear weakening of domestic demand and of fixed investment in the global sphere. Among sectors, the deterioration of the manufacturing industry is associated with weak investment, lower consumption of durable goods (automobiles) and the decline in world trade (especially in Emerging Asia). The services sector is showing resistance and allows labour markets to maintain some dynamism at this point in the global cycle.

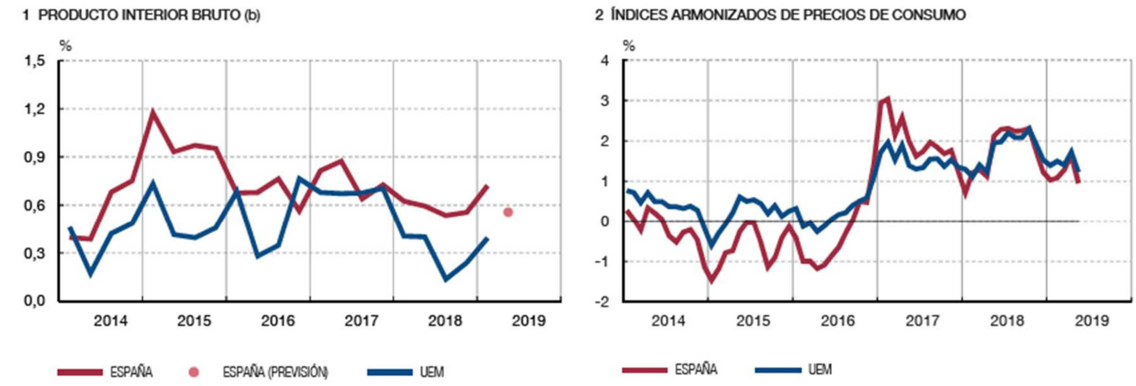
Among the developed economies, the US concentrates the largest upward revision: it raises the forecast for this year by three tenths, although it is true that the improvement is due to higher growth than expected in 1Q-2019, largely due to punctual factors ((associated to the distortion by the commercial war). In the European Union, it maintains practically the same scenario, but the case of Germany stands out: it reviews downward this year's growth due to the weakness of external demand and regulatory changes in the automobile sector, but also it increases the growth of 2020, in the expectation that both factors dissipate.

In the case of Spain, the IMF revised upward the growth of GDP for 2019, two tenths up to 2.3%, and maintains that of 2020 at 1.9%; The review for this year is based on the dynamism observed in the first half of the year, greater than expected, thanks to the strength of the investment and the weakness of imports. The forecast for 2019 is in line with that of the European Commission or the consensus of private analysts and is one tenth lower than that of the Bank of Spain. Consequently, in a global context characterised by uncertainty and the weakening of trade, Spain continues to show high strength and will be one of the most advanced economies that is growing this year, only surpassed by the US.

Among the emerging economies, most of the deterioration of the scenario occurs in Latin America, where the downward revisions are explained by the idiosyncrasies of each country: Brazil stands out negatively, where it cuts its forecast for this year by 1.3 pp, which justifies the decrease in the agents' confidence due to the uncertainty about the approval of the pension system reform. It also strongly cuts the forecast for Mexico (-0.7 pp in 2019), in this case due to the weakness of investment and consumption, associated with political uncertainty, deterioration of confidence and increased costs of financing. On the other hand, the downward revisions in the growth scenario for Emerging Asia are not very significant in the aggregate (it reduces one tenth in 2019 and 2020), but the IMF warns that the region would be the most affected by trade tensions between US and China: it cuts its forecast for China by one tenth for 2019 (6.3%) and 2020 (6.2%), although it does not include a sharp landing or a worrying deterioration of the scenario; while revising the forecast for the case of India to a much greater extent, warning of the weakness of domestic demand (three tenths up to 7.0% and 7.2%).

The IMF believes that downside risks continue to dominate over this scenario and have even been increasing since the previous April report: (i) the growing commercial tensions, technological conflict and disruptions to global supply chains (US-China war and threat over Mexico, and Brexit agreement, among other tensions); (ii) the possibility of an increase in risk aversion that exposes the imbalances accumulated in recent years of low interest rates; (iii) geopolitical tensions; and (iv) the deflationary pressures that are accumulating (increases debt service and reduces the room for maneuver of central banks).

Despite the slight slowdown in growth expected for the second quarter, activity in Spain continues to register rates higher than those observed in the euro area. Inflation continues to grow at moderate rates, somewhat lower than those of the EMU as a whole.



