

Audit Report on Financial Statements
issued by an Independent Auditor

AEDAS HOMES, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2018

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

To the shareholders of AEDAS HOMES, S.A.:

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of AEDAS HOMES, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2018, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2018 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Measurement of inventories

Description At December 31, 2018, the Group carried inventories at 1,075,776,641 euros, which mainly comprise land and sites, as well as various developments in progress that are being held for the purpose of selling the homes being built. The disclosures pertaining to the above assets can be found in note 10 of the accompanying interim consolidated financial statements. As detailed in note 4.3, the Group's inventories are measured at their acquisition cost, grossed up primarily by the cost of any development works, construction works and the borrowing costs, or their estimated market value, if lower.

At each reporting date, the Parent's directors test these inventories for indications of impairment. Impairment losses are recognized when their carrying amount exceeds their recoverable amount. To determine the inventories' recoverable amount, the Parent's directors rely primarily on the appraisals provided by an independent expert in keeping with the valuation standards prescribed by the Royal Institution of Chartered Surveyors (RICS). The risk of the incorrect initial recognition of these assets, the incorrect capitalization of eligible costs and the possible impairment of these assets, as well as the materiality of the amounts involved, have led us to conclude that the measurement of the Group's inventories constitutes the most relevant audit issue.

Our response In this regard, our audit procedures included the following:

- ▶ Reviewing the purchase deeds for real estate assets and analyzing a sample of costs capitalized as an increase in inventories.
- ▶ Reviewing, in collaboration with our valuation experts, the valuation methodology used by the independent expert for a sample of the properties appraised by the latter, which encompassed a mathematical assessment of the model, an analysis of the projected cash flows, and a review of the discount rates used.
- ▶ Verifying that the notes to the accompanying consolidated financial statements include the related information breakdowns mandated by the applicable financial reporting framework.

Other information: consolidated management report

Other information refers exclusively to the 2018 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the management report. Our responsibility for the information contained in the consolidated management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

- a. A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the consolidated management report, and if not, disclose this fact.
- b. a general level applicable to the remaining information included in the consolidated management report, which requires us to evaluate and report on the consistency of said information in the consolidated financial statements, based on knowledge of the Group obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided in the consolidated management report, and that the remaining the information contained therein is consistent with that provided in the 2018 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company's directors and the audit and control committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company are responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so,

The audit and control committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 prevailing audit regulations 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 consolidated financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the directors' use 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and control committee of the parent company 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 audit and control committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and control committee, we determine those matters that were of most significance in the audit of the consolidated 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.

Report on other legal and regulatory requirements

Additional report to the audit and control committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit and control committee on February 19, 2019.

Term of engagement

As per the minutes of the Sole Shareholder's meeting on September 11, 2017 appointed us as auditors for 3 years, commencing on December 31, 2017.

ERNST & YOUNG, S.L.
(Registered in the Official Register of
Auditors under No. S0530)

(Signed on the original version in Spanish)

Fernando González Cuervo
(Registered in the Official Register of
Auditors under No. 21268)

February 19, 2019

Aedas Homes, S.A. and subsidiaries

Consolidated financial statements for the year ended December 31, 2018 prepared under the International Financial Reporting Standards (IFRS) adopted by the European Union, Group Management Report and Independent Auditor's Report

(Free translation from the original in Spanish. In case of discrepancy, the Spanish-language version prevails).

AEDAS HOMES, S.A. and subsidiaries
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2018

(Euros)

