

Grupo Empresarial San José, S.A.

**Financial Statements
for the year ended
31 December 2021 and
Directors' Report,
together with Independent Auditor's
Report**

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

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Grupo Empresarial San José, S.A. (the Company), which comprise the balance sheet as at 31 December 2021, and the income statement, statement of changes in equity, cash flows statement and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2021, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2-a to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

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

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

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

Key Audit Matters

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

Impairment of ownership interests in Group companies and associates

Description

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

The measurement of these ownership interests requires the use of significant judgements and estimates by Company management, which considers that the best evidence of the recoverable amount of these ownership interests is the value of the consolidated equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement.

As a result of the foregoing, as well as the significance of the investments held, which amounted to EUR 123 million at year-end and for which an accumulated impairment loss of EUR 21 million has been recognised at that same date, we considered the situation described to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures consisted of obtaining and analysing the conclusions prepared by Company management in relation to the existence of impairment losses on the aforementioned ownership interests, verifying their clerical accuracy and the adequacy of the valuation method used in relation to the investment held and verifying that it met the requirements of the applicable regulations. For this purpose, we checked the underlying carrying amount of the investees and the related unrealised gains.

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

Other information: Directors' Report

The Other information comprises only the directors' report for 2021, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the directors' report, in accordance with the audit regulations in force, consists of:

- a) Solely checking that certain information included in the Annual Corporate Governance Report and the Annual Directors' Remuneration Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) Evaluating and reporting on whether the other information included in the directors' report is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the directors' report was consistent with that contained in the financial statements for 2021 and its content and presentation were in conformity with the applicable regulations.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital file in European Single Electronic Format (ESEF) of Grupo Empresarial San José, S.A. for 2021, which comprise the XHTML file including the financial statements for 2021, which will form part of the annual financial report.

The directors of Grupo Empresarial San José, S.A. are responsible for presenting the annual financial report for 2021 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation"). For these purposes, the Annual Corporate Governance Report and the Annual Directors' Remuneration Report were included by reference in the directors' report.

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

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

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 24 February 2022.

Engagement Period

The Annual General Meeting held on 30 March 2021 appointed us as auditors for a period of one year from the year ended 31 December 2020.

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

DELOITTE, S.L.

Registered in ROAC under no. 50692



Pedro Luis Hernando

Registered in ROAC under no. 21.339

24 February 2022

Appendix to our auditor's report

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Grupo Empresarial San José, S.A.

Financial Statements for the year ended
31 December 2021
and Directors' Report.

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

GRUPO EMPRESARIAL SAN JOSÉ, S.A.
BALANCE SHEET AS DECEMBER 31ST 2021 AND DECEMBER 31ST 2020

(Thousand of Euros)

	Note	31/12/2021	31/12/2020		Note	31/12/2021	31/12/2020
NON-CURRENT ASSETS:				EQUITY:			
Intangible assets	5	2,442	3,050	Share capital		1,951	1,951
Property, plant and equipment	6	404	404	Reserves		45,069	5,783
Investments in associates and joint ventures	7	104,834	104,918	Legal and statutory		390	390
Equity Investments in associates		101,920	102,004	Otras reserves		44,679	5,393
Loans to related companies	7 y 13.2	2,914	2,914	Profit for the year		2,964	45,789
Other non-current financial assets	7.1	45	85	TOTAL EQUITY	8	49,984	53,523
Deferred tax assets	11.3	11,265	23,363				
TOTAL NON-CURRENT ASSETS		118,990	131,820	NON-CURRENT LIABILITIES			
				Long-term provisions	9.1	4,091	5,091
				Non-current bank borrowings	13.2	66,672	66,698
				Deferred tax liabilities	11.3	2,285	13,680
				TOTAL NON-CURRENT LIABILITIES		73,048	85,469
				CURRENT LIABILITIES:			
CURRENT ASSETS:				Short-term provisions	9.2	545	545
Trade and other receivables		13,487	20,963	Current bank borrowings	10.1	87	87
Related companies receivables	7.1 y 13.2	2,919	5,105	Payable to Group and associated companies	10.1 y 13.2	23,253	25,228
Other current assets		51	52	Trade and other payables	10.1	5,687	4,434
Public admisnitrations	11.1	10,517	15,806	Trade payables		132	269
Investments in associates and joint ventures	7.1 y 13.2	18,436	16,451	Suppliers Group and associated companies	13.2	531	487
Cash and cash equivalents	7.3	1,691	52	Staff, remuneration payable		2,832	2,837
				Tax Payable	11.1	2,192	841
TOTAL CURRENT ASSETS		33,614	37,466	TOTAL CURRENT LIABILITIES		29,572	30,294
TOTAL ASSETS		152,604	169,286	TOTAL EQUITY AND LIABILITIES		152,604	169,286

Notes 1 to 16 of the accompanying notes form an integral part of the Balance Sheet at 31 December 2021.

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

INCOME STATEMENTS FOR YEARS 2021 AND 2020

(Thousand of Euros)

	Note	31/12/2021	31/12/2020
<u>CONTINUING OPERATIONS</u>			
Revenue	12.1	1,664	50,981
Other operating income	12.1	18,372	21,281
Staff costs		(8,169)	(9,106)
Wages and salaries		(6,997)	(7,914)
Social charges	12.2	(1,172)	(1,192)
Other operating expenses		(5,639)	(5,861)
Outside services	12.4	(5,593)	(5,688)
Tributes		(15)	(110)
Other operating expenses		(31)	(63)
Depreciation and amortisation charge	5 y 6	(616)	(619)
Impairment and result from disposal of fixed assets		-	1
PROFIT FROM OPERATIONS		5,612	56,677
Finance income		1	1
In third	12.5	1	1
Finance costs		(2,145)	(3,678)
On debts to Group companies and associates	13.1	(2,140)	(3,658)
On debts to third parties		(5)	(20)
Exchange differences		65	-
Impairment and gains or losses on disposal of financial instruments	7.1	(84)	(1,310)
FINANCIAL PROFIT		(2,163)	(4,987)
PROFIT (LOSS) BEFORE TAXES		3,449	51,690
Income Tax	11.2	(485)	(5,901)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		2,964	45,789
PROFITS / (LOSSES) OF THE YEAR		2,964	45,789

Notes 1 to 16 of the accompanying notes form an integral part of the income statement at 31 December 2021

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR PERIOD ENDED AT DECEMBER 2021 AND 2020

A) STATEMENTS OF RECOGNISED INCOMES AND EXPENSES

(Thousand of Euros)

	Note	Year 2021	Year 2020
PROFITS/(LOSSES) OF THE YEAR		2,964	45,789
Income and expenses recognised directly in equity			
-For cash flow hedges		-	-
-Tax effect		-	-
Total Income and expenses recognized directly in equity		-	-
Transfer to income statement			
-For cash flow hedges		-	-
-Tax effect		-	-
Total Transfers to profits and losses account		-	-
TOTAL RECOGNISED INCOMES/(EXPENSES)		2,964	45,789

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR PERIOD ENDED AT DECEMBER 2021 AND 2020

B) STATEMENTS OF CHANGES IN EQUITY

(Thousand of Euros)

	Note	Share capital	Issurance premium	Legal reserve	Voluntary reserves	Negat. results previous years	Profit of the year	TOTAL
Balance at December 31, 2019		1,951	155,578	263	167,149	(364,148)	53,444	14,237
Distribution of profit for year 2019:								
-To negative results from previous years		-	(155,578)	-	(161,756)	364,148	(46,814)	-
-To reserves		-	-	127	-	-	(127)	-
-To dividends		-	-	-	-	-	(6,503)	(6,503)
Total recognized income/expenses year 2020		-	-	-	-	-	45,789	45,789
Balance at December 31, 2020		1,951	-	390	5,393	-	45,789	53,523
Distribution of profit for year 2020:								
-To reserves		-	-	-	39,286	-	(39,286)	-
-To dividends		-	-	-	-	-	(6,503)	(6,503)
Total recognized income/expenses year 2021		-	-	-	-	-	2,964	2,964
Balance at December 31, 2021		1,951	-	390	44,679	-	2,964	49,984

Notes 1 to 16 of the accompanying notes form an integral part of the statement of changes in equity at 31 December 2021.

GRUPO EMPRESARIAL SAN JOSÉ, S.A.

CASH FLOW STATEMENTS FOR YEARS 2021 AND 2020

(Thousands of Euros)

	Note	Year 2021	Year 2020
Cash flows from operating activities:			
(+) Profit (Loss) before tax		3,449	51,690
(+) Depreciation and amortisation charge		616	619
(-) Financial income		(1)	(50,982)
(+) Financial costs		2,145	3,678
(+/-) Exchange differences		(65)	-
(+/-) Impairment and gains and losses on property, plant and equipment disposals		-	(1)
(+/-) Result of changes in value of financial instruments		84	1,310
Total Cash Flows from operating activities		6,228	6,314
Other adjustments			
(-) Income tax paid in the year		16,927	(4,832)
(+/-) (Increase) / Decrease in working capital		(8,204)	5,900
(+/-) Other collections / (payments) due to operating activities		2,197	(2,197)
1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES		17,148	5,185
Investments:			
(-) Intangible assets		-	-
(+) Property, plant and equipment		(8)	(6)
(-) Shares and other financial assets		(1,000)	(250)
Total Investments		(1,008)	(256)
Dividends received		1,500	50,867
Disposals:			
(+) Intangible assets		-	6
(+) Property, plant and equipment		-	(5)
(+) Shares and other financial assets		40	12
Total Disposals		40	13
Other collections / (payments) due to financing activities		(2,861)	(659)
2. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES		(2,329)	49,965
Dividends paid		(6,503)	(6,503)
Increase / (decrease) in borrowings		(5,021)	(48,629)
Non-current		(1,701)	(22,154)
Current		(3,320)	(26,475)
a) Short term debt		-	-
b) Short term debt with Group companies		(3,320)	(26,475)
Net interests:		(1,656)	(18)
Received		(1,645)	1
Paid		(11)	(19)
Other collections / (payments) due to financial activities		-	5
3. TOTAL NET CASH FLOWS FROM FINANCIAL ACTIVITIES		(13,180)	(55,145)
TOTAL CASH FLOWS FOR THE YEAR		1,639	5
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		52	47
Changes in the year		1,639	5
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,691	52

Notes 1 to 16 of the accompanying notes form an integral part of the Cash Flow Statement for year 2021.

Grupo Empresarial San José, S.A.

Notes for the year ended 31 December 2021

1 Incorporation, legal framework and business activities

a) Incorporation

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

At the Ordinary and Extraordinary General Shareholders Meeting of the Company held on 17 June 2008, it was agreed to change the corporate name into that of "Grupo Empresarial San Jose S.A.", which was duly formalised by means of a public deed dated 17 July 2009.

The Parent is registered in the Trade Register of Pontevedra on sheet 88 of the Companies book 586, entry no. 1 on page no. 8119. Holder of VAT identification number A-36.046.993.

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

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

b) Legal framework

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

c) Activities

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

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

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

The Company's functional currency is the Euro.

2 Basis of presentation of the Financial Statements

a) Legal framework

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

- i) Code of Mercantile Law and similar.
- ii) Accounting Standard approved by Royal Decree 1514/2007 dated 16 November and adaptation for activity sectors.

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

iv) Applicable Spanish regulation on the issue.

b) Fair view

These financial statements were prepared from the accounting records of the Company and are prepared in accordance with the accounting principles and rules in force, so that they show a true and exact image of the equity and financial situation of the company, changes in equity and cash flows occurred within the year. These financial statements, which were prepared by Directors of the company, will be subject to approval at the Shareholders' General Meeting are year. expected to be approved without any changes. As far as they are concerned, the financial statements for year 2020 were approved by the Ordinary General meeting of Shareholders held on 30 March 2021, and recorded at the Trade Registry of Pontevedra.

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

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

- The assessment of potential impairment losses of certain assets (see Notes 4.c and 4.d).
- The useful life of the intangible assets, materials and goodwill (see Notes 4.a and 4. b).
- The number of certain provisions (see Note 4.h and 4.i).
- The assessment of credit recovery feasibility (see Notes 4.f and 11.3).
- Management of financial risk (Note 7.4)
- COVID-19 (Nota 2.k)

These estimations have based prepared based on the best information available at the end of year 2021. Yet, due to its nature, future events may lead to its subsequent amendment (upwards or downwards) in future years, what would be done prospectively.

d) Non-compulsory accounting principles applied

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

e) Associated items

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

f) Comparative information

Information recorded on the financial statements for year 2020 is provided for comparison purposes only with that provided for the year ended 31 December 2021.

g) Working capital and assets

As shown in the accompanying balance sheet as of 31 December 2021 the Company has at said date a positive working capital amounting to EUR 4,042 thousand (EUR 7,172 thousand at 31 December 2020) as current assets are greater than current liabilities.

The Company records under current liabilities the debt with Group companies, derived from the existence of current account financing agreements with subsidiaries, as well as the fact that the Company is the parent of a Tax Group that amounts at 31 December 2021 to EUR 23,253 thousand (EUR 25,228 thousand at 31 December 2020) (see Notes 4.f and 13.2). Directors of the Company do not expect difficulties to face payments of debts at maturity dates.

At 31 December 2021 and 2020, the Company records a positive net equity amounting to EUR 49,984 thousand and EUR 53,523 thousand, respectively.

h) Consolidation

The Company is head of the group of dependent companies and associated (see Note 7.2), which issue separate financial statements. Consolidated financial statements for year 2021 have been prepared by the Directors of the Company, as well as the accompanying statements, in compliance with International Financial Regulations and Standards as adopted by the UE, the EC No 1606/2002 (hereinafter, "NIIF-UE"). Financial statements for year ended 31 December 2020 were approved on at the Annual General Meeting held on 30 March 2021 and registered at the Trade Register of Companies of Pontevedra

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

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

	Thousand of Euros
Share capital and issuance rights	1,951
Reserves and equity attributed to the Parent	137,615
Net profit/(loss) for the year attributable to the Parent	12,099
Total assets	933,070
Turnover	927,687

i) Changes in the accounting criteria

On 12 January 2021, R.D. 1/2021 on the amendment of the General Accounting Plan - affecting the Company, was released. Main changes refer to the rules for recording and valuation of financial instruments and income.