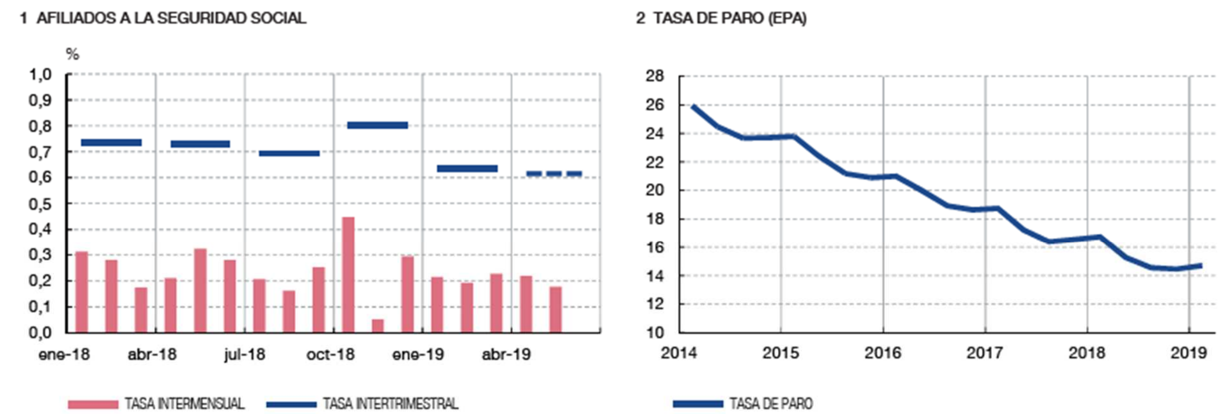
FUENTES: Eurostat, Instituto Nacional de Estadística y Banco de España.

In contrast to the relative weakness of the euro area, the Spanish economy retains greater strength. In the first quarter of the year, Spanish GDP grew, according to provisional data, 0.7% (three tenths more than in EMU). The information available so far suggests that the product progress in the second quarter could have been 0.6% in Spain (compared to the more pronounced slowdown in the euro area).

Job creation in the Spanish economy seems to have slowed down throughout the quarter to a greater extent than the activity. In particular, Social Security affiliations showed some loss of thrust in May.

Employment would have moderated its pace of progress in the second quarter with greater intensity than the activity. The latest data available for Social Security affiliation point to a slowdown during the second quarter, more intense in the market economy. In the economy as a whole, employment could have grown, in terms of National Accounts, by 0.4% inter-quarterly, 0.3 pp less than in the previous quarter. On the other hand, according to the Active Population Survey (EPA), the unemployment rate stood at 14.7% in the first quarter, 2 pp below the level reached in the same period of the previous year. In the January-March period, a certain slowdown in the rate of decline in the number of unemployed could be observed, while the active population increased its growth rate.

On the cost side, wage indicators have rebounded in the course of 2019. The wage rates of collective agreements have shown, with data up to May, a significant rebound in relation to the previous year, already affecting a very high number of workers. Specifically, the salary increase agreed for 2019 amounts, on average, to 2.2%, 0.5 pp more than in 2018. At the moment, most of these agreements correspond to those agreed in previous years, while the new signature agreements still represent a scarcely representative figure. In any case, the degree of translation of the higher wage costs to prices is uncertain, since, as is the case in the euro area as a whole, business margins seem to be accommodating these increases.



FUENTES: Instituto Nacional de Estadística, Ministerio de Trabajo, Migraciones y Seguridad Social, y Banco de España.

The maintenance of the activity is being supported in the maintenance of the dynamism of the internal demand. The continuous improvement of the patrimonial situation of families and companies, together with the persistence of loose financial conditions (despite the appearance of some indications that the entities could be beginning to apply more stringent criteria to the granting of credit), continues to act as an element of support for the expenditure of private agents. In the future, the pace of progress of private consumption could experience a certain moderation, in light of the probable increase in the propensity of households to save, given the low level achieved by this variable, and the slowdown in consumer credit that already It has begun to be observed. However, the rise in real wages will, on the contrary, tend to act as a support for this component of expenditure.

The evolution of core inflation continues without accusing the increase in price pressures that would be expected, as a result of the rise in labour costs and the sustained demand. The variation rate of the harmonized consumer price index (IAPC), excluding food and energy, remains below 1%. This evolution contrasts with the rise in wages and the gradual widening of the positive production gap. On the other hand, the general indicator has also fallen below that level in May, as a result of the slowdown in electricity and fuel prices, and, given the path expected by future markets for the price of oil, an additional weakening of the IAPC can be expected during the second semester.