ASSETS	Note	December 31, 2018	December 31, 2017	EQUITY AND LIABILITIES	Note	December 31, 2018	December 31, 2017
NON-CURRENT ASSETS:				EQUITY:			
Intangible assets	7	416,090	315,819	Capital		47,966,587	47,966,587
Software		371,271	207,001	Share capital		47,966,587	47,966,587
Other intangible assets		44,819	108,818	Share premium		500,076,721	500,076,721
Property, plant and equipment	8	852,165	705,771	Parent company reserves		(311,281,836)	(310,653,657)
Land and buildings		273,252	72,193	(Own Parent Company shares and equity holdings)		(1,127,936)	-
Plant and other PP&E		578,913	489,269	Retained earnings (Prior period losses)		(42,319,941)	(2,241,561)
Construction work in progress and prepayments		-	144,309	Reserves at fully-consolidated companies		(3,542,734)	(91,876)
Non-current financial assets	9	1,475,922	578,782	Other owner contributions		740,071,256	740,071,256
Other non-current financial assets		1,475,922	578,782	Profit/(loss) for the year attributable to equity holders of the parent		2,454,815	(40,078,380)
Deferred tax assets	16	24,628,246	12,602,937	Other equity instruments		1,123,888	-
Total non-current assets		27,372,423	14,203,309	Non-controlling interests		1,989,151	2,245,802
				Total equity	13	935,409,971	937,294,892
				NON-CURRENT LIABILITIES:			
				Non-current payables	14	58,744,843	137,326
				Debt with financial institutions		57,630,275	-
				Derivatives		1,114,568	137,326
				Total non-current liabilities		58,744,843	137,326
CURRENT ASSETS:				CURRENT LIABILITIES:			
Inventories	10	1,075,776,641	880,669,169	Current provisions		793,825	367,913
Trade and other receivables	11	42,483,254	52,592,622	Borrowings classified as current due in the long term	14	56,823,957	28,455,143
Trade receivables		36,703,959	5,963,497	Current borrowings	14	34,784,232	33,080,996
Sundry receivables		19,779	8,774,024	Other financial liabilities	14	682	500
Personnel		17,016	-	Current borrowings from related companies and associates	14	3,448,732	8,309,370
Current tax assets	16	1,418,585	353,721	Trade and other payables	15	172,356,235	121,373,760
Other receivables from public authorities	16	4,323,915	37,501,380	Trade and other payables		45,070,109	64,237,741
Current financial assets	9	5,601,059	5,996,527	Trade payables, group companies and associates		-	88,716
Other current financial assets		5,601,059	5,996,527	Payable for services received		2,935,546	5,696,255
Prepayments and accrued income		8,144,515	3,122,811	Employee benefits payable		2,436,994	1,500,600
Cash and cash equivalents	12	102,984,585	172,435,462	Current tax liabilities	16	-	3,007,741
				Other payables to public authorities	16	1,540,222	13,713,730
				Customer prepayments		120,373,364	33,128,977
Total current assets		1,234,990,054	1,114,816,591	Total current liabilities		268,207,663	191,587,682
TOTAL ASSETS		1,262,362,477	1,129,019,900	TOTAL EQUITY AND LIABILITIES		1,262,362,477	1,129,019,900

The accompanying notes 1 to 23 are an integral part of the consolidated balance sheet at December 31, 2018.

AEDAS HOMES, S.A. and subsidiaries
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

(Euros)

	Note	Year 2018	Year 2017
CONTINUING OPERATIONS			
Revenue	18.a	79,822,668	38,694,305
Revenue from sales		79,822,668	38,558,157
Revenue from services rendered		-	136,148
Changes in inventories of finished goods and work in progress	18.b	230,337,696	3,428,477
Changes in inventories of finished goods and work in progress		229,828,763	3,960,581
Inventory impairment losses / reversals		508,933	(532,104)
Cost of sales	18.b	(286,228,538)	(29,201,190)
Consumption of goods for resale		(286,597,689)	(27,370,234)
Inventory impairment losses / reversals		369,151	(1,830,956)
Other operating income		1,693,850	112,293
Non-trading and other operating income		1,693,850	112,293
Employee benefits expense	18.c	(13,391,664)	(33,769,775)
Wages, salaries and similar		(11,351,960)	(32,646,184)
Employee benefits		(2,039,704)	(1,123,591)
Other operating expenses	18.d	(16,697,414)	(15,308,470)
External services		(14,545,022)	(14,804,199)
Taxes other than income tax		(2,105,557)	(487,173)
Other operating expenses		(46,835)	(17,098)
Depreciation and amortization	7 & 8	(349,282)	(137,371)
Impairment of and gains/(losses) on disposal of fixed assets		(19,009)	(104,211)
Impairment and write-downs		(19,009)	(104,211)
OPERATING PROFIT/(LOSS)		(4,831,693)	(36,285,942)
Finance income		881	134,413
Other finance income		881	134,413
Borrowing costs capitalized in inventories	10	7,418,498	996,603
Finance costs	18.e	(9,666,170)	(11,236,901)
Borrowings from Group companies and associates		(209,466)	(9,301,643)
Third-party borrowings		(9,456,704)	(1,935,258)
Change in fair value of financial instruments	9	(1,050,763)	(137,326)
Held-for-trading portfolio and other securities		(1,050,763)	(137,326)
Exchange gains/(losses)		(3,669)	-
Impairment of and gains/(losses) on disposal of financial instruments		-	567,132
Gains/(losses) on disposals		-	567,132
NET FINANCE INCOME/(COST)		(3,301,223)	(9,676,079)
PROFIT/(LOSS) BEFORE TAX		(8,132,916)	(45,962,021)
Income tax	16	11,998,161	5,639,269
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		3,865,245	(40,322,752)
DISCONTINUED OPERATIONS		-	-
Profit/(loss) after tax for the period from discontinued operations		-	-
PROFIT/(LOSS) FOR THE YEAR		3,865,245	(40,322,752)
Attributable to:			
Non-controlling interests		1,410,430	(244,372)
Equity holders of the parent		2,454,815	(40,078,380)
Earnings/(loss) per share from continuing operations (in euros):			
Basic		0.05	(0.84)
Diluted		0.05	(0.84)