Financial Instruments

As of 1 January, 2021, the new classification and valuation criteria for financial instruments provided for within the framework of RD 1/2021 are applicable, which are included in Note 4.d, and represent a modification with respect to those applied in previous years.

Following the rules contained in section 6 of the second transitory provision, the Company has decided to apply the new criteria prospectively, considering for the purposes of classifying financial assets the facts and circumstances existing at 1 January, 2021, the date of initial application Comparative information has not been adapted to the new valuation criteria; Albeit, the book values have been adjusted to the new presentation criteria.

The following table includes a reconciliation as of 1 January, 2021 for each class of financial assets between the initial valuation category with the corresponding carrying amount determined in accordance with the previous regulations and the new valuation category with its carrying amount determined pursuant to new criteria:

	Thousand of Euros				
	Book Value Financial Statements 31/12/2020	Classification according to new criteria 01/01/2021			
		Amortized cost	FV with changes in net worth	FV with changes in P&L	Cost
- Investments in the assets of associates and joint ventures	102,004	-	-	-	102,004
- Investments in associates and joint ventures	2,014	2,014	-	-	-
- Loans to related companies with contingent interest	900	-	-	-	900
- Other current assets	85	85	-	-	-
Total long-term financial investments	105,003	2,099	-	-	102,904
- Investments in associates and joint ventures	16,451	16,451	-	-	-
Total short-term financial investments	16,451	16,451	-	-	-
- Related companies receivables	5,105	5,105	-	-	-
- Other debtors	52	52	-	-	-
Total Debtors and other accounts receivable	5,157	5,157	-	-	-

No valuation impacts have been recorded as a result of the application of the new criteria established in RD 1/2021 for financial instruments.

Income

Although with some difference of little relevance to the Company, the income recognition methodology of the International Financial Reporting Standard (IFRS) 15 is generally adopted (see Note 4.g), which is already being applied in the preparation of it the Company's consolidated financial statements. Given the nature of its activities, the application of the aforementioned standard has not had an impact on the accompanying financial statements.

Further, during year 2021 no significant changes have been applied compared to those applied in year 2020.

j) Correction of errors

In the preparation of the accompanying financial statements, no significant errors leading to restatement of the amounts included under financial statements for the year ended 31 December 2020 have been recorded.

k) COVID-19

On 11 March 2020, the World Health Organisation elevated the public health emergency situation caused by the SARS-CoV-2 virus (COVID19) to an international pandemic.

The Government of Spain declared the state of alarm by publishing Royal Decree 463/2020 as of 14 March, and subsequently through Royal Decree-Law 926/2020, as of 25 October. The State of Alarm came to an end on 9 May 2021. Be what as it may, the current situation regarding the health crisis (epidemiological levels, progress in the vaccination process, gradual relaxation of restrictions, etc.) not so much in Spain where the outlook is positive, but rather in the other countries where the Group operates, invites us to remain cautious. The economic outlook for 2022 continues to be highly conditioned by uncertainty about the time horizon necessary to fully overcome the health crisis, as well as by the recovery measures established by the governments of the different countries.

The Company, together with Grupo SANJOSE, has followed and analysed the situation and its evolution in order to apply the appropriate contingency plans, always within the framework of the recommendations established by the health authorities, having as a priority objective to guarantee the safety of employees and all those who may have a relationship with the Group, as well as to ensure the continuity of activities in a situation of maximum normality under the current context.

Due to the Group's diversification in activity and geography, the impact has been limited, mainly reflecting a reduction in activity and margins with respect to expectations. However, the scale of the economic measures adopted by the governments, as well as the potential reactivation measures that are envisaged, has led to the need to act on the main estimates contemplated in the preparation of the financial statements for year 2021, as well as in these explanatory notes. Specifically, the fair value of the main assets recorded in the balance sheet

(equity instruments and loans to Group companies, goodwill and deferred tax assets) has been reviewed, not revealing the need to record additional impairments.

The Company, and in general the different subsidiary companies that make up Grupo SANJOSE, have a very positive financial and equity situation. Additionally, working capital financing lines contracted at Group level have not been fully drawn down. Until now, and without being contemplated in future forecasts, the pandemic has not had a negative effect on the financial situation of the Company or the Group which it is a part of. Likewise, liquidity stress situations have not been foreseen, even in negative evolution scenarios.

J) Assets of environmental nature

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

Grupo SANJOSE, which the Company is head of the Group, considers the preservation of the environment and sustainable development as fundamental premises within its strategic lines of business. Due to the type of activity carried out by the Group Companies, as well as the concern and awareness measures carried out internally to minimize the possible environmental impact, the Group, and in particular the head Company, has no expenses, assets, nor provisions and contingencies of an environmental nature that could be significant in relation to net worth, the financial situation and its results (see Note 15).

3 Distribution of profit/(loss)

Directors of the Company will propose the AGM the distribution of EUR 2,964 thousand profit for year 2021 according to the following breakdown:

	Thousands of euros
Distribution base:	
Current year profit	2,964
Distribution:	
To other reserves	2,964

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

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

4 Accounting principles and measurement basis

Main accounting principles and measurements used in the preparation of the accompanying financial statements for year 2021 and 2020 pursuant to Spanish National Chart of Accounts are as follows:

a) Intangible assets

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

Goodwill:

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

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

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

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

Computer software:

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

b) Property, plant and equipment

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

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

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

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

c) Asset impairment

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

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

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

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

In the event that an impairment loss is recognized for a cash-generating unit to which all or part of a goodwill has been allotted, the carrying amount of the goodwill corresponding to that unit is reduced first. If the

impairment exceeds the amount of this, secondly, in proportion to its value in books, the other assets of the cash-generating unit are reduced, up to the limit of the greater of the following: its fair value less costs of sale, its value in use or zero

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

d) Financial assets

Classification

Financial assets are classified into the following categories:

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

Overall, it includes:

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

Companies of the Group are those managed and/or controlled directly or through their management by the Company itself. In addition to this, multi-group companies include those companies incorporated by means of an agreement and which imply joint management, by the partners.

Initial recognition

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

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

Subsequent recognition

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

Financial assets at cost are valued at their cost, deducting any applicable cumulative sum of valuation corrections through impairment deducted. These corrections are calculated as the difference between the book value and the recoverable sum, the latter understood as whichever is the greater of the fair value less the costs of sale and the current value of the future cash flows derived from the investment. Unless there is better evidence of the recoverable amount, net equity of the investee company is taken into account, corrected for tacit capital gains existing on the valuation date.

Impairment

Financial assets at amortised cost or at cost are subject to an impairment test at the end of each reporting period. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the difference. Impairment is charged to the income statement.

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

The Company recognises the derecognising of financial assets when they expire or whenever cash flow rights over the financial assets have been transferred together with the inherent risks, such as profits through sale of assets, factoring credit transfers, sale of assets with put option at fair value or financial assets lacking on behalf of the Company subordinated financing or any collateral or risk.

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

Interest and dividends from financial assets:

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

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

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

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

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

e) Financial Liabilities

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

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

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

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

f) Income tax

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

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

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

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

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

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

At 31 December 2021, the following SANJOSE group companies filed consolidated tax returns, acting "Grupo Empresarial San Jose, S.A." as the head of the consolidated tax group:

Constructora San José, S.A.
Cartuja Inmobiliaria, S.A.U.
Desarrollos Urbanísticos Udra, S.A.U.
Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U.
Tecnocontrol Instalaciones, S.L.U.
Tecnocontrol Sistemas de Seguridad, S.A.U.
Tecnocontrol Servicios, S.A.U.
Basket King, S.A.U.
Arserex, S.A.U.
Comercial Udra, S.A.U.
Udramedios, S.A.U.
Cadena de Tiendas, S.A.U.
Trendy King, S.A.U.
Outdoor King, S.A.U.
Athletic King, S.A.U.
Vision King S.A.U.
Running King, S.A.U.
Enerxías Renovables de Galicia, S.A.
Xornal de Galicia, S.A.U.
San José Concesiones y Servicios, S.A.U.
San José Energía y Medioambiente, S.A.U.
Poligeneració Parc de L´Alba ST-4, S.A.
Xornal Galinet, S.A.U.
GSJ Solutions, S.L.U.
Fotovoltaica el Gallo 10, S.L.

g) Revenue and expenditure

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

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

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

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

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

h) Provisions and contingencies

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

- a) Provisions: credit balances covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the companies, which is certain as to its nature but uncertain as to its amount and/or timing.
- b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies.

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

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

As of 31 December 2021, the Company has recorded provisions for risks and expenses, which are intended to cover possible contingencies arising from the holding of financial investments (see Note 9.1).

i) Termination benefits

In accordance with current legislation, the Company is obliged to pay compensation to those employees who, under certain circumstances, have their employment contracts terminated. Compensation for redundancy liable to objective quantification is registered as an expense for the financial year in which the decision concerning the redundancy is taken. At 31 December 2021, the company has not recorded any entry for this item.

j) Transactions with associates

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

k) Treasury shares

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

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

As 31 December 2021 and 2020, the Company does not hold treasury shares. Likewise, no transactions involving treasury shares were carried out during years 2021 and 2020 (see Note 8.5).

l) Classification of current assets and liabilities

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

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

m) Cash flow statement

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

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of the Group and other activities than investing or financing.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

5 Intangible assets

Breakdown of this item for years 2021 and 2020 is as follows:

Year 2021:

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

Year 2020:

	Thousand of Euros			
	Balance 31/12/2019	Additions / (Provisions)	Disposals	Balance 31/12/2020
Cost:				
Goodwill	6,095	-	-	6,095
Computer software	150	1	(5)	146
Total Cost	6,245	1	(5)	6,241
Accumulated amortisation:				
Goodwill	(2,439)	(610)	-	(3,049)
Computer software	(144)	(3)	5	(142)
Total Accumulated Amortisation	(2,583)	(613)	5	(3,191)
Net cost	3,662	(612)	-	3,050

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

In order to proceed with its amortisation, the Company estimates a 10-year useful life, and a linear recovery according to a prospective approach, as of 1 January 2016. Further, the directors of the Company carry out regular reviews of the recovery of these assets, according to expected flows pursuant to the business plan of the Group. At 31 December 2021, no impairment is recorded under this item.

The cost of the assets fully amortised at 31 December 2021 and 2020 amounts to EUR 144 thousand and EUR 136 thousand, respectively

6 Property, plant and equipment

Breakdown of this item for years 2021 and 2020 is as follows:

Year 2021:

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

Year 2020:

	Thousand of Euros			
	Balance 31-12-2019	Additions / (Provisions)	Disposals	Balance 31-12-2020
Cost:				
Other items of property, plant and equipment	1,266	5	(53)	1,218
Total Cost	1,266	5	(53)	1,218
Accumulated amortisation:				
Other items of property, plant and equipment	(860)	(6)	52	(814)
Total Accumulated Amortisation	(860)	(6)	52	(814)
Net property, plant and equipment	406	(1)	(1)	404

This item includes mainly equipment for the treatment of information.

Carrying net cost at 31 December 2021 and 2020 amounts to EUR 805 thousand and EUR 804 thousand, respectively.

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

7 Financial Assets

The breakdown under this item at 31 December 2021 and 2020 is as follows:

Year 2021:

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

Year 2020:

	Euros						TOTAL
	Non-Current			Current			
	Heritage Instruments	Debt securities	Derivatives and Others	Heritage Instruments	Debt securities	Derivatives and Others	
Financial assets at amortized cost (Note 7.1)	-	-	2,099	-	-	21,608	23,707
Financial assets at cost (Note 7.2)	102,004	-	900	-	-	-	102,904
TOTAL	102,004	-	2,999	-	-	21,608	126,611

7.1 Assets at amortised cost

The breakdown under this item at 31 December 2021 and 2020 is as follows:

	Euros	
	31/12/2021	31/12/2020
<u>Non-Current:</u>		
-Loans to related companies (Note 13.2)	2,014	2,014
-Other non-current financial assets	45	85
<u>Current:</u>		
-Related companies receivables (Note 13.2)	2,919	5,105
-Other debtors	51	52
-Investments in associates and joint ventures (Note	18,436	16,451
Total	23,465	23,707

The balance of "Investments in Group companies and associates in the short term" corresponds mainly to current account financial contracts maintained by the Company with Group companies, which amount at 31 December 2021 and 2020 to EUR 11,604 thousand and EUR 8,528 thousand, respectively, that accrue interest at Euribor plus a market spread (3,101% during years 2021 and 2020). Breakdown for associates at 2021 and 2020 year-end is detailed on Note 13.2.

In addition, due to the fact that the Company is the head of the consolidated tax group, this item of the balance sheet includes the debit position vis-à-vis the various companies that make up the tax group, for a total amount of EUR 6,832 thousand and EUR 7,923 thousand at 31 December 2021 and 2020, respectively, corresponding to the amount to be paid as corporate income tax of Group companies that are included in the tax perimeter (see Note 13.2).

7.2 Financial Assets at cost

The breakdown under this item at 31 December 2021 and 2020 is as follows:

	Euros	
	31/12/2021	31/12/2020
<u>Non-Current:</u>		
Equity Investments in associates	101,920	102,004
Loans to related companies (Note 13.2)	900	900
Total	102,820	102,904

The movement in the item "Equity instruments of Group companies and associates" and "Loans to Group companies and associates" during years 2021 and 2020, is as follows:

Year 2021:

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

Year 2020:

	Thousand of Euros				
	Balance at 31/12/2019	Additions	Reversals	Transfers	Balance at 31/12/2020
Equity instruments					
Cost	122,105	-	-	-	122,105
Impairment	(18,791)	(1,408)	98	-	(20,101)
	103,314	(1,408)	98	-	102,004
Granted loans and credits	2,664	250	-	-	2,914
Total	105,978	(1,158)	98	-	104,918

During year 2021, the Company has increased the capital of its subsidiary "SJB Müllroser Baugesellschaft GmbH" by an amount of EUR 1,000 thousand, a company in which it holds 100% of its share capital. As a result, the impairment associated with said investment has been increased by reclassifying, for said amount, the provision for possible liabilities associated with said investee that was recorded as of 31 December 2020 (see Note 9.1).

During year 2020, the Company has granted a participatory loan to its investee "Udra Medios, S.A.U." amounting to EUR 250 thousand so as to strengthen its asset structure.