In the fiscal area, the European Commission has recommended to the European Council to repeal the Excessive Deficit Procedure which Spanish public finances have been immersed during the last decade. However, the Public Administration financial statements (AAPP) continue to present an imbalance situation that, in accordance with the rules agreed by the EU Member States, will require the application of measures under the so-called "preventive arm" of the Covenant of Stability and Growth.

The fulfilment of these obligations contracted against the rest of the European countries must serve as an incentive to intensify the budgetary consolidation, necessary to increase the resistance of the activity and employment of the Spanish economy against possible future disturbances.

The evolution of the Spanish financial markets during the second quarter has been marked by a global environment of greater risk aversion.

This resulted in increases in volatility, declines in equity and search for refuge values, although these movements were more moderate than those observed in the last quarter of 2018.

The banking sector has been particularly affected by the downward correction of stock markets, and practically all Spanish entities are already trading at levels below those at the end of 2018, despite the revaluation experienced in the first quarter of the year.

On the contrary, the market as a whole registers increases in valuations since the beginning of 2019. Specifically, until the closing date of this Report, the IBEX--35 has increased almost 8% since the beginning of the year, compared to 15.1% of EUROSTOXX 50 in the same period.

In the public debt markets, the profitability of the Spanish ten-year bond has been at record lows, reaching 0.37%, about 70 bp less than at the end of March. This evolution has been the result of a narrowing of almost 45 bp of the risk premium of the Spanish debt against the German debt and the decrease, by about 25 bp, of the latter's profitability, due to its role as an active refuge and lower expectations regarding the future path of interest rates. This change in expectations has also contributed to the fact that the 12-month Euribor has reversed in recent weeks the rise experienced last year, which has led it to stand at -0.21%, a level that represents its historical minimum.

The progress of the activity is based on the construction and prolongation of the path of growth of services.

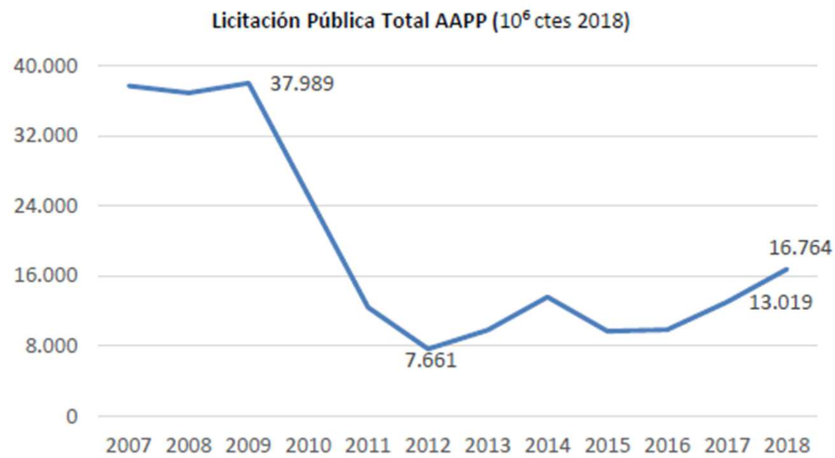
Indicators point to a certain slowdown in activity in the industry. In particular, in recent months there has been a slowdown in the rate of advancement of affiliates and a relatively unfavourable behaviour of the few activity indicators available for the second quarter. In addition, regarding confidence indicators, the path of deterioration of the manufacturing PMI has tended to consolidate, as a consequence of the weakness of international trade and the unfavourable outlook for the external environment. With regard to services and construction, the short-term information from the trust indicators and affiliate data is consistent with a certain moderation of the activity.

Residential investment would also have maintained an expansive behaviour in the most recent period. The real estate market has continued to show a dynamic trajectory, in terms of both the figures for the sale of homes and their prices, in a context where, however, some signs of moderating the confidence of entrepreneurs in the branch of construction and growth of affiliates in the sector can be observed.

The rebound, moderate but continued, of new construction visas suggests a prolongation towards the future of the recovery of this demand component. With respect to the credit market for home acquisition, the most recent data from the EPB points to an improvement in demand in the first quarter of 2019, a trend that the entities anticipated to extend in the second, while signalling a tightening of the criteria for granting credit.

The activity and prices in the real estate market continue to show a heterogeneous behaviour depending on the geographical location. The pace of the recovery of the real estate market presents an appreciable regional disparity, both in terms of sales transactions and prices. The most pronounced advances occur in large cities and in coastal areas, with a greater dynamism of activity and foreign housing demand, as well as with a higher population concentration.

The main domestic market in which the Group operates, construction, remains heavily affected by the recession, although there are indications of the country's economic recovery that are beginning to be seen. During year 2018, the level of tenders maintained has been somewhat higher than in 2017.



source: SEOPAN

In addition to the domestic market. Grupo SANJOSE is present in the Middle East, South America and Asia. At the end of the first semester of 2019, the foreign business volume stood at 56.4% of the Group's total turnover compared to 58.9% in 2018.