The accompanying notes 1 to 23 are an integral part of the consolidated income statement for the year ended December 31, 2018.

AEDAS HOMES, S.A. and subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(Euros)

	Note	Year 2018	Year 2017
PROFIT/(LOSS) FOR THE PERIOD (I)		3,865,245	(40,322,752)
Income and expense recognized directly in equity			
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY (II)		-	-
TOTAL AMOUNTS TRANSFERRED TO PROFIT OR LOSS (III)		-	-
TOTAL RECOGNIZED INCOME AND EXPENSE (I+II+III)		3,865,245	(40,322,752)
Total recognized income and expense attributable to equity holders of the Parent		2,454,815	(40,078,380)
Total recognized income and expense attributable to non-controlling interests		1,410,430	(244,372)

The accompanying notes 1 to 23 are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2018.

AEDAS HOMES, S.A. and subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

B) STATEMENT OF TOTAL CHANGES IN EQUITY

(Euros)

	Capital (Note 13.a)	Share premium (Note 13.c)	Reserves of the parent	(Own Parent Company shares and equity holdings)	Retained earnings (prior-period losses)	Reserves at fully- consolidated companies	Shareholder/owner contributions (Note 13.e)	Profit/(loss) for the year	Other equity instruments (Note 13.h)	Non-controlling interests	TOTAL
OPENING BALANCE AT JANUARY 1 2017	3,000	-	(355)	-	-	(3,632)	9,372,875	(2,369,805)	-	507,280	7,509,363
Total recognized income and expense	-	-	-	-	-	-	-	(40,078,380)	-	(244,372)	(40,322,752)
Distribution of prior-period profit	-	-	-	-	(2,241,561)	(128,244)	-	2,369,805	-	-	-
Transactions with shareholders	47,963,587	500,076,721	(310,930,826)	-	-	-	730,698,381	-	-	1,982,893	969,790,756
Non-cash proceeds from shares issued (Note 1.2)	47,963,587	500,076,721	(310,930,826)	-	-	-	-	-	-	-	237,109,482
Shareholder contribution (Note 13.e)	-	-	-	-	-	-	730,698,381	-	-	-	730,698,381
Other transactions with equity holders or owners	-	-	-	-	-	-	-	-	-	1,982,893	1,982,893
Consolidation scope and other changes	-	-	277,524	-	-	40,000	-	-	-	-	317,524
CLOSING BALANCE AT DECEMBER 31, 2017	47,966,587	500,076,721	(310,653,657)	-	(2,241,561)	(91,876)	740,071,256	(40,078,380)	-	2,245,801	937,294,891
Total recognized income and expense	-	-	-	-	-	-	-	2,454,815	-	1,410,430	3,865,245
Distribution of prior-period profit	-	-	-	-	(40,078,380)	-	-	40,078,380	-	-	-
Transactions with shareholders	-	-	(424,036)	(1,127,936)	-	-	-	-	-	(781,323)	(2,333,295)
Transactions with own shares and equity holdings (net)	-	-	(424,036)	(1,127,936)	-	-	-	-	-	-	(1,551,972)
Distribution of dividends and repayment of equity contributions	-	-	-	-	-	-	-	-	-	(781,323)	(781,323)
Other transactions with equity holders or owners	-	-	-	-	-	-	-	-	-	-	-
Consolidation scope and other changes	-	-	(204,143)	-	-	(3,450,858)	-	-	1,123,888	(885,757)	(3,416,870)
CLOSING BALANCE AT DECEMBER 31, 2018	47,966,587	500,076,721	(311,281,836)	(1,127,936)	(42,319,941)	(3,542,734)	740,071,256	2,454,815	1,123,888	1,989,151	935,409,971

The accompanying notes 1 to 23 are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2018.