Detail of stakes in Group companies, as well as of credits and loans granted as of 31 December 2021 and 2020 is as follows:

Year 2021:

	Ownership %		Thousand of Euros				Long-term loans (Note 13.2)
			Net carrying amount of the stake				
	Direct	Indirect	Cost	Impairment of the year	Accumulated impairment	Net cost	
Group companies:							
Constructora San José, S.A. (a)	99.79%	-	92,510	-	-	92,510	-
San José Concesiones y Servicios, S.A.U. (b)	100.00%	-	2,446	-	-	2,446	-
San José Energía y Medio Ambiente, S.A.U. (b)	100.00%	-	7,964	(190)	(4,366)	3,598	650
Enerxias Renovables de Galicia, S.A (b)	25.00%	75.00%	662	-	(431)	231	-
Cadena de Tiendas, S.A.U. (b)	100.00%	-	60	-	-	60	-
Comercial Udra, S.A.U. (b)	100.00%	-	1,748	-	-	1,748	-
Constructora Udra Limitada (a)	7.00%	69.85%	25	-	-	25	-
SJB Müllroser Baugesellschaft GmbH (b)	100.00%	-	1,730	(1,000)	(1,730)	-	-
Udra Medios, S.A.U. (b)	100.00%	-	15,600	106	(14,637)	963	250
Xornal de Galicia. S.A. (b)	-	92.73%	-	-	-	-	2,014
Udra México, S.A. de C.V. (c)	0.17%	99.83%	23	-	(21)	2	-
GSJ Solutions, S.L.U.(a)	100%	-	337	-	-	337	-
TOTAL			123,105	(1,084)	(21,185)	101,920	2,914

(a) Companies audited by Deloitte.

(b) Non audited companies

(c) Companies audited by other auditing company.

Year 2020:

	% de participación		Thousand of Euros				Long-term loans (Note 13.2)
			Valor en libros de la participación				
	Direct	Indirect	Cost	Impairment of the year	Accumulated impairment	Net cost	
Group companies:							
Constructora San José, S.A. (a)	99.79%	-	92,510	-	-	92,510	-
San José Concesiones y Servicios, S.A.U. (b)	100.00%	-	2,446	-	-	2,446	-
San José Energía y Medio Ambiente, S.A.U. (b)	100.00%	-	7,964	(1,251)	(4,176)	3,788	650
Energías Renovables de Galicia, S.A (b)	25.00%	75.00%	662	98	(431)	231	-
Cadena de Tiendas, S.A.U. (b)	100.00%	-	60	-	-	60	-
Comercial Udra, S.A.U. (b)	100.00%	-	1,748	-	-	1,748	-
Constructora Udra Limitada (a)	7.00%	69.85%	25	-	-	25	-
SJB Müllroser Baugesellschaft GmbH (b)	100.00%	-	730	-	(730)	-	-
Udra Medios, S.A.U. (b)	100.00%	-	15,600	(157)	(14,743)	857	250
Xornal de Galicia. S.A. (b)	-	92.73%	-	-	-	-	2,014
Udra México, S.A. de C.V. (c)	0.17%	99.83%	23	-	(21)	2	-
GSJ Solutions, S.L.U.(a)	100%	-	337	-	-	337	-
TOTAL			122,105	(1,310)	(20,101)	102,004	2,914

(a) Companies audited by Deloitte.

(b) Non audited companies

(c) Companies audited by other auditing company.

During year 2021, the company recorded an increased impairment associated to its financial holdings, amounting to EUR 84 thousand, under the item "Impairment and profit/(loss) arising from the disposal of financial instruments" in the accompanying income statement for year 2021. Likewise, during 2021, the Company has reclassified an amount of EUR 1,000 thousand as a higher amount of impairment of financial holdings, recorded as of 31 December 2020 as a higher number of provisions for risks and expenses recorded as non-current liabilities.

Additionally, at 31 December 2021 and 2020 the Company records a provision for EUR 4,091 thousand and EUR 5,091 thousand, respectively, under the item "Long-term provisions" as non-current liabilities in the balance sheet, devoted to cover any contingencies of Group companies (see Note 9.1).

The most significant information regarding investees in which the Company takes parts, at 2021 and 2020 year-end is as follows:

Year 2021:

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

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

Year 2020:

			Thousand of Euros (*)				
			Capital and issuance fee	Profit/(Loss) for the year		Remaining net equity	Total net equity
				from operations	for the Year		
Group companies:							
Constructora San José, S.A.	Construction, purchase and sale of land	Rosalía de Castro, 44 (Pontevedra)	8,076	106,681	88,072	70,619	166,767
G SJ Solutions, S.L.U.	Engineering services	Ronda de Poniente, 11 – Tres Cantos (Madrid)	300	219	161	119	580
San José Concesiones y Servicios, S.A.U.	Provision of healthcare and social services	Rosalía de Castro, 44 (Pontevedra)	2,446	(6)	9	151	2,606
San José Energía y Medio Ambiente, S.A.U.	Construction, provisions of services and management of energy contracts	Rosalía de Castro, 44 (Pontevedra)	4,039	(258)	8	(1,960)	2,087
Cadena de Tiendas, S.A.U.	Storage, destruction and sale of goods	Ronda de Poniente, 11 – Tres Cantos (Madrid)	60	(1)	-	26	86
Comercial Udra, S.A.U.	Storage, distribution and sale of manufactured products	Rosalía de Castro, 44 (Pontevedra)	4,182	(22)	1,290	2,041	7,513
Constructora Udra Limitada	Construction, maintenance and repair	C/ 1º de Dezembro, 12-14 - Monção (Portugal)	350	2,087	1,799	4,272	6,421
SJB Müllroser Baugesellschaft GmbH	Construction	Gew erparkrinh, 1315299 Mullroser. Alemania	625	24	24	(5,703)	(5,054)
Enerxias Renovables de Galicia, S.A.	Production and trade of electric energy by renewable energy resources	Rosalía de Castro, 44 (Pontevedra)	2,649	16	8	(2,084)	573
Udra Medios, S.A.U.	Edition, production, reproduction and release of books, newspapers, magazines and video	Rosalía de Castro, 44 (Pontevedra)	1,500	(2)	(180)	(485)	835
Udra México, S.A. de C.V.	Holding company	Miravalle, México	3,427	114	(646)	(421)	2,360

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

None of the associates is listed on the stock exchange market at 31 December 2021 and 2020.

7.3 Cash and cash equivalents

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

7.4 Management of financial risk

The management of financial risks of the Company is centralised in the Group's Financial Management, which has established the necessary mechanisms to control the exposure to changes in interest rates and exchange rates, as well as to credit and liquidity risks. Main financial risks which may have a potential impact on the Company as 7.4 Management follows:

a) Credit risk

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

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

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

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

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

b) Liquidity risk

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

a) Market risk

- Interest rate risk: Both the treasury and the financial debt of the Company are exposed to interest rate risk, which could have an adverse impact on financial outcome and cash flows. In order to minimise this impact, the Company's policy is to contract derivative financial instruments to hedge interest rates. At 31 December 2021, since most of the funding of the Company is repaid on a fix interest rate, there are no derivative financial instruments.

- Exchange rate risk: the Company does not bear at 31 December 2021 any positions in other currency than in Euro. Likewise, there are no coverage contracts for exchange rates. Its currency exposure corresponds mainly to its stake in group companies operating in markets with a currency other than the Euro (see Note 7.2). The Group's policy is that funding of these units, if applicable, would be in local currency.

8 Net Equity

8.1 Share Capital

At 31 December 2021 and 2020, share capital of the Parent was represented by 65,026,083 shares of EUR 0.03 par value each.

At 20 July 2009, shares of the Company are admitted to trading on the Continuous Market, with a market value of EUR 12.86 per share. The closing and mean quote for the last quarter of the year has been EUR 4.90 and EUR 4.32 for year 2021 and EUR 4.49 and 4.40 for year 2020, respectively.

At 31 December 2021, the only shareholder with a stake exceeding 10% in the share capital of the Company was Mr. Jacinto Rey González, with a direct and effective participation of 24,952% and 48.292%, respectively.

8.2 Issuance fee

The Capital Companies Act expressly allows the use of the balance of the share issue premium to increase the share capital of the entities which it is registered in and does not establish any specific restriction regarding the availability of said balance. During year 2020, the Company applied unrestricted reserves, for an amount of EUR 155,578 thousand, to fully offset losses from previous years.

8.3 Legal reserve

Under the Consolidated Spanish Companies Act, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. At year-end 2021 the legal reserve has not been fully provided.

8.4 Distribution of dividends

At 31 December 2021 there are no restrictions on the distribution of dividends.

8.5 Treasury shares

At 31 December 2021 and 2020 the Company did not hold any treasury shares neither had executed transactions with treasury shares during 2021 and 2020.

8.6 Equity

The company has a solid asset and financial situation. At 31 December 2021 and 2020, the company has positive net assets amounting to EUR 49,984 thousand and EUR 53,523 thousand, representing 30.5% and 31.6% of the assets, so it is in a balanced situation.

9 Provisions and contingencies

9.1 Long-term provisions

The detail of long-term provisions under the balance sheet at 2021 y 2020 year-end, as well as main movements during years 2021 and 2020, are as follows:

Year 2021:

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

Year 2020:

	Thousand of Euros			
	Balance at 31-12-2019	Additions	Tranfers	Balance at 31-12-2020
Provision for risks and expenses	5,091	-	-	5,091
Total	5,091	-	-	5,091

This item mainly includes provisions provided by the Company in order to cover possible contingencies arising from the holding of financial investments with negative equity, in addition to the impairment of own shares that may be recorded to date (see Note 7.2). At 31 December 2021 and 2020, the amount of the provision refers mainly to the Company's stake in the Group company "SJB Müllroser Baugesellschaft GmbH" (see Note 7.2)

9.2 Short-term provisions

At 31 December 2021 and 2020, the Company has short-term provisions amounting to EUR 545 thousand in order to meet contingencies arising from its activity.

9.3 Contingencies

The amount of the guarantees granted to third parties by the Company is very insignificant. Directors of the Company do not consider any liability arising in connection to committed guarantees, in addition to those recorded in the accompanying financial statements at 31 December 2021.

10 Financial Liabilities

The breakdown under this item at 31 December 2021 and 2020 is as follows:

Year 2021:

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

Year 2020:

	Euros						TOTAL
	Non-Current			Current			
	Bank borrowings	Bonds and other securities	Credits, Derivatives and Others	Bank borrowings	Bonds and other securities	Credits, Derivatives and Others	
Financial liabilities at amortized cost or cost	-	-	66,698	-	-	28,908	95,606
Liabilities at fair value with changes in P&G							
Trading book	-	-	-	-	-	-	-
Designated	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-	-
TOTAL	-	-	66,698	-	-	28,908	95,606

10.1 Financial liabilities at amortised cost or at cost.

Long-term financial liabilities at amortised cost

The Company records under this item the amount of long-term debt with Group companies which, at 31 December 2021 and 2020, amounts to EUR 66,672 thousand and EUR 66,698 thousand, respectively (see Note 13.2).

Short-term financial liabilities at amortised cost

The breakdown under this item at 31 December 2021 and 2020 is as follows:

	Euros	
	31/12/2021	31/12/2020
Current bank borrowings (Note13.2)	87	87
Payable to Group and associated companies (Note 13.2)	23,253	25,228
Trade payables	132	269
Suppliers Group and associated companies	531	487
Staff, remuneration payable	2,832	2,837
Total	26,835	28,908

11 Taxation

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

11.1 Tax receivables and payables

Breakdown of tax receivables at 31 December 2021 and 2020 is as follows:

	Thousand of Euros	
	31/12/2021	31/12/2020
Current assets:		
VAT receivables	7,900	-
Income tax receivables and other	2,617	15,806
Total	10,517	15,806

Breakdown of tax payables at 31 December 2021 and 2020 is as follows:

	Thousand of Euros	
	31/12/2021	31/12/2020
Current liabilities:		
VAT payables	-	118
Income tax payable (Note 11.2)	1,541	-
Personal income payable and other	569	633
Social Security payables	82	90
Total	2,192	841

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

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

The reconciliation of the accounting profit/(loss) and the taxable base for income tax purposes for year 2021 and 2020 is as follows:

	Thousand of Euros	
	2021	2020
Profit/(Loss) before tax	3,449	51,690
Permanent differences		
Increase	559	2,470
Decrease	(1,425)	(51,194)
Offset of prior years' tax losses	(646)	-
Prior taxable profit	1,937	2,966
Prior setting 25%	484	742
Deductions	(11)	(1)
Regularisation	12	5,160
Income tax expense	485	5,901
Temporary differences		
Decrease prepaid tax	-	(1)
Increase prepaid tax	1	1
To offset tax credit	(507)	(1,723)
Deductions		
Current year deduction increases	-	1
To offset outstanding deductions	-	(261)
Adjustments and other	(14)	(5,155)
Principal transactions	(4,900)	(4,797)
Amount (payable) / receivable	(4,935)	(6,034)
-Offset against tax group	6,476	4,568
-Tax debit	-	1,466
-Tax credit	(1,541)	-

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

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

Subsequently, on 29 December 2021, Law 22/2021 dated 28 December, on General State Budgets for year 2022, is approved with effect as from 1 January 2022. Special attention should be given, for being applicable to the Company, to the introduction of a minimum tax regime of 15% of the tax base for those taxpayers whose net turnover is at least EUR 20 million during the 12 months prior to the date on which the tax period begins or that are taxed under the corporate tax consolidation regime, regardless of the net amount of turnover.

Decreases in the tax base are mainly due to the adjustment of the dividend income received by the Company in years 2021 and 2020, for amounts of EUR 1,500 thousand and EUR 50,867 thousand, respectively (see Note 12.1).

During the 2020 financial year, the Company recorded a higher corporate income tax expense amounting to EUR 5,160 thousand, mainly due to the regularisation of prepaid and deferred taxes recorded in the balance sheet, amounting to EUR 6,032 thousand. Additionally, adjustments made in year 2020 included an amount of EUR 872 thousand corresponding to differences between the corporate tax forecast for year 2019 and the settlement finally made in July 2020.