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

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

The Group maintains a backlog amounting to EUR 2,007 million, ensuring its medium and long-term future, both in the execution of work, and in the realisation and provision of services in concession and energy projects.

2.2. Main consolidated figures

Main consolidated figures of Grupo SANJOSE for the first semester of year 2019 (1S-2019) are as follows:

Consolidated Management Balance Sheets

Thousands of euros

	Jun. 19		Dic. 18		
	Amount	%	Amount	%	Var.
Intangible assets	18,378	1.9%	18,079	1.8%	1.6%
Property, plant and equipment	73,426	7.5%	71,033	7.1%	3.4%
Real state investments	10,841	1.1%	10,731	1.1%	1.0%
Investments accounted for using the equity method	45,710	4.7%	40,422	4.1%	13.1%
Long term finantial investments	55,160	5.6%	87,738	8.7%	-37.1%
Deferred taxes assets	34,993	3.6%	36,558	3.7%	-4.3%
Goodwill on consolidation	9,984	1.0%	9,984	1.0%	0.0%
TOTAL NON-CURRENT ASSETS	**248,492**	**25.4%**	**274,545**	**27.6%**	**-9.5%**
Inventories	112,793	11.5%	114,885	11.5%	-1.8%
Trade and other receivables	318,550	32.6%	259,865	26.1%	22.6%
Other short term finantial investments	71,377	7.3%	58,166	5.8%	22.7%
Short-term accruals	4,210	0.4%	4,902	0.5%	-14.1%
Cash and cash equivalents	222,345	22.7%	283,434	28.4%	-21.6%
TOTAL CURRENT ASSETS	**729,275**	**74.6%**	**721,252**	**72.4%**	**1.1%**
TOTAL ASSETS	**977,767**	**100.0%**	**995,797**	**100.0%**	**-1.8%**

Thousands of euros

	Jun. 19		Dic. 18		
	Amount	%	Amount	%	Var.
Equity attributable to shareholders of the parent (*)	97,606	10.0%	81,079	8.1%	20.4%
Minority interest	23,093	2.4%	24,262	2.3%	-4.8%
TOTAL EQUITY (*)	**120,699**	**12.3%**	**105,341**	**10.6%**	**14.6%**
Long term provisions	37,900	3.9%	40,121	4.0%	-5.5%
Long term finantial liabilities	213,899	21.8%	252,084	25.3%	-15.1%
Long term derivative finantial contracts	259	0.0%	351	0.0%	-26.2%
Deferred taxes liabilities	25,376	2.6%	25,635	2.6%	-1.0%
Long-term accruals	883	0.1%	865	0.1%	2.1%
TOTAL NON CURRENT LIABILITIES	**278,317**	**28.5%**	**319,056**	**32.0%**	**-12.8%**
Short term provisions	33,824	3.5%	31,227	3.1%	8.3%
Short term finantial liabilities	60,705	6.2%	65,759	6.6%	-7.7%
Trade accounts and other current payables	484,222	49.5%	474,414	47.7%	2.1%
TOTAL CURRENT LIABILITIES	**578,751**	**59.2%**	**571,400**	**57.5%**	**1.3%**
TOTAL EQUITY & LIABILITIES	**977,767**	**100.0%**	**995,797**	**100.0%**	**-1.8%**

(*) **Management Net Equity**: EUR 113.6 million and EUR 11.4 million have been recorded under this item at 30 June 2019 and 31 December 2018, respectively, as shareholder loan of Grupo Empresarial San José, S.A.