AEDAS HOMES, S.A. and subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

(Euros)

	Note	Year 2018	Year 2017
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(8,132,916)	(45,962,021)
Adjustments to profit/(loss):		5,672,996	18,349,796
Depreciation and amortization charges	7 & 8	349,282	137,372
Impairment and write-downs		(859,076)	104,211
Provisions		2,958,733	-
Inventory impairment losses	10	-	2,363,060
Finance income		(769)	(134,413)
Finance costs	18.e	9,666,169	11,236,901
Borrowing costs capitalized in inventories	10	(7,418,586)	(996,603)
Change in fair value of financial instruments		977,243	-
Other gains/(losses)		-	5,639,268
Other cash flows (used in)/from operating activities		(11,853,964)	(1,568,524)
Interest received		769	134,412
Interest paid		(8,801,372)	(1,702,936)
Income tax paid		(3,053,361)	-
Changes in working capital:		(142,915,925)	(130,613,193)
Increase/(decrease) in inventories		(185,258,050)	(148,486,098)
Increase/(decrease) in trade receivables		10,109,368	(40,409,781)
Increase/(decrease) in trade payables		52,095,143	65,487,376
Increase/(decrease) in other current assets and liabilities		(18,963,994)	1,570,990
Increase/(decrease) in other non-current assets and liabilities		(898,392)	(8,775,680)
Net cash used in operating activities (1)		(157,229,809)	(159,793,942)
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments disposals		(5,935,784)	21,608,397
Group companies and associates		(5,320,829)	-
Intangible assets	7	(241,240)	(314,821)
Property, plant and equipment	8	(373,715)	(551,506)
Business unit		-	22,474,724
Net cash from/(used in) investing activities (2)		(5,935,784)	21,608,397
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments for equity instruments		(1,551,973)	217,214,940
New contributions secured from shareholders	13	-	217,214,940
Acquisition of own equity instruments		(10,593,000)	-
Disposal of own equity instruments		9,041,027	-
Proceeds from and repayment of financial liabilities		95,266,689	79,579,040
Issue of bonds and other marketable securities		78,153,563	-
New financing obtained from banks		107,344,848	9,396,797
New financing obtained from shareholders	14	-	69,410,269
Issue of debt with related parties		28,481	771,974
Issue of other debts		-	-
Repayment of bonds and other marketable securities		(44,200,000)	-
Repayment of debt with financial institutions		(41,056,849)	-
Repayment of debt with related parties		(5,003,354)	-
Net cash from financing activities (3)		93,714,716	296,793,980
4. Effect of changes in exchange rates on cash and cash equivalents (4)			
5. NET INCREASE IN CASH AND CASH EQUIVALENTS (1+2+3+4)		(69,450,877)	158,608,435
Cash and cash equivalents at beginning of year		172,435,462	13,827,027
Cash and cash equivalents, closing balance		102,984,585	172,435,462

The accompanying notes 1 to 23 are an integral part of the consolidated statement of cash flows for the year ended December 31, 2018.

Aedas Homes, S.A. and subsidiaries

Notes to the 2018 consolidated financial statements

1. The Aedas Homes Group's business

The Aedas Homes Group comprises Aedas Homes, S.A. (the Parent or Company) and its subsidiaries.

The Parent's registered office is located in Madrid, Spain, at Paseo de la Castellana, 42. It is registered with the Madrid Companies Register.

Aedas Homes, S.A. and its subsidiaries (together, the Aedas Group or the Group) are devoted to the following business activities, pursuant to article 2 of the Company's bylaws:

- a) The acquisition, development and refurbishment of all manner of properties, whether for holding, use, disposal or lease.
- b) The acquisition, holding, usage, sale and administration of marketable Spanish or international securities and of any titles or rights, such as the shares of limited-liability companies, that give it an equity interest in other companies, all of which as principal and not agent.

The above-mentioned activities may be performed by the Parent or by any Group companies either directly or indirectly, as well as through ownership interests in other companies with an identical or similar corporate purpose. At present, the Parent holds equity interests in other companies. Appendix I of these notes itemizes the activities conducted by the subsidiaries of Aedas Homes, S.A.

The Parent was incorporated under the name of SPV Spain 19, S.L.U. as a result of the subscription and payment of 3,000 indivisible equity interests (*participaciones sociales*), numbered sequentially, with a unit par value of 1 euro. They were paid for in cash. Hipoteca 43 Lux, S.A.R.L. purchased 100% of these interests on July 5, 2016. The Company's name was changed to Aedas Homes Group, S.L.U. on July 18, 2016. It assumed its current name in the wake of the restructuring transaction outlined in note 1.1 below.