11.3 Deferred tax assets and liabilities

The detail of deferred tax assets under the balance sheet at 31 December 2021 y 2020, as well as main movements during years 2021 and 2020, are as follows:

Year 2021:

	Thousand of Euros			
	31.12.2020	Tax for the year (Nota 11.2)	Regularisation and other	31.12.2021
Temporary differences on other items	2,367	1	(3)	2,365
Offset of tax loss carry forwards (Note 13.2)	20,996	(510)	(11,586)	8,900
Total	23,363	(509)	(11,589)	11,265

Year 2020:

	Thousand of Euros			
	31.12.2019	Tax for the year (Nota 11.2)	Regularisation and other	31.12.2020
Temporary differences on other items	2,367	(1)	1	2,367
Tax credit carry forwards	349	(260)	(89)	-
Offset of tax loss carry forwards (Note 13.2)	28,849	(1,723)	(6,130)	20,996
Total	31,565	(1,984)	(6,218)	23,363

The detail of deferred tax assets under the balance sheet at 31 December 2021 y 2020, as well as main movements during years 2021 and 2020, are as follows:

Year 2021:

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

Year 2020:

	Thousand of Euros			
	31.12.2019	Tax for the year (Nota 11.2)	Regularisation and other	31.12.2020
Temporary differences in margins for group transactions	13,446	-	-	13,446
Payable to group companies for income tax (Note 13.2)	420	(186)	-	234
Total	13,866	(186)	-	13,680

Loss carry forwards

At 31 December 2021, the Company has the following tax loss outstanding offset all generated within the tax group which it belongs to (residual amount upon the forecast for year 2021):

Year of inclusion	Thousand of Euros
2009	38.458
2010	-
2011	-
2012	751
2013	10
2015	337.918
	377.137

The Company partially activates the negative tax bases generating a tax credit. At 31 December 2021 and 2020, the amount of the tax credit registered by the Company amounts to EUR 8.900 thousand and EUR 20,996 thousand, respectively.

The Directors of the Group have assessed the recovery of assets for deferred taxes based on the activities developed by the Group for the term 2022-2031, including variable arising from the applicable regulation in force (Tax Plan).

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

Forecasts of the Group are based on profits, which have, in fact, already been obtained in the last years. The most significant assumptions used to affect such Tax Plan at 31 December 2021, regarding construction activity, are as follows:

- Regarding construction activity:

- Sales: total construction revenue is distributed among countries where the Group operates, based on the current activity and contracted portfolio (short and medium term) and the guidelines established in the business plan Group (medium and long term), assuming a 3-6% annual growth of total construction activity for the period 2021-2030.
- A relatively margin EBITDA standing at 6.0%.
- Potential capital gains from the sale of real estate assets or income and benefits of urban development activity have not been considered in this cash generating unit.

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

- Sales: overall annual growth amounting to [1.5-4] %.
- EBITDA margin: it keeps in line with the average margins of the last years.

As a result of the Tax Plan made, it is concluded that the Group generates sufficient taxable income to offset the amount of deferred tax assets recorded at 31 December 2021, in a given period of 5 years.

Tax credits

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

At 31 December 2021 and 2020, the Company has no outstanding deductions.

11.4 Taxes open for review

Taxes open for review are as follows:

Tax	Years
VAT	2018-2021
Personal income tax	2018-2021
Income tax	2017-2020

With regard to corporation tax, according to the new regulations the right of the Spanish administration to initiate the verification procedure of the paid, offset or outstanding quotas or any deductions applied or to be applied in future is extended to ten years as from the day following that on which the statutory deadline for filing them or for the year or taxable period in which the right was generated to offset such quotas or apply such deductions, being therefore only subject to review deductions and tax losses generated since 2011.

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

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

11.5 Transactions under the special tax neutrality regime

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

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

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

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

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

11.6 Subrogation of the Company of tax liabilities of absorbed companies

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

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

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

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

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

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

12 Revenue and expenditure

12.1 Net Revenue and other operating income

Net revenue by activity for years 2021 and 2020 is as follows:

	Thousand of Euros	
	2021	2020
Dividends received	1,500	50,867
Financial incomes from Group companies	164	114
Total	1,664	50,981

"Revenue from holding activity" includes mainly financial income from the financing granted to the investees, as well as the dividends received from them (see Note 13.1).

"Other operating income" in the accompanying income statement for years 2021 and 2020 amounts to EUR 18,372 thousand and EUR 21,281 thousand, respectively, and corresponds mainly to income from the provisions of management services by the Company to its investees (see Note 13.1).

12.2 Social security costs

Breakdown for years 2021 and 2020 is as follows:

	Thousand of Euros	
	2021	2020
Social security	273	285
Other social costs	899	907
Total	1,172	1,192

12.3 Staff costs

The average number of employees during years 2021 and 2020 is as follows:

Category	2021		2020	
	Men	Female	Men	Female
University graduates	24	13	25	14
Medium term grades	10	10	14	8
Clerical staff	7	14	7	15
Technicians	1	-	1	-
Total	42	37	47	37

At 31 December 2021 and 2020, average workforce amounted to 79 employees (42 men and 37 women) and 84 employees (47 men and 37 women), respectively.

The average number of people employed in the course of the year with a disability greater than or equal to 33% is 1 worker, who is herself a university graduate. The Company, taking into account the specific risk involved in its activity, has recognised the exception of hiring disabled workers, fulfilling it by contracting services with different special employment centres. These contracts are on an annual basis, incurring into an average expense higher than the minimum required by law.

12.4 External services

Breakdown for years 2021 and 2020 is as follows:

	Thousand of Euros	
	2021	2020
Rents and royalties	447	445
Repair and maintenance services	-	2
Independent professional services	719	650
Insurance premiums	549	434
Banking services and similar	22	10
Advertising, publicity and public relations	29	42
Utilities	3	3
Other Services	3,824	4,102
Total	5,593	5,688

"Other services" includes mainly services provided by companies of the Group amounting to EUR 2,851 thousand and EUR 3,447 thousand in years 2021 and 2020, respectively (see Note 13.1).

12.5 Finance income

Breakdown for years 2021 and 2020 is as follows:

	Miles de euros	
	2021	2020
Interest on short term assets	1	1
Other financial income	-	-
Total	1	1

12.6 Audit fees

In 2021 and 2020 the expense corresponding to the financial audit services provided to the Company by Deloitte, S.L. and associated of the same, as well as fees for audit services for independent financial statements of associated and related companies was as follows:

Year 2021:

Description	Thousand of Euros
Audit fees	83
Other verification services	-
Total audit services and related services	83
Tax advisory services	-
Other Services	-
Total	83

Year 2020:

Description	Thousand of Euros
Audit fees	79
Other verification services	-
Total audit services and related services	79
Tax advisory services	-
Other Services	-
Total	79

13 Associates

13.1 Transactions with associates

The detail of transactions with associates for years 2021 and 2020 is as follows:

Year 2021:

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

Year 2020:

	Thousand of Euros			
	Provision from services (Note 12.1)	Reception of services (Note 12.4)	Expenses financial	Income financial (Note 12.1)
Comercial Udra, S.A.U.	702	-	-	1,000
Pinos Altos X.R., S.L.	-	117	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	340	-	-	-
Cartuja Inmobiliaria, S.A.U.	473	-	-	-
Constructora San José, S.A.	15,390	3,330	1,362	49,898
San Jose Concesiones y Servicios, S.A.U.	400	-	61	-
San Jose Energía y Medio Ambiente, S.A.U.	134	-	-	72
Udramedios, S.A.U.	-	-	142	-
Constructora Udra Limitada	1,354	-	-	-
Cadena de Tiendas, S.A.	-	-	1	-
San José Inmobiliaria Perú S.A.C.	468	-	-	-
Concesionaria San Jose Tecnocontrol, S.A.	622	-	-	-
Constructora Sanjose Chile Ltda.	1,073	-	-	9
Fotovoltaica El Gallo, S.A.	145	-	-	-
Constructora San José Argentina, S.A.	17	-	-	-
Udra México S.A. de C.V.	74	-	-	-
GVK Projects & Technical Services Ltd	-	-	-	-
Desarrollos Urbanísticos Udra, S.A.U.	-	-	2,091	-
Other companies of the Group	89	-	1	2
Total	21,281	3,447	3,658	50,981

The number of services rendered by the investee company "Constructora San José, SA" in 2021 and 2020 is mainly for the provision of management services provided by this investee, which, in turn, the Company partially re-invoices to the rest of the Group companies in which it takes part in.

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

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

13.2 Balances with associates

Breakdown of balances with associates is as follows:

Year 2021:

	Thousand of Euros					
	Long-term loans (Note 7.1)	Trade receivables	Short-term Credits	Long-term debt	Short-term Debts	Trade payables
Comercial Udra, S.A.U.	-	30	-	-	43	-
San José Energía y Medio Ambiente, S.A.U.	650	20	4,528	-	-	-
San José Concesiones y Servicios, S.A.	-	40	-	-	915	-
Constructora Udra Limitada	-	201	-	-	-	-
Xornal de Galicia, S.A.	2,014	-	-	-	-	-
Cadena de Tiendas, S.A.U.	-	-	-	-	87	-
Constructora San José, S.A.	-	1,571	-	-	16,051	508
SJB Mullroser Baugeschellsaft	-	-	5,087	-	-	-
Udra Medios, S.A.U.	250	-	-	-	4,967	-
San José Inmobiliaria Perú, S.A.C.	-	19	-	-	-	-
Constructora San José Colombia, S.A.S.	-	1	-	-	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	-	40	-	-	-	-
Pinos Altos XR, S.L.	-	-	-	-	-	10
Cartuja Inmobiliaria, S.A.U.	-	40	-	-	-	-
Udra México, S.A. de CV	-	148	-	-	-	-
GSJ Solutions, S.L.	-	-	-	-	91	13
Desarrollos Urbanísticos Udra, S.A.U.	-	-	-	66,672	-	-
Sociedad Concesioaria San José Tecnococontrol S.A.	-	260	-	-	-	-
San Jose Constructora Chile S.A.	-	429	1,989	-	-	-
Constructora San José Argentina, S.A.	-	3	-	-	-	-
Other companies of the Group	-	117	-	-	1	-
Balances with companies of the group by tax consolidation	-	-	6,832	-	1,098	-
Total	2,914	2,919	18,436	66,672	23,253	531

Year 2020:

	Thousand of Euros					
	Long-term loans (Note 7.1)	Trade receivables	Short-term Credits	Long-term debt	Short-term Debts	Trade payables
Comercial Udra, S.A.U.	-	71	-	-	15	-
San José Energía y Medio Ambiente, S.A.U.	650	54	2,677	-	-	-
San José Concesiones y Servicios, S.A.	-	40	-	-	2,025	-
Constructora Udra Limitada	-	226	-	-	-	-
Xornal de Galicia, S.A.	2,014	-	-	-	-	-
Cadena de Tiendas, S.A.U.	-	-	-	-	65	-
Constructora San José, S.A.	-	3,607	-	-	18,081	460
SJB Mullroser Baugeschellsaft	-	-	5,081	-	-	-
Udra Medios, S.A.U.	250	-	-	-	4,833	-
San José Inmobiliaria Perú, S.A.C.	-	1	-	-	-	-
Constructora San José Colombia, S.A.S.	-	1	-	-	-	-
Eraikuntza Birgaikuntza Artapena, S.L.U.	-	34	-	-	-	-
Pinos Altos XR, S.L.	-	-	-	-	-	9
Cartuja Inmobiliaria, S.A.U.	-	48	-	-	-	-
Udra México, S.A. de CV	-	85	-	-	-	-
GSJ Solutions, S.L.	-	-	45	-	-	18
Desarrollos Urbanísticos Udra, S.A.U.	-	-	-	66,698	-	-
Constructora San José Argentina, S.A.	-	4	-	-	-	-
Other companies of the Group	-	934	725	-	-	-
Balances with companies of the group by tax consolidation	-	-	7,923	-	209	-
Total	2,914	5,105	16,451	66,698	25,228	487

The balance of item "long-term debts with Group companies" as of 31 December 2021 and 2020, amounting to EUR 66,672 thousand and EUR 66,698 thousand, respectively, corresponds entirely to the loan made between the Company and the company of the Group "Desarrollos Urbanísticos Udra, S.A.U." on 31 October 2019, for an amount of EUR 86,397 thousand, with a single repayment at maturity at 20 years, at a fixed interest rate of 2.48% per annum, fully repayable at maturity. As of 31 December 2021, and 2020, it also includes an amount of EUR 275 thousand and EUR 301 thousand, corresponding to the financial expense accrued on that date pending settlement.

At 31 December 2021, the amount recorded under "Long-term Group loans and advances to companies", amounting to EUR 2,914 thousand, corresponds mainly to the participatory loans granted by the Company to its investees. The participative loans granted by the Company to its investee "San José Energía y Medio Ambiente, SAU" and "Udra Medios,S.L.U." are included, for an amount of EUR 650 thousand and EUR 250 thousand, where the accrual of financiers is subject to the borrowing company obtaining positive results, and whose purpose is to strengthen its equity position.

Due to the fact that the Company is the head of the consolidated tax group for corporate income tax, the Company recorded under "Deferred Tax Liability" a long-term credit position against the Group, for a total amount of EUR 231 thousand and EUR 234 thousand at 31 December 2021 and 2020, respectively, corresponding to the Company's accounts payable to companies within the tax group, for the tax credit recorded by the Company under "Deferred tax assets", corresponding to negative tax bases contributed to the tax perimeter by them (see Note 11.3). Likewise, and derived from the corporate tax forecast for year 2021, the item "Short-term investments in Group companies" at 31 December 2021 and 2020 includes an amount of EUR 6,832 thousand and EUR 7,923 thousand, respectively.

Further, "Short-term loans" and "Short-term liabilities" at 31 December 2021 and 2020 are derived from current financial account contracts signed with Group companies and accrue interest at Euribor plus a market spread (3.101% in years 2021 and 2020).

At 31 December 2021 and 2020, the Company has granted loans to senior management amounting to EUR 35 thousand and EUR 75 thousand, recorded under "Long-term financial investments" under the non-current assets of the accompanying balance sheet. Said loans bear interest rate at Euribor plus a market spread.

Further, at 31 December 2021 and 2020, the Company has receivables from and payables to partners, directors and executives amounting to EUR 87 thousand, recorded under "Other current financial assets" and "Other short-term financial liabilities" in the accompanying balance sheet (see Note 10.1).