Consolidated Management Income Statements

Thousands of euros

	Grupo SANJOSE				
	Jun. 19		Jun. 18		
	Amount	%	Amount	%	Variac.
Revenue	**440,068**	**100.0%**	**329,878**	**100.0%**	**33.4%**
Other operating income	8,574	1.9%	1,749	0.5%	390.3%
Change in i nventories	2,382	0.5%	57	0.0%	4098.8%
Procurements	-302,986	-68.8%	-214,251	-64.9%	41.4%
Staff costs	-66,652	-15.1%	-53,843	-16.3%	23.8%
Other operating expenses	-52,572	-11.9%	-43,196	-13.1%	21.7%
EBITDA	**28,812**	**6.5%**	**20,393**	**6.2%**	**41.3%**
Amortisation chargue	-5,590	-1.3%	-2,450	-0.7%	128.1%
Imparment on inventories	380	0.1%	58	0.0%	553.3%
Changes in trade provisions and other imparment	-675	-0.2%	3,664	1.1%	--
EBIT	**22,928**	**5.2%**	**21,665**	**6.6%**	**5.8%**
Ordinary finantial results	-3,645	-0.8%	-3,679	-1.1%	-0.9%
Changes in fair value for finantial instruments	22	0.0%	-2	0.0%	--
Foreign exchangue results and others	197	0.0%	1,322	0.4%	-85.1%
NET FINANTIAL RESULT	**-3,425**	**-0.8%**	**-2,359**	**-0.7%**	**45.2%**
Results on equity method	-508	-0.1%	-954	-0.3%	-46.7%
PROFIT BEFORE TAX	**18,995**	**4.3%**	**18,352**	**5.6%**	**3.5%**
Income tax	-4,147	-0.9%	-6,203	-1.9%	-33.2%
CONSOLIDATED PROFIT	**14,848**	**3.4%**	**12,149**	**3.7%**	**22.2%**

Alternative Performance Measures (APM):

In the consolidated financial statements at 30 June 2019, the Group presents its results in accordance with generally accepted accounting standards (IFRS - see Note 2.1 of the accompanying consolidated notes to the year ending on 31 December 2018). However, directors believe that certain alternative performance measures (MARs) reflect the true and fair view of its financial information and provide useful additional financial information used in the management of the business and that shall be considered to adequately assess performance of the group.

Among others, the Group identifies the following APMs:

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

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

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

Turnover:

Net revenue of Grupo SANJOSE for 1S-2019 stands at EUR 440.1 million, experiencing a 33.4% increase compared to the same period of the previous year.

Construction is the main business activity of Group SANJOSE, representing almost 90% total revenue of the Group (85.9% total revenue in 1S-2018); it accounts for 71% total backlog of the Group at the end of the first semester of year 2019.

Recovery of the income figure of the real estate activity is confirmed as a consequence, mainly, of the commissioning of housing units from the residential development Nuevavista in Lima (Peru), contributing in the first half of year 2019 EUR 5.1 million revenue compared to EUR 1.6 million in the same period of the previous year.

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

Thousands of euros

Revenues by activity	Grupo SANJOSE				
	Jun. 19		Jun. 18		Var.(%)
Construction	394,313	89.6%	283,569	85.9%	39.1%
Real estate and property development	5,058	11%	1,624	0.5%	211.5%
Energy	4,799	11%	4,710	14%	1.9%
Concessions and services	24,649	5.6%	24,687	7.5%	-0.2%
Adjustment and other	11,248	2.6%	15,288	4.6%	-26.4%
TOTAL	**440,068**		**329,878**		**33.4%**

Turnover of the Group corresponding to 1S-2019 increases by 33.4% with respect to the same period of the previous year, mainly due to the increase in both, international activity (23.6% increase), and the 43.4% increase in activity in the domestic market.

Thousands of euros

Revenues by geography	Grupo SANJOSE				
	Jun. 19		Jun. 18		Var.(%)
National	233,811	53%	163,053	49%	43.4%
International	206,257	47%	166,825	51%	23.6%
TOTAL	**440,068**		**329,878**		**33.4%**

Profit:

The EBITDA of Grupo SANJOSE for the 1S-2019 amounts to EUR 28.8 million, with a 6.5% margin on net revenue.

EBITDA of the construction activity amounts in the 1S-2019 to EUR 18.4 million, representing 64% total EBITDA of the Group and experimenting a 50.6% increase compared to 1S-2018.

EBITDA breakdown by activity is as follows:

Thousands of euros

EBITDA by activity	Grupo SANJOSE				
	Jun. 19		Jun. 18		Var.(%)
Construction	18,410	64.0%	12,223	60.0%	50.6%
Real estate and property development	634	2.2%	40	0.2%	1499.7%
Energy	1,437	5.0%	1,449	7.1%	-0.8%
Concessions and services	1,768	6.1%	1,524	7.4%	16.0%
Adjustment and other	6,563	22.8%	5,158	25.3%	27.2%
TOTAL	**28,812**		**20,393**		**41.3%**

EBIT of Grupo SANJOSE for 1S-2019 amounts to EUR 22.9 million, representing a 5.2% margin on net revenue and experimenting a 5.8% increase with regards to the same period of the previous year.

Profit after tax of Grupo SANJOSE for 1S-2019 amounts to EUR 14.8 million, what involves a 22.2% increase with regards to the same period of year 2018.