On September 12, 2017, the Company's legal form of incorporation was changed to that of a public limited company (*sociedad anónima*) so that it took the name of Aedas Homes, S.A. (*Sociedad Unipersonal*).

The shares representing the share capital of Aedas Homes S.A. have been trading on the continuous stock markets of Madrid, Barcelona, Bilbao and Valencia since October 20, 2017.

The deeds declaring the loss of sole-shareholder status (*sociedad unipersonal*) were placed on public record on November 23, 2017.

1.1 Corporate Restructuring Transactions

On May 23, 2017, the then Sole Shareholder of Aedas Homes Group, S.L. (the Company or the Transferee) and Aedas Homes, S.L. (the Transferor) resolved to approve the merger by absorption of the latter into the former. The Transferee's and the Transferor's balance sheets at March 31, 2017 were similarly ratified as the merger balance sheets. This operation was concluded and ratified by public deed on June 29, 2017 and registered in the Madrid Companies Register. The name and registered address of the Transferor have both been changed to those of the Transferee, and the Board of Directors.

The merger by absorption implied: (i) the dissolution and extinguishment of the Transferor; (ii) the en bloc transfer of all the latter's assets and liabilities to the Transferee, which has acquired all of its rights and obligations by universal succession.

Note further that the restructuring transaction described was covered by the special tax neutrality regime for mergers, divisions, transfers of assets, exchanges of shares and changes of the registered address of a European company or a European cooperative society from one European Union member state to another provided for in Title VII of Chapter VIII of Spain's Corporate Income Tax Act

(Legislative-Royal Decree 4/2014, of November 27, 2014). In compliance with the information requirements established in the mentioned Act, it is informed that the detail of the operation is included in the Financial Statements for the year ended December 31, 2017.

The above deeds also formally set down the change in the Company's registered office to Paseo de la Castellana 42, Madrid, and the changes in its Board of Directors of the Parent Company (refer to Note 20).

On April 2, 2018, by virtue of resolutions ratified by Aedas Homes, S.A. in its capacity as sole shareholder of SPV Reoco 1, S.L.U., it was agreed to merge SPV Reoco 1, S.L.U. ("Transferee") and 41 of its subsidiaries (ESPEBE 2, S.L.U., ESPEBE 4, S.L.U., ESPEBE 7, S.L.U., ESPEBE 12, S.L.U., ESPEBE 14, S.L.U., ESPEBE 15, S.L.U., ESPEBE 16, S.L.U., ESPEBE 17, S.L.U., ESPEBE 20, S.L.U., ESPEBE 21, S.L.U., ESPEBE 22, S.L.U., ESPEBE 23, S.L.U., ESPEBE 25, S.L.U., ESPEBE 26, S.L.U., ESPEBE 27, S.L.U., ESPEBE 28, S.L.U., ESPEBE 29, S.L.U., ESPEBE 31, S.L.U., ESPEBE 32, S.L.U., ESPEBE 34, S.L.U., ESPEBE 35, S.L.U., SPV REOCO 2, S.L.U., SPV REOCO 5, S.L.U., SPV REOCO 6, S.L.U., SPV REOCO 12, S.L.U., SPV REOCO 14, S.L.U., SPV REOCO 17, S.L.U., SPV REOCO 18, S.L.U., SPV REOCO 26, S.L.U., SPV SPAIN PROJECT 1, S.L.U., SPV SPAIN 7, S.L.U., SPV SPAIN 16, S.L.U., SPV SPAIN 17, S.L.U., CORNETALA SERVICIOS Y GESTIONES, S.L.U., DANTA INVESTMENTS, S.L.U., DELANETO SERVICIOS Y GESTIONES, S.L.U., DESARROLLO EMPRESARIAL LICANCABUR, S.L.U., EPAVENA PROMOCIONES Y SERVICIOS, S.L.U., LANDATA SERVICIOS Y GESTIONES, S.L.U., MILEN INVESTMENTS, S.L.U. and SERVICIOS INMOBILIARIOS CLEGANE, S.L.U., the "Transferors").

The merger by absorption implied: (i) the dissolution and extinguishment of the Transferors; (ii) the en bloc transfer of all the latter companies' assets and liabilities to the Transferee, which has acquired all of their rights and obligations by universal succession. The merger deeds were publicly notarized on May 4, 2018 and registered with the Madrid Companies Register.

As for the economic rationale for the merger, the restructuring of the group of companies aimed the simplification of its structure and administrative management in order to save in performing costs. The merger is therefore intended to simplify and speed up corporate decision-making.