14 Other disclosure

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

Regarding information required by the supplementary third provision of Act 15/2010 on 5 July, detailed below is the average payment term to suppliers of the Company during years 2021 and 2020, as well as the balance of payments to suppliers at 31 December 2021 and 2020:

	Year 2021	Year 2020
Average payment term to suppliers (days)	14	12
Ratio of paid transactions (days)	13	12
Ratio of transactions pending payment (days)	27	20
Total payments made (thousands of Euros)	3,833	6,874
Total pending payments (thousand of Euros)	132	268

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

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

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

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

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

14.2 Remuneration of Directors and Executives

The detail of the remuneration of all kinds earned in 2021 and 2020 by the members of the Board of the Company is as follows:

Type of Directors	Thousand of Euros	
	2021	2020
Executive	3.187	2.976
Independent board members	187	294
Other external board members	228	107
Total	3.602	3.377

Total remuneration paid by the Company in years 2021 and 2018 of non-member executives amounts to EUR 530 thousand and EUR 789 thousand, respectively.

At 2021 year-end, the Company's Board of Directors is made up of 9 men and 2 women, with no changes having occurred with respect to the existing composition at 2020 year-end.

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

The directors of the Company are covered by the "Corporate Liability Insurance Policies of Directors and Officers" contracted by the parent company of Grupo SANJOSE, in order to cover possible damages that may be claimed, and that they arise as a result of an error of management committed by its managers or directors, as well as those of its subsidiaries, in the exercise of their positions. Net value of the allowance amounts to EUR 309 thousand (EUR 102 thousand in 2020).

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

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

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

At year-end 2021 neither the members of the Board of Directors of the Company or any third parties related to them, as defined in the Companies Act, have reported to the other members of the Board of Directors any conflict of interests, either direct or indirect, with the interests of the Company.

15 Environmental information

Assets of an environmental nature are considered to be those goods that are used in a lasting way in the activity of the Group's companies, whose main purpose is the minimization of the environmental impact and the protection and improvement of the environment, including the reduction or elimination of future pollution.

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

- Protection of the environment through the prevention or mitigation of environmental impacts, the prevention of pollution, the reduction of waste generation, the sustainable use of resources and energy efficiency.
- Continuous improvement in environmental management, through the establishment and monitoring of environmental objectives and goals, aimed at contributing to the improvement of internal processes and services provided.
- Compliance with applicable environmental legislation and regulations.
- Qualification and awareness-raising, through training and awareness-raising activities aimed at own staff, subcontractors and other related parties.

Since 1999, the Group has had a comprehensive environmental management system in continuous adaptation to the needs and expectations of society and its environment. For the Group, the performance of a transversal

environmental management model in all its areas of activity and all the regions where it operates is a priority, in order to integrate business development, the generation of social value and environmental protection. Since 2006, the Group has been certified by ISO-14001, referring to environmental management systems.

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

- Energy saving and efficiency measures, replacing equipment and facilities with more efficient ones. In this sense, and despite the fact that the Group's activity is not very intensive in the use of fixed assets, in light of the regulatory requirements in environmental matters and mitigation of climate change, the Group has reassessed the recoverable value of its main tangible fixed assets (machinery, technical installations, etc.), without having identified signs of deterioration. As these fixed assets are fully amortized, they will be replaced by more sustainable ones.
- Promotion of renewable energy generation. In this sense, the Group owns and operates a 5.4 MW photovoltaic plant in Jaén (Spain), as well as a polygeneration plant for electricity, cold and heat. Likewise, it is a specialist in the construction, commissioning and maintenance of renewable energy generation plants, both wind and photovoltaic.
- Study and realization of environmental proposals to clients to improve the resilience of buildings to the expected effects of climate change, promoting energy saving, the use of renewable energies, the proper management of waste, the integration of vegetation in projects.
- Awareness and awareness of all personnel involved in the development of projects and services in order to stimulate behaviors that contribute to reducing energy consumption and minimizing the environmental impact of the activities developed
- Provision of energy services, promoting integral solutions adapted to the needs of our customers in order to obtain the maximum energy performance of their facilities, providing sustainable energy solutions capable of reducing and optimizing energy consumption and promoting the preservation of the environment

It should be noted that, due to the type of activity carried out by the Group Companies, as well as the concern and awareness measures carried out internally to minimize the possible environmental impact, the Group and, in particular, the Company as the head, has no expenses, assets, nor provisions and contingencies of an environmental nature that could be significant in relation to net worth, the financial situation and its results. For this reason, no specific breakdowns are included in these annual accounts report with regard to information on environmental issues. Likewise, although there is no legal obligation to contract in Spain, Grupo SANJOSE has contracted and in force an Environmental Civil Liability Insurance Program, which includes the Company (see Note 4.20).

16 Events after the reporting period

There are no significant events occurred after 31 December 2021 which may have impacted on the accompanying financial statements.

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

GRUPO EMPRESARIAL SAN JOSE, S.A.

Management report for the year ended 31 December 2021

1. Situation of the Company

1.1. Organisational Structure

The Company is head of Grupo SANJOSE. Its activity is that of being a holding company for a group of companies, providing them with management and administration services, carrying out the management and coordination functions of all of them. 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.

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 2021, 27% total revenue of the Group comes from overseas (37% in 2020).

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

Having overcome the period of recession after the economic-financial crisis of 2007, Spain was framed in 2020 in a context of economic uncertainty due to the health crisis caused by COVID-19 and which placed GDP in 2020 at a -10.8% reduction.

During 2021, the Spanish economy has grown by 4.5%, according to provisional data from the INE, moving away from the 10.8% drop registered in 2020 and which represents the largest increase since 2000, although it does not reach the level 6.5% planned by the Government.

The Bank of Spain has lowered its growth forecast for year 2022, which drops from 5.9% to 5.4%. However, it improves its projections for 2023, raising them almost two points: from 2% to 3.9%, as stated in its latest report on macroeconomic projections where it is detailed that the reduction is due, mainly, to the delay in the implementation of the Next Generation funds, high inflation, supply shortages, and a slow recovery in tourist flows.

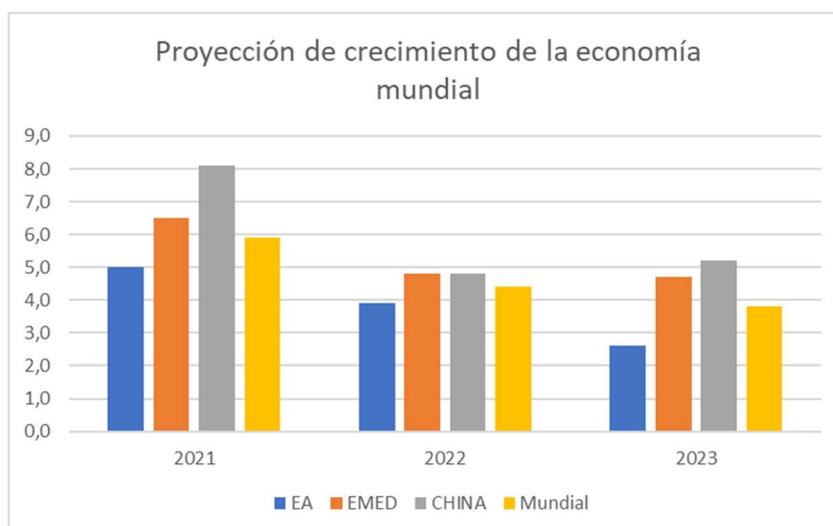
Macroeconomic projections for the Spanish economy (2020-2023)

	Proyecciones de diciembre Banco de España			
	2020	2021	2022	2023
PIB	-10,8	4,5	5,4	3,9
Tasa de paro	15,5	15,0	14,2	12,9

Source: Bank of Spain and National Institute of Statistics

At global level, during 2021 the economic recovery has continued despite the resurgence of the pandemic. Rifts generated by COVID-19 seem more persistent: they are short-term divergences that are expected to leave lasting marks on economic performance in the medium term and that are due to access to vaccines and the rapid deployment of vaccine policies.

Year 2022 starts in a poorer condition than what had been expected. As the new omicron variant of the virus that causes COVID-19 advances, countries have reimposed mobility restrictions. Due to higher energy prices and supply disruptions, inflation is higher and more widespread than anticipated, and the unexpectedly slow recovery in private consumption has limited growth prospects.



Source: International Monetary Fund Economy growth forecasts
REMARKS: AE: Advanced economies; EMED Emerging market or developing economies except China

Regarding other markets where the Group is present, for year 2022 a rise of 0.9% is expected for Spain, a significant drop of 4.4% in Latin America and in the Middle East and Central Asia it is expected to remain the same.

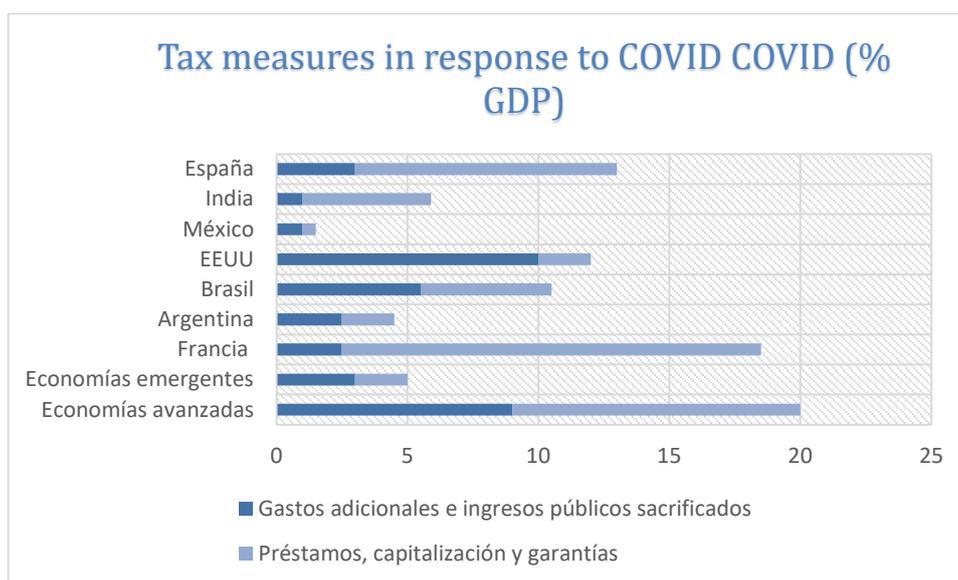
Macroeconomic projections for the world economy (2021-2023)

	Proyecciones Fondo Monetario Internacional				
	Estimación de junio 2021		Estimación de enero 2022		
	2021	2022	2021	2022	2023
España	6,2	5,8	4,9	5,8	3,8
América Latina y el Caribe	5,8	3,2	6,8	2,4	2,6
Oriente Medio y Asia Central	4,0	3,7	4,2	4,3	3,6
Mundial	6,0	4,9	5,9	4,4	3,8

Source: International Monetary Fund

The recovery plan of the European Central Bank (ECB), PEPP for its acronym in English "Pandemic Emergency Purchase Programme" includes a package of aid for a total amount of EUR 1,850 billion with the last update of December and aims to reduce the indebtedness of the member states and provide liquidity mainly through the purchase of corporate bonds and public debt. The horizon for asset purchases will be maintained until at least March 2022 and maturities will be reinvested until the end of 2023. In addition, according to the words of the President of the ECB Christine Lagarde, the focus will be on the purchase of "green bonds" or what is the same, bonds that finance sustainable energy activities.

In addition to central banks, more than two thirds of governments worldwide have increased their fiscal support to try to save jobs and the business fabric. Measures will be addressed to additional expenses and loss of income that directly affect public budgets, and the other half corresponds to liquidity support such as loans, capital injections and guarantees. The following graph shows the proportion of aid as a percentage of the GDP of some of the markets where Grupo SANJOSE is present.

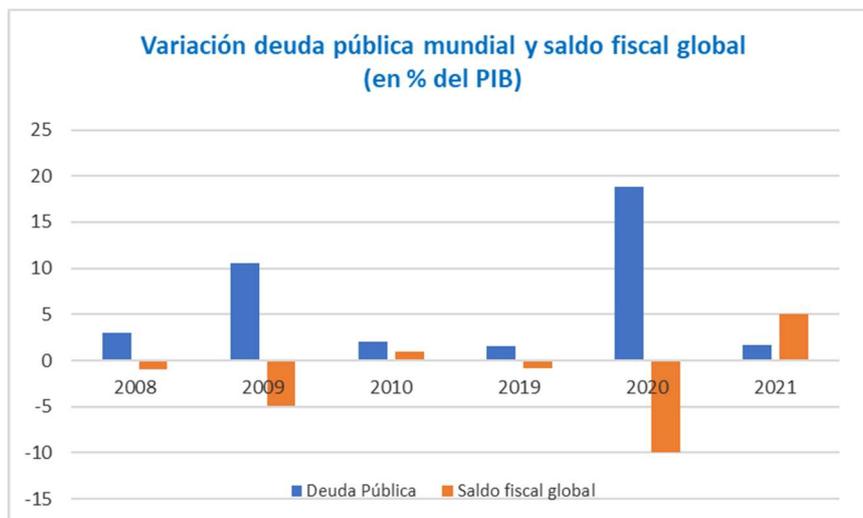


Source: International Monetary Fund

The European Union, through the agreement on the recovery fund reached on 20 July, has granted member countries a total of EUR 750,000 million, of which EUR 360,000 million will be used for low interest rate loans and EUR 390,000 million for grants. Of this package, Spain will be allocated EUR 140,000 million of which 72,700 million were outright grants. Further, on 17 December 2020, the long-term budgets of the EU that include EUR 1.8 trillion destined to rebuild Europe after COVID-19 were approved.