Backlog

Grupo SANJOSE's backlog, indicating the business contracted in the future by the Group, amounts to EUR 2,007 million as of 30 June 2019, the detail being as follows:

Millions of euros

BACKLOG by segment	Grupo SANJOSE Jun. 19		Dic. 18		Var.(%)
Construction	**1,421**	**71%**	**1,334**	**70%**	**6.5%**
Civil works	245	12.2%	169	8.9%	45.2%
Non residential building	775	38.5%	829	43.4%	-6.6%
Residential building	392	19.5%	331	17.4%	18.3%
Industrial	9	0.4%	5	0.4%	81.0%
Energy	**396**	**20%**	**395**	**20%**	**0.4%**
Concessions and services	**190**	**9%**	**187**	**10%**	**1.3%**
Maintenance	25	1.2%	18	1%	37.5%
Concessions	165	7.9%	169	9%	-2.5%
TOTAL BACKLOG	**2,007**	**100%**	**1,916**	**100%**	**4.7%**

Millions of euros

BACKLOG by geography	Grupo SANJOSE Jun. 19		Dic. 18		Var.(%)
National	**1,173**	**58%**	**1,098**	**57%**	**6.8%**
International	**834**	**42%**	**818**	**43%**	**2.0%**
TOTAL BACKLOG	**2,007**		**1,916**		**4.7%**

Millions of euros

BACKLOG by client	Grupo SANJOSE Jun. 19		Dic. 18		Var.(%)
Public client	**802**	**40%**	**820**	**43%**	**-2.1%**
Private client	**1,205**	**60%**	**1,096**	**57%**	**10.0%**
TOTAL BACKLOG	**2,007**		**1,916**		**4.7%**

At 30 June 2019, project backlog amounts to EUR 2007 million, what represents a 4.7% increase with regards to year 2018.

Construction backlog, main activity of the Group, represents 71% total backlog and records a 6.5% increase for the period, amounting to EUR 1,421 million.

2.3. Performance by sector

a) Construction

This line of activity has generated revenue for EUR 394.3 million during 1S- 2019 and EBITDA for the period stands at EUR 18.4 million, what represent a 39.1% and 50.6% increase compared to figures recorded in 1S-2018.

Profit before tax of Grupo SANJOSE for 1S-2019 stands at EUR 14.4 million, experiencing a 51.4% increase compared to the same period of the previous year.

At the end of 1S-2019, construction backlog amounts to EUR 1,421 million, experimenting a 6.5% increase with regards to contracted backlog at the end of year 2018 (EUR 1,334 million).

Thousands of euros

CONSTRUCTION	Grupo SANJOSE Jun. 19	Jun. 18	Var.(%)
Revenue	394,313	283,569	39.1%
Earnings before interest, taxes, D&A (EBITDA)	18,410	12,223	50.6%
EBITDA margin	4.7%	4.3%	
Earnings before interest and taxes (EBIT)	14,024	12,075	16.1%
EBIT margin	3.6%	4.3%	
Earnings before tax	14,379	9,499	51.4%

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

Thousands of euros

DETAIL OF CONSTRUCTION REVENUES	National		Internac.		Total	
Civil works	35,686	17.2%	26,726	14.3%	62,412	15.8%
Non residential building	104,631	50.3%	102,161	54.7%	206,792	52.4%
Residential building	63,717	30.6%	57,462	30.6%	121,178	30.7%
Industrial	3,861	1.9%	55	0.0%	3,916	1.0%
Others	15	0.0%	0	0.0%	15	0.0%
TOTAL	**207,909**	**53%**	**186,404**	**47%**	**394,313**	

International construction revenue for the first half of the year 2019 stands at EUR 186.4 million, with a 24.5% increase compared to the data recorded in the same period of the previous year, and it accounts for 47% of the total of this line of activity.

Domestic sales stand at EUR 208.0 million versus the EUR 133.9 million recorded for the same period of the previous year, recording a 55.3% increase. Domestic sales contribute 53% of the total line of activity.

b) Real estate

During this first semester of 2019, the commissioning of housings units of the residential development "Condominio Nuevavista" in Lima, Peru, which includes the construction of a total of 1,104 homes, distributed in 10 buildings, has begun.

Stage I has started to be delivered to final clients as of the second quarter of 2019. Stages II and III are currently in execution. Stage II has a high trading level and it is expected to be commissioned by the last quarter of 2019, with an equally very positive level on trading of Stage III.

The progressive delivery of housing units of stages I and II during 2019, the completion of works of stage III will allow the Group to gradually recover billing figures and EBITDA obtained in previous periods in this line of activity.

In the first half of 2019, the Group has obtained a turnover for real estate activity that stands at EUR 5.1 million, compared to EUR 1.6 million in the same period of the previous year.