The restructuring operation described above is covered by the special tax neutrality regime for mergers, divisions, transfers of assets, exchanges of shares and changes of the registered address of a European company or a European cooperative society from one European Union member state to another provided for in Title VII of Chapter VIII of Spain's Corporate Income Tax Act (Legislative-Royal Decree 4/2014, of November 27, 2014).

Item 4 of article 4 of Royal Decree 1159/2010 (of September 17, 2010), enacting the rules for the issuance of consolidated annual financial statements and amending the General Accounting Plan enacted by means of Royal Decree 1514/2007 (of November 16, 2007) and the General Accounting Plan for Small and Medium-Sized Enterprises enacted by means of Royal Decree 1515/2007 (of November 16, 2007) stipulates that when group companies are merged together or spun off, the date of the transaction for accounting purposes is that of the start of the year in which the transaction is approved so long as such date is subsequent to the date on which the companies in question became part of the group, regulation that has been applied by the Company in the corresponding mergers.

1.2 Business contribution

In 2017, the Parent's then Majority Shareholder contributed its Spanish property development business, specifically contributing the entities through which it had been carrying out this business. Over the course of 2017, the Majority Shareholder contributed its Spanish real estate development business to the Company. More specifically, it made the following contributions:

- On March 30, 2017, the Majority Shareholder made a non-monetary equity injection into the Parent in the amount of 314,032,037 euros, a transaction that materialized in the creation of 31,403,231 shares with a unit par value of one euro and an increase in the share premium account of 282,629,106 euros. That contribution primarily implied the first-time recognition of inventories with a net carrying amount of 596,293,156 euros (stated at the Group's ownership interest therein) which were mainly financed by a loan extended by the Majority Shareholder in the amount of 475,018,616 euros (note 1.2). The companies added to the consolidation scope as a result of this contribution:

ESPEBE 7, S.L.U., ESPEBE 12, S.L.U., ESPEBE 14, S.L.U., ESPEBE 15, S.L.U., ESPEBE 16, S.L.U., ESPEBE 17, S.L.U., ESPEBE 18, S.L.U., ESPEBE 20, S.L.U., ESPEBE 22, S.L.U., ESPEBE 23, S.L.U., ESPEBE 25, S.L.U., ESPEBE 26, S.L.U., ESPEBE 27, S.L.U., ESPEBE 28, S.L.U., ESPEBE 29, S.L.U., ESPEBE 32, S.L.U., ESPEBE 34, S.L.U., ESPEBE 35, S.L.U., SPV SPAIN 2, S.L. (the Group had at that date a 65% interest in this entity), SPV SPAIN 7, S.L.U., SPV SPAIN 16, S.L.U., SPV SPAIN 17, S.L.U., SPV SPAIN PROJECT 1, S.L.U., DAMALANA SERVICIOS Y GESTIONES, S.L.U., MILEN INVESTMENT, S.L.U. y CORNETALA SERVICIOS Y GESTIONES S.L.U.

- On June 29, 2017, the Majority Shareholder made a non-monetary equity injection into the Parent in the amount of 23,140,283 euros, a transaction that materialized in the creation of 2,314,028 shares with a unit par value of one euro and an increase in the share premium account of 20,826,255 euros. That contribution primarily implied the first-time recognition of inventories with a net carrying amount of 43,691,035 euros (stated at the Group's ownership interest therein) which were financed by a loan extended by the Majority Shareholder in the amount of 22,972,164 euros (note 1.2). The companies added to the consolidation scope as a result of this contribution:

ESPEBE 31, S.L., DELANETO SERVICIOS Y GESTIONES, S.L, ESPEBE 11 S.L. (the Group had at that date an 80% interest in this entity), ESPEBE 21, S.L., FACORNATA SERVICIOS Y GESTIONES, S.L. (the Group had at that date a 94.68% interest in this entity).

- On August 16, 2017, the Majority Shareholder made a non-monetary equity injection into the Parent in the amount of 110,867,709 euros, a transaction that materialized in the creation of 11,086,771 shares with a unit par value of one euro and an increase in the share premium account of 99,780,938 euros. That contribution primarily implied the first-time recognition of inventories with a net carrying amount of 49,687,116 euros (the balancing entry for that contribution consisted of the transfer of 95% of the shares of Danta Investment S.L.U. and a credit claim against FAB related to a loan that was cancelled on August 21, 2017). FAB MAY was subsequently liquidated on September 15, 2017, all of its liabilities were cancelled and 100% of its assets were allocated to Danta Investments, S.L.U. In a single act, Danta Investments, S.L.U. paid SAREB (the acronym in Spanish for the management company for assets arising from bank restructuring, more popularly known as the bad bank) consideration totaling 4,800,000 euros plus VAT. The company that was added to the scope of consolidation as a result:

DANTA INVESTMENT, S.L.U.