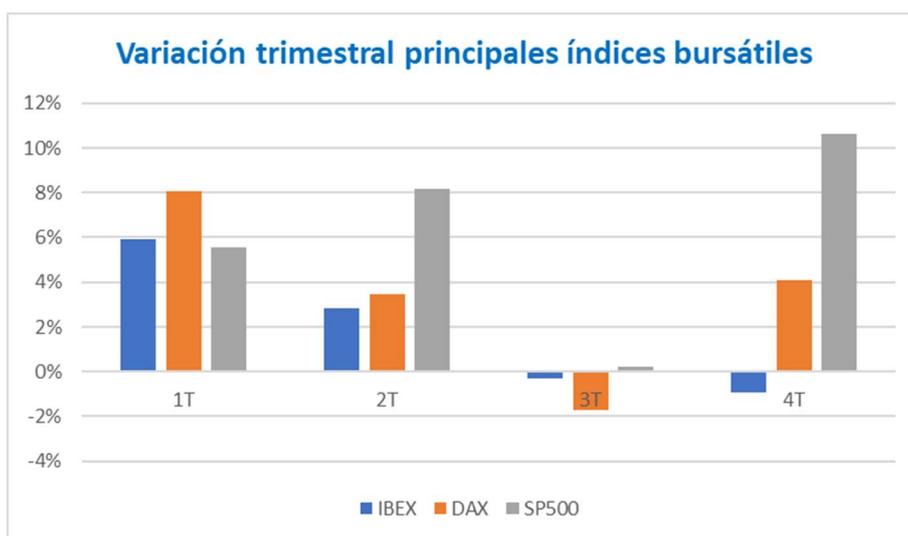
Year 2021 will be a period of stabilisation of the public debt ratio for most of the countries of the European Union. This stabilisation is mainly due to a favourable growth differential over the interest rate in 2021 compared to the unfavourable effect in the previous year. In 2020, Spain was one of the countries that suffered a most unfavourable snowball effect, due to the abrupt drop in GDP.

The following graph compares the evolution of public debt and the fiscal balance in the periods of the financial crisis and the current crisis.



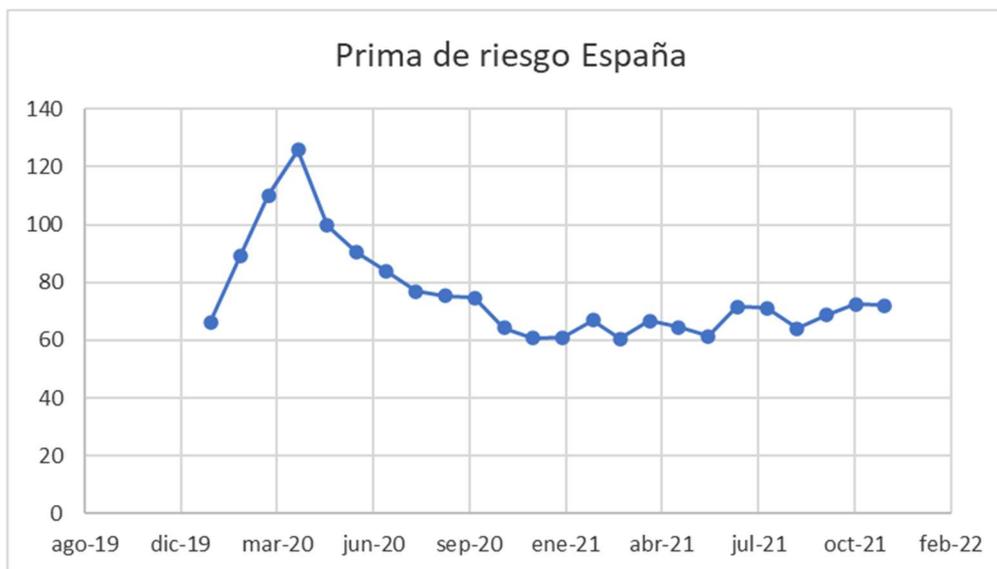
Source: International Monetary Fund

Financial markets, considered as a thermometer of the economic situation, reflect disparate data depending on the geographical area. Thus, the Standard & Poor's 500 index, considered the most representative indicator of the value of US companies, has gone from 3,764 points at the beginning of the year to 4,766.18 points at the end of June (26.60% depreciation), the Standard German DAX 30 has varied from 13,890.22 points to 15,884.86 points (14.36% depreciation) and the IBEX 35 has gone from 8,099.20 points at the beginning of the year to 8,713.80 points (7.59% depreciation).



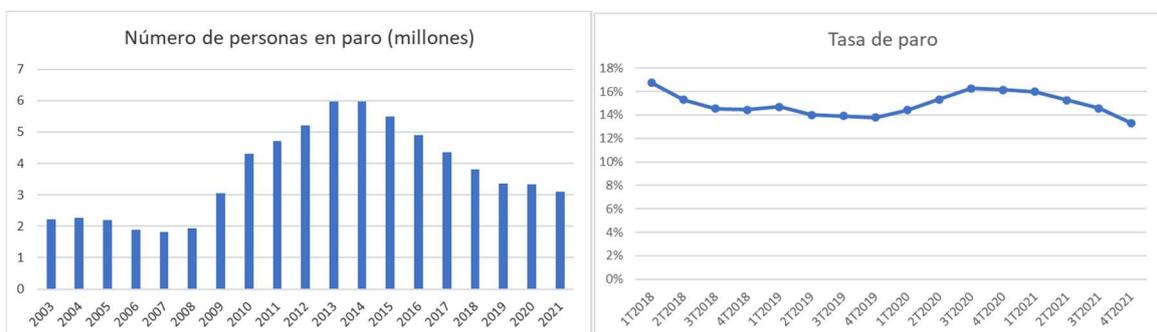
Source: Investing.com

In contrast, the indicator that measures the perception of risk of the foreign investor, which translates into the risk premium (the differential of the Spanish 10-year bond with the German title "bund" at the same term) has recovered more quickly than the stock market. This ratio, which had closed year 2019 at one of its lowest levels in recent years with 65 points, has experienced a period of high volatility in 2020, coinciding with the evolution of the pandemic in Spain, standing in April, the first month of lockdown, at 160,5 points. After this peak, it has decreased by 60.8% at the end of December 2020, thus reaching one of the lowest levels in recent years. During 2021, volatility has been significantly reduced, remaining between 61 and 72 points.



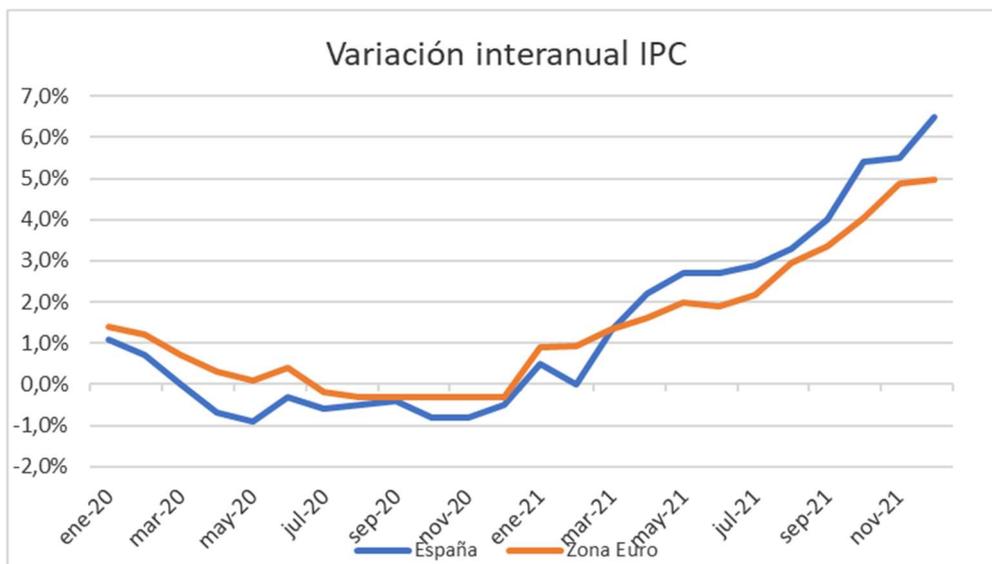
Source: Investing.com

On the other hand, the number of unemployed people is still well below the levels reached in the financial crisis, when it reached 6 million unemployed in 2013. This is due in part to the temporary employment regulation (ERTE) files that have allowed companies to adjust the workforce to their low production without having to assume the entire wage cost and allowing workers to keep part of their working conditions. Said aids are expected to be maintained until at least 28 February 2022. During 2021, the unemployment rate has decreased until standing in December at 3.1 million of unemployed according to INE.



Source: Instituto Nacional de Estadística.

In August, September and October 2021, inflation reached its highest level in Europe for the last 13 years, and domestic figures keep on the rise. In Spain, annual change of GDP has increased from 5.5% in November to 6.5% in December. Rising prices for energy, services and food have fuelled rising inflation across Europe

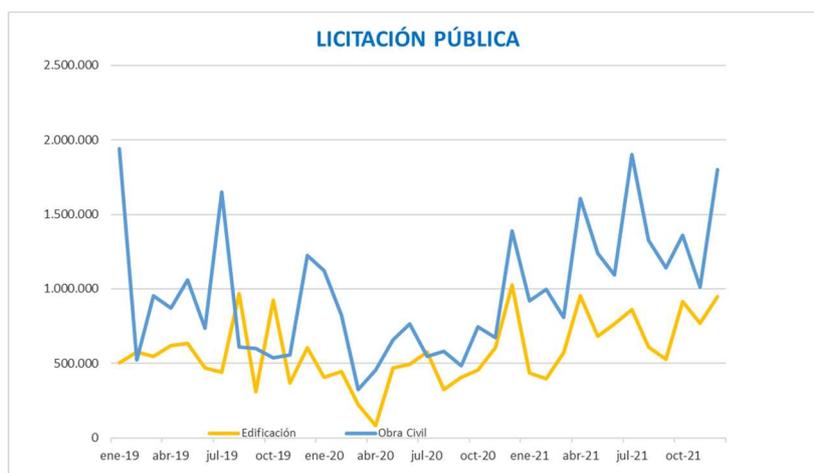


Source: National Institute of Statistics (Active Population Survey) and Bank of Spain.

CONSTRUCTION is the segment that contributes the most to the Group's turnover with a percentage of 90.3% and Spain has consolidated itself as the most important geographical area with 73% of the total. In addition to domestic market, Grupo SANJOSE is present in the Middle East, South America and Asia. During year 2021, foreign business transactions stood at 27% out of the total of the Group's turnover (37% in year 2020).

At a general level, public tendering in Spain had shown signs of a slight recovery in the second half of 2019, yet in 2020 the current reduced levels of investment in infrastructure again.

In 2021, public investment has increased with regard to year 2020 in a 40% according to Seopan. The following graph shows the evolution of tendering in Spain as for civil works and building.



Source: Association of Construction Companies and Infrastructure Concessionaires (Seopan).

The following graph exemplifies how tendering by all Public Administrations in Spain begins to recover in 2021.



Source: Association of Construction Companies and Infrastructure Concessionaires (Seopan).

Globally, Spanish construction companies have established themselves as a power in the sector, occupying the sixth and fifth place in the world ranking by turnover and market capitalisation respectively, according to Deloitte's "Global Powers of Construction" report.



Source: Global Powers of Construction by Deloitte

After a fall of 2.4% during 2020, the growth of world construction production will reach 5.7% in 2021, as confirmed by Global Data in its report "Global Construction Outlook to 2025, Q1 2021 Update". According to said report, production in 2021 will be 2.5% higher than that of 2019.

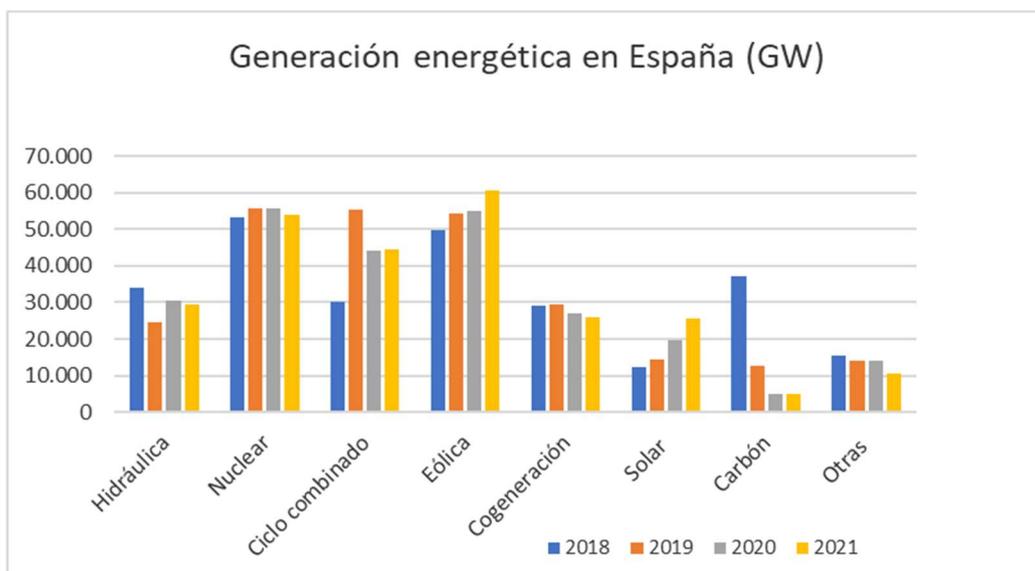
Within the CONCESSIONS and SERVICES segment, the Group has a solid presence in Spain with long-term contracts and whose main activity is the maintenance of buildings, sports facilities, gardens and hospitals, among others. Similarly, the SANJOSE group has had hospital concessions in Chile for several years. The Concessions and Services segment has contributed 52.2 million to the Group's turnover in the first half of 2021, which represents 5.6% of total billed. In these difficult times, the Group is especially committed to the service provided to hospitals and its workers, paying special attention to staff carrying out their activities in conditions of maximum safety and hygiene.