Thousands of euros

REAL ESTATE AND PROPERTY DEVELOPMENT	Grupo SANJOSE		
	Jun. 19	Jun. 18	Var.(%)
Revenue	5,058	1,624	211.5%
Earnings before interest, taxes, D&A (EBITDA)	634	40	1499.7%
EBITDA margin	12.5%	2.4%	
Earnings before interest and taxes (EBIT)	542	12	4505.2%
EBIT margin	10.7%	0.7%	
Earnings before tax	-328	556	--

c) Energy

Revenue for 1S-2019 stands at EUR 4.8 million and EBITDA stands at EUR 1.4 million, representing a 29.9% margin on sales, following the trend of previous periods.

Grupo SANJOSE has a total contract backlog for this line of activity amounting to EUR 396 million for the first half of year 2019, which shall be translated as more activity of the group during a period of 25 years.

In addition to normal operation and exploitation of contracts in force, Grupo SANJOSE carries out regular reviews which may impact on the backlog of this line due to regulatory amendments and the demand and occupation rates expected.

Thousands of euros

ENERGY	Grupo SANJOSE		
	Jun. 19	Jun. 18	Var.(%)
Revenue	4,799	4,710	1.9%
Earnings before interest, taxes, D&A (EBITDA)	1,437	1,449	-0.8%
EBITDA margin	29.9%	30.8%	
Earnings before interest and taxes (EBIT)	810	707	14.6%
EBIT margin	16.9%	15.0%	
Earnings before tax	589	433	36.2%

d) Concessions and Services

Revenue for 1S-2019 stands at EUR 24.7 million, equalling levels achieved one year in advance, and EBITDA increases by 16%, amounting to EUR 1.8 million, representing a 7.2% margin on sales (6.2% in 1S-2018).

Profit before tax for 1S-2019 stands at EUR 3.2 million.

At the closing of 1S-2019, contract backlog of this line of activity amounted to EUR 190 million.

Thousands of euros

CONCESSIONS AND SERVICES	Grupo SANJOSE Jun. 19	Jun. 18	Var.(%)
Revenue	24,649	24,687	-0.2%
Earnings before interest, taxes, D&A (EBITDA)	1,768	1,524	16.0%
EBITDA margin	7.2%	6.2%	
Earnings before interest and taxes (EBIT)	1,428	1,182	20.8%
EBIT margin	5.8%	4.8%	
Earnings before tax	3,166	3,312	-4.4%

2.4. Average payment term to suppliers

During the first half of 2019, no significant variations have taken place in the average payment term to suppliers. During year 2018, the Group has paid supplies within an average term of 44 days upon the provision of services. This figure is within the average legal period established by law 15/2010 which is 30 days, extended to 60 days in those cases with agreements between the parties.

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

3. Liquidity and capital resources

Liquidity

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

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

During the first half of year 2019, net position has changes as follows:

Thousands of euros

NET CASH POSITION	Jun. 19 Amount	%	Dic. 18 Amount	%	Var.
Other short term finantial investments	71,377	24.3%	58,166	17.0%	22.7%
Cash and cash equivalents	222,345	75.7%	283,434	83.0%	-21.6%
Total cash	**293,722**	**100%**	**341,600**	**100%**	**-14.0%**
Long term finantial liabilities (*)	213,899	77.8%	252,084	79.2%	-15.1%
Long term derivative finantial contracts	259	0.1%	351	0.1%	-26.2%
Short term finantial liabilities	60,705	22.1%	65,759	20.7%	-7.7%
Total debt	**274,863**	**100%**	**318,194**	**100%**	**-13.6%**
TOTAL NCP	**18,859**		**23,406**		**-19.4%**

Net cash position at 1S-2019 amounts to EUR 18.9 million compared to EUR 23.4 million at 31 December 2018.

Financial debt also includes the financing of project finance without recourse for a total value of EUR 75.9 million at 30 June 2019.

Capital resources

The Group estimates that during year 2019 the execution of the warrants currently issued by the parent company will be carried out and, consequently, the current financial creditors will proceed to capitalise the full amount of the financial debt, which as of 30 June 2019 and 31 December 2018 amounts to EUR 113.6 million and EUR 111.4 million.

Further, The Company does not expect any material change in its structure, including equity and debt, or the relative cost of capital resources during year 2019. On the other hand, since the objective of the entity goes through trying to reduce debt this will mean a decrease in the proportion of the same on equity.

Future contractual obligations

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

4. Main risks and uncertainties

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

Operational risks

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

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

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

Financial risks

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

- **Interest rate risk:** This is the main risk which the Group is exposed to as a result of the bank borrowings described in the notes to the consolidated financial statements. Further, the Financial Management of

Grupo SANJOSE in order to minimise exposure to this risk has arranged cash flow hedges to protect the Company against foreseeable interest rate increases in the future.