It is important to note that Aedas Homes, S.A.U. was incorporated with the purpose of reorganizing the then Majority Shareholder's real estate development business in Spain but that neither the Company's key management personnel nor the management of the business change as a result of the reorganization; moreover, the reorganization does not result in a change of control.

The directors based their analysis on the contents of paragraphs 17 and 18 of *Basis for Conclusions on IFRS 3*. As for whether the transactions qualify as common control combinations, they based their analysis on the *IFRS 3 Appendix B - Application guidance appendix*, paragraph B1, which states that "A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory", the Parent's directors concluded that the contributions did indeed constitute a real estate development business as well as a combination involving entities under common control, opting accordingly, in keeping with the terms of paragraph 10 of IAS 8 regarding the development of an appropriate accounting policy for transactions not specifically contemplated in IFRS-EU, to recognize the contributions at the amounts at which the assets and liabilities received were carried in the financial statements of the then Sole Shareholder rather than at the amounts at which the contributions were actually made. The difference arising between the amounts at which the contributions were made and the carrying amounts of the assets and liabilities received has been charged against "Voluntary reserves".

The summary of the difference between the amounts at which the inventories were contributed and the amounts used for consolidated financial statement accounting purposes is as follows:

	Euros		
	Amounts at which contributed	Carrying amounts in the books of the entities contributed (*)	Impact on voluntary reserves
Contribution of March 30, 2017	829,436,052	596,293,156	(233,142,896)
Contribution of June 29, 2017	60,569,456	43,691,035	(16,878,421)
Contribution of August 16, 2017	110,596,625	49,687,116	(60,909,509)
Total	1,000,602,133	689,671,307	(310,930,826)

(*) Stated at the Group's percentage interest in the inventories at each contribution date.

In addition, as a result of the contributions of March and June 2017, the Group recognized non-current borrowings from the then Sole Shareholder of 470,173,453 and 22,714,507 euros, respectively, and current borrowings of 4,845,163 and 257,657 euros, respectively; these borrowings were subsequently capitalized and contributed to the Company's equity (Note 14).

At December 31, 2018, the Company was the parent of a group of companies. The Group formed by the Parent and its subsidiaries has issued the accompanying consolidated financial statements for the year ended December 31, 2018 in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

Appendix I itemizes the Group companies consolidated by the Parent and provides their salient information as at December 31, 2018, before making the corresponding standardization adjustments, as appropriate, to their separate financial statements in order to adapt them for IFRS-EU reporting purposes. The figures disclosed in Appendix I were provided by the Group entities and their equity positions are those stated in their accounting records as of the reporting date.

Given the business activities performed by the Group, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or performance. Therefore, no specific disclosures relating to environmental issues are included in the notes to the consolidated financial statements.

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

The consolidated financial statements of the Group comprising Aedas Homes, S.A. and its subsidiaries for the year ended December 31, 2018 were prepared from the accounting records of the Parent and the other companies comprising the Group (refer to Appendix I) in keeping with the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

The consolidated financial statements were prepared under the IFRS-EU in effect on the date of their issuance. They take into consideration all of the accounting principles and standards and measurement criteria that are mandatorily applicable under IFRS-EU such that they present fairly the Group's equity and financial position as at December 31, 2018 and its financial performance, the changes in its equity and in cash flows, all on a consolidated basis, for the year then ended.

However, given that the accounting principles and measurement criteria used to prepare the Group's consolidated financial statements for the year ended December 31, 2018 may differ from those used by certain of the Group entities, the appropriate adjustments and reclassifications have been made upon consolidation in order to standardize the various principles and criteria and bring them in line with IFRS-EU.

In order to present the different items that make up the annual consolidated financial statements on a uniform basis, the accounting policies and measurement rules used by the Parent have been applied to all of the companies consolidated.

b) Adoption of the International Financial Reporting Standards

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (IFRS-EU), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, which were effective as at December 31, 2018.

The consolidated financial statements were prepared on a historical cost basis, with the exception of certain assets and financial instruments which have been measured at their revalued amounts or fair values at year-end, as explained in the accounting policies section provided further below. As a general rule, historical cost values are based on the fair value of the consideration provided in exchange for goods and services.