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

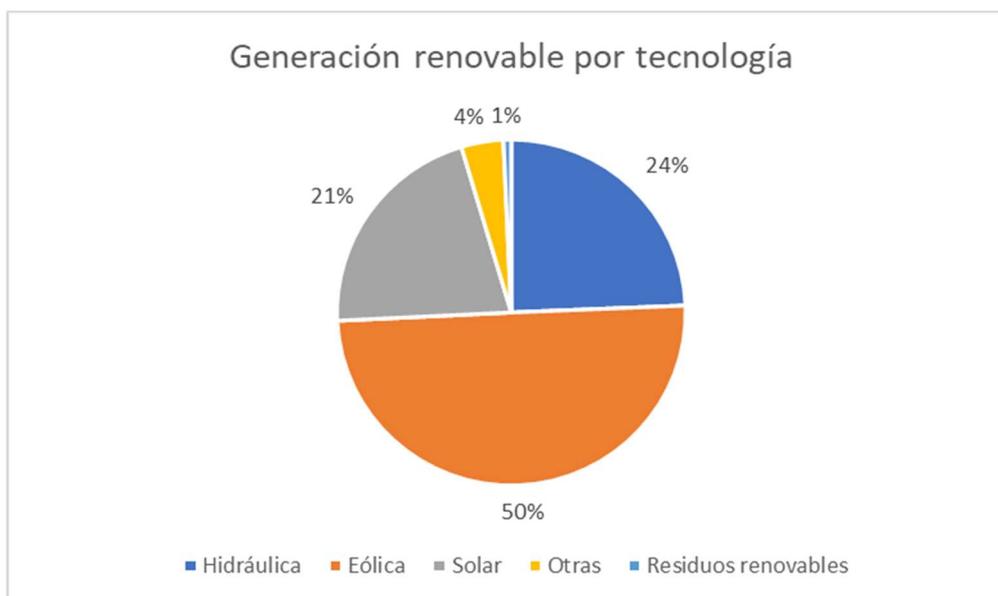
The energy sector has been constantly evolving towards clean energy for years, proof of this has been that the Greens / ALE party has obtained fourth place in the 2019 European Parliament elections, its best result ever, as well as excellent results in the last local pools held in France and Germany where they had the support of the young vote.

In the words of the President of the ECB, a large part of the asset purchases to overcome the current economic situation will be focused on projects that are environmentally sustainable. The World Bank position is similar, since 2010 it has not invested in projects that generate a carbon footprint and has also invested 5.3 billion dollars (4.732 billion euros) in energy-efficient projects.

The following graphs show the market share for energy in Spain over the last four years and the market share within renewable energies during 2021.



Source: Red Eléctrica de España.

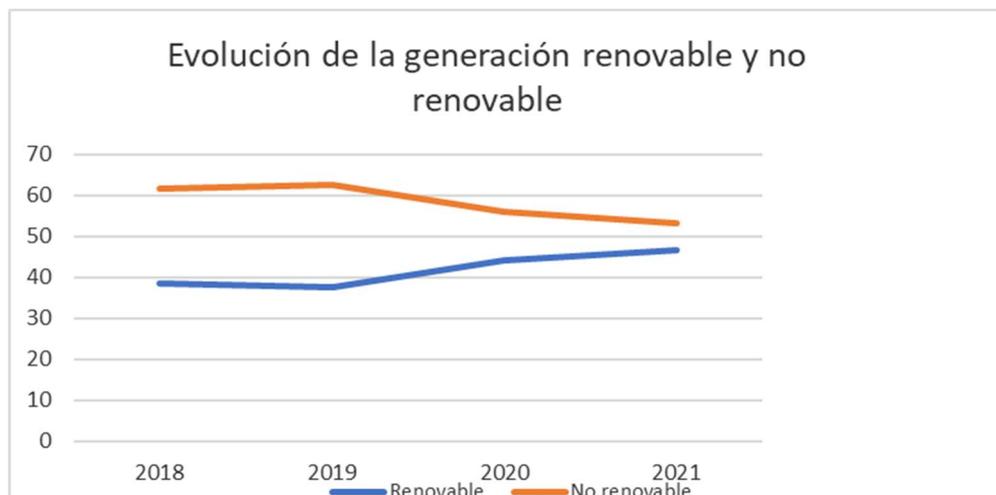


Source: Red Eléctrica de España.

The SANJOSE Group's ENERGY segment has projects for the generation of solar and wind energy and an energy polygeneration plant, among others, which provide a backlog amounting to EUR 368 million at the end of 2021. All of them respectful with the environment and in line with current applicable legislation on climate change.

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

energy capacity, especially in terms of wind and solar energy. As shown in the following graph, the generation of electricity through renewable energy sources is increasingly close to the line of non-renewable energies.



Source: Red Eléctrica de España.

With this macroeconomic situation, the Group's basic lines of activity are the effort to improve profitability, being flexible in adapting their structure to the reality existing in Spain, and strengthening their intention to provide the business with diversification and a growing internationalisation. As well as trying to apply new technologies in its different business lines, thus improving operating margins and business volume.

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 clients. For this control task, it has instruments that make it possible to identify the risks sufficiently in advance or to avoid them while minimising risks. Thanks to this, the SANJOSE Group is facing the macroeconomic environment described above with a strong treasury position and a balanced equity position.

2.2. MAIN FIGURES

The Company is head of Grupo SANJOSE. Its activity is that of being a holding company for a group of companies, providing them with management and administration services, carrying out the management and coordination functions of all of them.

At 31 December 2021, its total assets amounted to EUR 152.6 million, with current and non-current investments in Group companies and associates acquiring special importance, as well as receivables from Group companies, standing at EUR 18.4 million, EUR 104.8 million and EUR 2.9 million, what represents 82.7% of total assets as of that date.

The Company's net equity amounts to EUR 50 million at 31 December 2021, representing 32.8% of total assets. The Company does not hold bank financing. The main liability corresponds to the financing received by Group companies, amounting to a total of EUR 89.9 million, representing 58.9% of total assets.

The net amount of turnover mainly includes the amount of financial income from investee companies, either as dividends received or as income from financing granted. Further, the Company records under the item "Other operating income" the amount of the services provided to Group companies, as well as the re-invoicing of expenses incurred into on its behalf. During 2021, the total amount of operating income recorded by the Company amounts to EUR 20 million.

Main figures of the company for year 2021 are as follows:

Consolidated Management Balance Sheet

Thousands of euros

	Dec. 21		Dec. 20		Var.
	Amount	%	Amount	%	
Intangible assets	17,646	1.9%	16,051	1.6%	9.9%
Property, plant and equipment	74,136	7.9%	71,402	7.2%	3.8%
Real state investments	13,985	1.5%	11,884	1.2%	17.7%
Investments accounted for using the equity method	18,701	2.0%	19,595	2.0%	-4.6%
Long term financial investments	23,900	2.6%	32,392	3.2%	-26.2%
Deferred taxes assets	28,988	3.1%	26,917	2.7%	7.7%
Goodwill on consolidation	9,984	1.1%	9,984	1.0%	0.0%
TOTAL NON-CURRENT ASSETS	187,340	20.1%	188,225	19.0%	-0.5%
Inventories	82,627	8.9%	89,283	9.0%	-7.5%
Trade and other receivables	346,915	37.2%	346,663	35.1%	0.1%
Other short term financial investments	18,427	2.0%	75,862	7.7%	-75.7%
Short-term accruals	2,265	0.2%	3,126	0.3%	-27.5%
Cash and cash equivalents	295,496	31.7%	285,343	28.9%	3.6%
TOTAL CURRENT ASSETS	745,730	79.9%	800,277	81.0%	-6.8%
TOTAL ASSETS	933,070	100.0%	988,502	100.0%	-5.6%

Thousands of euros

	Dec. 21		Dec. 20		Var.
	Amount	%	Amount	%	
Equity attributable to shareholders of the parent	151,665	16.3%	143,326	14.5%	5.8%
Minority interest	30,478	3.3%	26,187	2.5%	16.4%
TOTAL EQUITY	182,143	19.5%	169,513	17.1%	7.5%
Long term provisions	35,950	3.9%	44,924	4.5%	-20.0%
Long term financial liabilities	100,792	10.7%	108,067	10.9%	-6.7%
Deferred taxes liabilities	17,887	1.9%	25,196	2.5%	-29.0%
Long-term accruals	810	0.1%	768	0.1%	5.5%
TOTAL NON CURRENT LIABILITIES	155,439	16.7%	178,955	18.1%	-13.1%
Short term provisions	29,607	3.2%	36,392	3.7%	-18.6%
Short term financial liabilities	13,438	1.4%	58,544	5.9%	-77.0%
Trade accounts and other current payables	552,443	59.2%	545,098	55.2%	1.3%
TOTAL CURRENT LIABILITIES	595,488	63.8%	640,034	64.8%	-7.0%
TOTAL EQUITY & LIABILITIES	933,070	100.0%	988,502	100.0%	-5.6%

Consolidated Management Income Statements

Thousands of euros

	Grupo SANJOSE				
	Dec. 21		Dec.20		Var.
	Amount	%	Amount	%	
Revenue	927,687	100.0%	961,981	100.0%	-3.6%
Other operating income	22,293	2.4%	20,899	2.2%	6.7%
Change in inventories	-3,694	-0.4%	-821	-0.1%	349.9%
Procurements	-654,023	-70.5%	-665,356	-69.2%	-1.7%
Staff costs	-131,311	-14.2%	-140,350	-14.6%	-6.4%
Other operating expenses	-106,566	-11.5%	-101,570	-10.6%	4.9%
EBITDA	54,386	5.9%	74,783	7.8%	-27.3%
Amortisation charge	-8,454	-0.9%	-9,758	-1.0%	-13.4%
Impairment on inventories	-3,129	-0.3%	-4,233	-0.4%	-26.1%
Changes in trade provisions and other impairment	-8,629	-0.9%	-18,421	-1.9%	-53.2%
EBIT	34,174	3.7%	42,371	4.4%	-19.3%
Ordinary financial results	-3,765	-0.4%	1,396	0.1%	--
Changes in fair value for financial instruments	13	0.0%	-143	0.0%	-
Foreign exchange results and others	-256	0.0%	-3,043	-0.3%	-91.6%
Impairment and profit/(loss) from disposal of financial instruments	-4,367	-0.5%	-4,443	-0.5%	-1.7%
NET FINANCIAL RESULT	-8,375	-0.9%	-6,233	-0.6%	34.4%
Results on equity method	-2,812	-0.3%	-221	0.0%	1172.4%
PROFIT BEFORE TAX	22,987	2.5%	35,917	3.7%	-36.0%
Income tax	-9,124	-1.0%	-13,858	-1.4%	-34.2%
PROFIT AFTER TAX CONTINUED OPERATIONS	13,863	1.5%	22,059	2.3%	-37.2%
CONSOLIDATED PROFIT	13,863	1.5%	22,059	2.3%	-37.2%

Alternative Performance Measures (APM):

In its consolidated summary financial statements for year 2021, the Group prepared its results in accordance with generally accepted accounting regulations. However, directors believe that certain alternative performance measures (MARs) reflect the true and fair view of its financial information and provide useful additional financial information used in the management of the business and that shall be considered to adequately assess performance of the group.

Among others, the Group identifies the following APMs:

- **EBITDA:** defining it as the gross operating result, calculated from operating income, excluding depreciation, provisions and impairment provided or reverted during the period, as well as the result from disposal of fixed assets.
- **Net financial debt (NFD):** total amount of bank and non-bank financial debt, including finance lease creditors and the valuation of obligations associated with financial derivative instruments, discounting the amount recorded under "Other current financial assets" And "Cash and cash equivalents" under current assets in the balance sheet.
- **Backlog:** total amount of sales contracted by Group companies with clients, discounting items made and recognised as income under the income statement. As for concession contracts, the total amount of sales is identified with the best estimate carried out by the Group, which is included in the economic-financial business plan of the concessionaire.

Consolidated Revenue

Net operating income (EBIT) of Grupo SANJOSE for year 2021 stands at EUR 927.7 million.

The main activity of Grupo SANJOSE is Construction, which currently represents more than 90.3% of the total turnover for the Group in the period, and accounts for 72% of the Group's total portfolio at the end of the 2021.

Turnover of this line of activity in 2021 stands at EUR 837.6 million, recording a 3.5% decreased with regard to the year 2020.

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

Thousands of euros

Revenues by activity	Grupo SANJOSE				
	Dec. 21		Dec.20	Var.(%)	
Construction	837,557	90.3%	867,580	90.2%	-3.5%
Real estate and property development	17,193	19%	8,568	0.9%	100.7%
Energy	11,481	12%	10,804	1%	6.3%
Concessions and services	52,162	5.6%	72,532	7.5%	-28.1%
Adjustment and other	9,294	10%	2,497	0.3%	272.2%
TOTAL	927,687		961,981		-3.6%

With regard to diversification at the geographical level of turnover, the domestic market shows great strength, experiencing a 12.5% growth in turnover in year 2021, representing 73% of the turnover for year 2021.

For its part, the turnover in international markets for year 2021 contributes EUR 249.3 million, and represents 27% of the Group's turnover in the period.

Thousands of euros

Revenues by geography	Grupo SANJOSE				
	Dec. 21		Dec.20	Var.(%)	
National	678,348	73%	603,105	63%	12.5%
International	249,339	27%	358,876	37%	-30.5%
TOTAL	927,687		961,981		-3.6%

Consolidated profit

EBITDA of Grupo SANJOSE for the year ended 31 December 2021 amounts to EUR 54.4 million, with a 5.9% margin on net revenue (7.8% in 2020).

Accumulated EBITDA contributed by the construction activity at the end of 2021 amounted to EUR 37.8 million, representing 69.5% of the Group's total EBITDA (70.1% of the total in 2020).

EBITDA breakdown by activity is as follows:

Thousands of euros

EBITDA by activity	Grupo SANJOSE				
	Dec. 21		Dec.20	Var.(%)	
Construction	37,809	69.6%	52,458	70.1%	-27.9%
Real estate and property development	3,640	6.7%	474	0.6%	667.9%
Energy	2,387	4.4%	3,637	4.9%	-34.4%
Concessions and services	2,890	5.3%	10,058	13.3%	-71.3%
Adjustment and other	7,660	14.1%	8,156	10.9%	-6.1%
TOTAL	54,386		74,783		-27.3%

The Net Operating Income (EBIT) of the SANJOSE Group for year 2021 stands at EUR 34.2 million.

Despite the adverse circumstances caused by the COVID-19 health crisis, the Group's activity level at 31 December 2021 remains at the level recorded for the previous year, recording a EUR 23 million profit.

Net cash position of Grupo SANJOSE at the end of year 2021 is positive standing at EUR 199.7 million, recording a 2.6% improvement with regard to the previous year.

Net Equity

As of 31 December 2021, the Group's Net Equity amounted to EUR 182.1 million, experiencing a 7.5% increase compared to the previous year and representing 19.5% of the total consolidated assets for year 2021.