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

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

- **Liquidity risk:** dealt with on Note 3 of this report herein.

5. Events after the reporting period

At July 29, 2019, the plenary session of the Madrid City Council has provisionally approved unanimously the urban development project named "Madrid Nuevo Norte", which will be developed by the company "Distrito Castellana Norte, S.A.", in which the Group participates in a 24,46%, which closes the last municipal administrative process of the planning phase, pending final approval, on which the Community of Madrid must pronounce in the next 4 months.

Additionaly, there are not significant events after 30 June 2019 that could have any impact on the accompanying directors' report.

6. Future outlook

The change of trend in the economic cycle of Spain during the last years, together with the growth forecasts for 2019 and 2020, suggests that the domestic economy will maintain in 2018 the path of recovery initiated in the last year, within a framework of global growth.

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

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

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

In recent years, the Group has been increasing and consolidating, not only the activity figure, but also the portfolio figure, standing at 30 June 2019 at a total of EUR 2,007 million.

The Group has a diversified backlog, in terms of business/activity and geographic location of projects, what means stability is assured, foreseeing to maintain the average size of the projects, trying to take advantage of public bidding opportunities, both in national territory and in foreign countries, especially in those in which it has presence and expertise.

It is not estimated, based on the information available to date, that the Company will face situations of risk and / or uncertainty substantially different from those of the year 2018 and the first half of year 2019..

7. R&D&I Activities

Grupo SANJOSE, aware of the importance that represent the activities of Research, Development and Innovation for competitiveness and business success, develops and collaborates in R &D&I trying to offer innovative technical solutions that meet the demands and needs of its customers. In order to facilitate the detection of opportunities, generating innovative ideas and the development of R&D activities, a R&D Management System following the guidelines set out in the standard UNE 166002 and having obtained the AENOR recognition through certification in the following companies has been implemented:

R&D&i issues are widely developed in the non-financial information and diversity Report of Grupo Empresarial San José, S.A. and subsidiaries for the year ending 31 December 2018, prepared by the Group and accompanying the consolidated financial statements for the year ending 31 December 2018.

8. Treasury share transactions

Grupo SANJOSE did not have treasury shares at 30 June 2019 and 31 December 2018 nor had it carried out transactions involving treasury shares during said periods.

9. Other Information of Interest

Stock exchange information

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

	2019 hasta el 25/07	2018
Capitalización * *(Miles de Euros)*	562.476	299.120
Nº de acciones *(x 1.000)*	65.026	65.026
Precio cierre período *(euros)*	8,6500	4,6000
Último precio período *(euros)*	8,6500	4,6000
Precio máximo período *(euros)*	9,3300	6,0900
Precio mínimo período *(euros)*	4,5850	3,2400
Volumen *(miles de acciones)*	28.628	33.614
Efectivo *(miles de euros)*	201.047	149.386

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

source: Bolsas y Mercado Españoles (BMEX)

Dividend policy

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

Proposed distribution of profit

The Directors of the Parent Company will propose the AGM the application of the EUR 490 thousand profit to offset any losses from previous years, having been approved by the AGM on 27 june 2019.

10. Non-Financial Information

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

DIRECTORS' SIGNATURES

The Consolidated Condensed Financial Statements for the six-month term ending on 30 June 2019 of “Grupo Empresarial San José, S.A. and Subsidiaries”, comprising the consolidated condensed balance sheet at 30 June 2019, the income statement, the statement of changes in equity and the consolidated condensed cash flow statement, as well as Notes to the same, for the six-month term ending on 30 June 2019, and the accompanying Consolidated Directors' Report, issued on 59 sheets of regular paper on one side only, have been prepared by the Board of Directors of “Grupo Empresarial San José, S.A.” on 30 July 2019.

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

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

In witness whereof, the Board of Directors sign herein.

Mr. Jacinto Rey González

Mr. Jacinto Rey Laredo

Mr. Sunil Kanoira

Mr. Enrique Martín Rey

Ms. Altina de Fátima Sebastián González

Mr. Ramón Barral Andrade

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

Mr. José Manuel Otero Novas

Mr. Roberto Alvarez Álvarez

Mr. Javier Rey Laredo

Mr. Nasser Homaid Salem Ali Alderei

Mr. Guillermo E.Nielsen

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

The Board Members Mr. Jacinto Rey González and Mr. Javier Rey Laredo and have attended the meeting of the Board online through videoconference.

The Secretary to the Board of Directors

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