Consolidated management cash flows statement

<u>Thousands of Euros</u>		
CASH FLOW	Grupo SANJOSE	
	Dec. 21	Dec.20
Cash flow from operating activities	53,833	75,376
Working capital	-9,390	14,304
Others adjustments	-13,565	-15,195
Operating cash flow	30,878	74,485
Divestments / (investments)	-7,790	-25,309
Others adjustments	46,195	49,530
Investment cash flow	38,405	24,221
Free cash flow	69,283	98,706
Capital flow & Minorities	-6,660	-6,719
Increase / (decrease) in borrowings	-50,174	-28,331
Net interest	-1,566	3,241
Others adjustments	0	-1,029
Financing cash flow	-58,400	-32,838
Diferences due to changes in exchange rates	-730	-13,570
Total cash flow	10,153	52,298

Consolidated backlog

Grupo SANJOSE's backlog, indicating the business contracted in the future by the Group, amounts to EUR 2,118 million as of 31 December 2021. The breakdown being as follows:

Millions of euros

BACKLOG by segment	Grupo SANJOSE				
	Dec. 21		Dec.20		Var.(%)
Construction	1,531	72%	1,234	68%	24.1%
Civil works	188	9%	182	10%	3.3%
Non residential building	486	23%	649	36%	-25.1%
Residential building	798	38%	347	19%	130.0%
Industrial	59	2.8%	56	3%	5.4%
Energy	368	16%	383	21%	-3.9%
Concessions and services	219	10%	204	11%	7.4%
Maintenance	19	1%	29	2%	-34.5%
Concessions	200	9%	175	10%	14.3%
TOTAL BACKLOG	2,118	100%	1,821	100%	16.3%

Millions of euros

BACKLOG by geography	Grupo SANJOSE				
	Dec. 21		Dec.20		Var.(%)
National	1,646	78%	1,238	68%	33.0%
International	472	22%	583	32%	-19.0%
TOTAL BACKLOG	2,118		1,821		16.3%

Millions of euros

BACKLOG by client	Grupo SANJOSE				
	Dec. 21		Dec.20		Var.(%)
Public client	397	19%	508	28%	-21.9%
Private client	1,721	81%	1,313	72%	31.1%
TOTAL BACKLOG	2,118		1,821		16.3%

At 31 December 2021, the Group's portfolio is especially reinforced, amounting to EUR 2,118 million, experiencing an increase of 16.3% compared to the previous year. The domestic portfolio with works with private clients has increased significantly.

The Construction portfolio, the main activity of Grupo SANJOSE, stands at EUR 1,531 million at the end of the 2021 - a 24.1% higher than that recorded for the previous year-, and represents 72% of the Group's total portfolio.

2.3. Performance by sector

Construction

Turnover of this line of activity in 2021 stands at EUR 837.6 million, experiencing a 3.5% growth with regard to the previous year.

EBITDA stands at EUR 37.8 million, representing a 4.5% margin with regard to turnover at 31 December 2021 (6% in year 2020)¹.

The profit before tax at 31 December 2021 stands at EUR 20.9 million².

At the end of the year, the construction portfolio contracted by the Group amounted to EUR 1,531 million, experimenting a 24.1% increase with regard to the previous year.

Thousands of euros

CONSTRUCTION	Grupo SANJOSE		
	Dec. 21	Dec.20	Var.(%)
Revenue	837,557	867,580	-3.5%
Earnings before interest, taxes, D&A (EBITDA)	37,809	52,458	-27.9%
EBITDA margin	4.5%	6.0%	
Earnings before interest and taxes (EBIT)	20,636	26,194	-21.2%
EBIT margin	2.5%	3.0%	
Earnings before tax	20,872	121,693	-82.8%

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		Internat.		Total	
Civil works	43,567	7.0%	12,074	5.7%	55,641	6.6%
Non residential building	319,408	51.2%	131,216	61.4%	450,624	53.8%
Residential building	233,528	37.4%	65,771	30.6%	299,299	35.7%
Industrial	27,604	4.4%	4,389	2.1%	31,993	3.7%
TOTAL	624,107	75%	213,450	25%	837,557	

Domestic construction revenue for year 2021 stands at EUR 624.1 million, with a 16.1% increase compared to the data recorded in the previous year, and it accounts for 75% of the total of this line of activity.

Revenue for the construction activity at the international level stands at EUR 213.5 million, representing 25% of the total.

Real estate and urban development.

Income corresponding to the SANJOSE Group's Real Estate business comes mostly from the real estate activity that the Group has been carrying out in Peru, due to the development, sale and delivery of housing units in the "Condominio Nuevavista" residential development, in Lima Peru. The works of this project began in 2018, and the construction of a total of 1,104 housing units is planned, which will be distributed in 10 buildings.

Stoppage of activity in Peru in year 2020 derived from the COVID-19 health crisis modified the initially planned rates of home delivery, mainly affecting the commission dates expected for 2020. During 2021, the activity, without having fully recovered, has experienced a substantial improvement compared to the previous year.

¹ The EBITDA margin in fiscal year 2020 reflected the positive effect of the transactional agreement reached in November 2020 with the Chilean Ministry of Public Works, which involved the liquidation of the construction phase of the Maipú and La Florida hospitals, in Santiago de Chile

² The income from dividends received from Group companies that are integrated into other areas of activity recorded in the 2020 financial year were significantly higher than those received in the 2021 financial year

Turnover in 2021 corresponding to the SANJOSE Group Real Estate activity stands at EUR 17.2 million, resulting in an EBITDA of EUR 3.6 million, representing a margin of 21.2% over revenue (5.5% in 2020).

Thousands of euros

REAL ESTATE AND PROPERTY DEVELOPMENT	Grupo SANJOSE		
	Dec. 21	Dec.20	Var.(%)
Revenue	17,193	8,568	100.7%
Earnings before interest, taxes, D&A (EBITDA)	3,640	474	667.9%
EBITDA margin	21.2%	5.5%	
Earnings before interest and taxes (EBIT)	3,162	-1,804	--
EBIT margin	18.4%	-21.1%	
Earnings before tax	1,818	-1,641	--

Energy

Turnover corresponding to year 2021 for this line of activity stands at EUR 11.5 million.

The EBITDA corresponding to year 2021 of this line of activity stands at EUR 2.4 million, representing a margin of 20.8% with respect to the sales figure.

Thousands of euros

ENERGY	Grupo SANJOSE		
	Dec. 21	Dec.20	Var.(%)
Revenue	11,481	10,804	6.3%
Earnings before interest, taxes, D&A (EBITDA)	2,387	3,637	-34.4%
EBITDA margin	20.8%	33.7%	
Earnings before interest and taxes (EBIT)	1,224	2,482	-50.7%
EBIT margin	10.7%	23.0%	
Earnings before tax	915	2,160	-57.6%

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

Grupo SANJOSE has a total contract backlog for this line of activity amounting to EUR 368 million for year 2021, which shall be translated as more activity of the group during a period of 25 years.

Concessions and Services

Turnover corresponding to year 2021 for this line of activity stands at EUR 52.2 million.

EBITDA corresponding to year 2021 for this line of activity stands at EUR 2.9 million (EUR 10.1 million in 2020).

The percentage of EBITDA on revenue of this business activity corresponding to year 2021 stands at 5.5% (13.9% in 2020)³.

³ The turnover and EBITDA in this line of activity in the 2020 financial year reflected the positive effect of the transactional agreement reached in November 2020 with the Chilean Ministry of Public Works, which involved the liquidation of the construction phase of the hospitals in Maipú and La Florida, in Santiago de Chile

Thousands of euros

CONCESSIONS AND SERVICES	Grupo SANJOSE		
	Dec. 21	Dec.20	Var.(%)
Revenue	52,162	72,532	-28.1%
Earnings before interest, taxes, D&A (EBITDA)	2,890	10,058	-71.3%
EBITDA margin	5.5%	13.9%	
Earnings before interest and taxes (EBIT)	2,388	8,622	-72.3%
EBIT margin	4.6%	11.9%	
Earnings before tax	5,175	14,835	-65.1%

At the closing of 2021, contract backlog of this line of activity amounted to EUR 219 million.

2.4. Average payment term to suppliers

The Group has paid its suppliers during year 2021, in an average payment period of approximately 14 days (12 days in average in 2020). This figure is within the average legal period established by law 15/2010 which is 30 days, extended to 60 days whenever expressly agreed by the parties.

3. Liquidity and capital resources

Liquidity

At 31 December 2021, the Company has total liquidity amounting to EUR 20.1 million, including both cash and other equivalent liquid assets, such as current investments in Group companies and associates.

The Group pursues the prudent management of the liquidity risk on the ground of maintenance of sufficient cash and marketable securities, availability of financing through a sufficient level of committed credit facilities and sufficient capacity to settle market positions. The Group calculates its cash requirements by means of 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 2021, consolidated net position has changed as follows:

Thousands of euros

NET CASH POSITION	Dec. 21		Dec. 20		Var.
	Amount	%	Amount	%	
Other short term financial investments	18,427	5.9%	75,862	21.0%	-75.7%
Cash and cash equivalents	295,496	94.1%	285,343	79.0%	3.6%
Total cash	313,923	100%	361,205	100%	-13.1%
Long term financial liabilities	100,792	88.2%	108,067	64.9%	-6.7%
Short term financial liabilities	13,438	11.8%	58,544	35.1%	-77.0%
Total debt	114,230	100%	166,611	100%	-31.4%
TOTAL NCP	199,693		194,594		2.6%

The consolidated net treasury position at the end of 2021 is positive with EUR 199.7 million (compared to EUR 194.6 million recorded at 2020 year-end), what represents a 2.6% improvement during 2021.

During year 2021, the Group has reduced its financial debt by 31.4%, mainly due to the payment of the last instalment in June and, as a consequence, the final maturity of the bond issue in Chile, as well as the early amortisation of mortgage loans.

Financial debt also includes the financing of project finance without recourse for a total value of EUR 3.7 million at 31 December 2021 (EUR 40.2 million at 31 December 2020).

Capital resources

Further, the Company does not expect any material change in its structure, including equity and debt, or the relative cost of capital resources during year 2022.

Future contractual obligations

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

4. Main risks and uncertainties

The Company, as a holding company, is exposed to the risks that affect the companies which it participates in, either due to the activity carried out, or due to the country and regulatory, economic and financial environment which it operates in.

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) the identification ii) the measurement; iii) the control; iv) the monitoring and, v) the assessment of the activity, through 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 risks, environmental risks, 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 analysis of each project is carried out.

Likewise, the Group has an International Legal and Tax Department, that analyses the impact of the different regulatory frameworks affecting 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 other than 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:** risk which arises from customer defaults; it 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 receivables and reviewing and segregating the estimated recoverable receivables from the doubtful receivables.
- **Liquidity risk:** dealt with on Note 3 of this report herein.

5. Events after the reporting period

Further, there are no other significant events occurred after 31 December 2021 which may have impacted on the accompanying financial statements

6. Future outlook

The economic crisis caused by COVID-19 in 2020 and 2021 suggests a rebound in the economy in 2022 and 2023, driven by the monetary policies of central banks and the vaccination process.

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

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

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

In this sense, in 2021, the Group has worked on the achievement of new projects, which accompany those already awarded in 2020.

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

Taking into consideration the backlog of the Group at 31 December 2021, amounting to EUR 2,118 million, the Group deems that its organic stability is assured, foreseeing to maintain the average size of the projects, trying to take advantage of public bidding opportunities, both at domestic and international level, especially in those where it has presence and expertise.

7. R&D& and innovation 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 and innovation trying to offer innovative technical solutions that meet the demands and needs of its customers. In order to facilitate the detection of opportunities, the generation of innovative ideas and the development of R&D activities, a R&D Management System following the guidelines set out under standard UNE 166002 and having obtained the AENOR recognition through certification has been implemented.

Among the initiatives developed by the Group in 2021, highlights the R&D and innovation project for an automated and fixed detection and dissipation system for fog precipitation on hydrometric data, which has been patented for use on highways and railways.

In turn, it is immersed in several R&D and innovation projects funded by the Centre for Industrial Technological Development (CDTI). R&D and innovation 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 2021, prepared by the Group and accompanying the consolidated financial statements for the year ending 31 December 2021.

8. Treasury share transactions

The Company, either directly or through its investees, has no treasury shares at 31 December 2021 nor carried out transactions involving treasury shares.

9. Other Information of Interest

Stock exchange information

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

	2021	2020
Capitalisation* (Millions of Euros)	318.6	291.6
No shares (x 1,000)	65,026	65,026
Price end of the period (euros)	4.90	4.49
Last price for the period (euros)	4.90	4.49
Maximum price for the period (euros)	6.66	6.86
Minimum price for the period (euros)	3.575	2.76
Volume (Millions of shares)	13.4	20.2
Cash (Millions of Euros)	66.5	99.8

* 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

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

Proposed distribution of profit

The Directors of the Parent will propose the AGM to distribute the profit for year 2021, amounting to EUR 2.964 thousand, to "Voluntary reserves".

10. Non-Financial Information

The Company prepares a "Consolidated non-financial information statement" which is available in the Company's consolidated management report for year 2021.

11. ANNUAL CORPORATE GOVERNANCE REPORT

In accordance with the provisions of trade legislation, the Annual Corporate Governance Report forms an integral part of this Management Report and is attached herein. It is attached by reference, and it is available in the Company's consolidated management report for year 2021, as well as on the Company's website and on the website of the CNMV.

12. Report on the Remuneration of Members of the Board

In accordance with the provisions of trade legislation, the Annual Corporate Governance Report forms an integral part of this Management Report and is attached herein. It is attached by reference, and it is available in the Company's consolidated management report for year 2021, as well as on the Company's website and on the website of the CNMV.

CERTIFICATION

CERTIFICACIÓN

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

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

do hereby certify

certifico que

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

la que precede es traducción fiel y completa al inglés de un documento redactado en español. En caso de discrepancia, el documento original redactado en español prevalece.

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

Madrid, a veinticuatro de febrero de dos mil veintidós.

Firmado por CALVO IGLESIAS
ESTEFANIA - 53112060T el día
24/02/2022 con un certificado
emitido por AC FNMT Usuarios

Estefanía Calvo Iglesias