Unless indicated otherwise, the figures shown in the documents comprising these consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of income, consolidated statement of total changes in equity, consolidated statement of cash flows and these notes) are expressed in euros.

a) Standards and interpretations approved by the European Union and applied for the first time during the current reporting period

The accounting standards used to prepare these consolidated financial statements correspond to those used to prepare the 2017 consolidated financial statements, , except the following, applicable from year 2018 and without having been adopted previously, if applicable:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on April 12 2016)
- Amendments to IFRS 2 (Share-based Payment)
- Amendments to IFRS 4 (Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts)
- Amendments to IAS 40 (Investment Property)
- IFRIC 22 Interpretation (Foreign Currency Transactions and Advance Consideration)
- Annual Improvements to IFRS Standards, 2014-2016 Cycle

The modifications to the following standards must be highlighted, even though no significant impact on the Group's Financial Statements has arisen:

IFRS 9 Financial Instruments:

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and measurement.

The Group has evaluated the implementation of this standard, having no impact on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts, as well as various Interpretations previously issued by the IFRS Interpretations Committee.

The Group has evaluated the implementation of this standard, having no impact on the consolidated financial statements.

b) Standards and interpretations issued by the IASB not yet applicable in the current reporting period

The Group intends to apply the standards, interpretations and amendments issued by the IASB whose application is not mandatory in the European Union as at the date of authorizing the accompanying consolidated financial statements for issue when they are effective, to the extent applicable to the Group.

To the date of preparation of these Consolidated Financial Statements, the following standards, amendments to standards and interpretation had been published by the IASB but were not of mandatory implementation:

Mandatory implementation: effective for periods beginning on or after 1 January 2019

- IFRS 16 Leases
- IFRIC 23 Interpretation (Uncertainty over Income Tax Treatments)
- Amendments to IFRS 9 (Prepayment Features with Negative Compensation for early Termination)
- Amendments to IAS 28 (Long-term Interests in Associates and Joint Ventures)
- Annual Improvements to IFRS Standards, 2015-2017 Cycle

Mandatory Implementation: effective for periods beginning on or after 1 January 2021

- IFRS 17 Insurance Contracts

Although the Group is still in the process of analyzing their impact, based on the analysis performed to date, it estimates that their first-time application will not have a significant impact on its consolidated financial statements, with the exception of the following standard:

IFRS 16 Leases:

IFRS 16 *Leases* requires lessees to recognize in their statement of financial position the assets and liabilities arising from all leases (except for the short-term leases and leases of low-value assets).

The Group act as a lessee on a total of 28 lease agreements of different assets, corresponding mainly to office leases, parking spaces and vehicles renting. Under the current lease standard, a significant portion of these contracts are classified as operating lease, with lease payments being recognised generally on a straight-line basis over the contract term.

The Group has estimated the impact of this new standard on such contracts. This analysis includes the estimation of the lease term, based on the non-cancellable term and the periods covered by an option to extend the lease whose exercise may be discretionary by the Group, and where such exercise is reasonably certain, which will depend, to a large extent, on the specific facts and circumstances by class of assets. In addition to this, the Group make assumptions to calculate the discount rate, which will mainly be based on the incremental borrowing rate of interest for the estimated term.

The standard allows for two transition methods: retrospectively for all periods presented, or using a modified retrospective approach where the cumulative effect of adoption is recognised at the date of initial application. The Group has decided to adopt the latter transition method; therefore the Group would recognise the cumulative effect of initial application as an adjustment to retained earnings in the year of initial application of IFRS 16 (2019). Also, certain practical expedients are available on first-time application in connection with the right of use asset measurement, discount rates, impairment, leases that finish within the twelve months subsequent to the date of first application, term of the lease and initial direct costs,

The reasonable estimation of the impact that the application of this standard may have on the Group's financial statements is the following:

Recognition on the balance sheet of right of use assets and their corresponding lease obligations for a total amount of de 2,640,135 euros. Also, amortization of the right of use assets and recognition of interest costs on the lease obligation on the statements of income will replace amounts recognized as lease expense under the current lease standard, implying an impact in the income statement of 28,387 euros as expense in 2019. Classification of lease payments in the statement of cash flows will also be affected by the requirements of the new lease standard.

Additionally, the Group's Financial Statements will include, in compliance of the requirements of the standard, broader disclosures with relevant information regarding lease contracts.

c) *Functional and presentation currency*

The accompanying consolidated financial statements are presented in euros, which is the currency of the primary economic environment in which the Group operates. The Group does not currently trade abroad or in any currencies other than the euro.

d) *Responsibility for the information presented and estimates made*

The Group Parent's directors are responsible for the information included in these consolidated financial statements.

The Group's consolidated financial statements for the year ended December 31, 2018 make occasional use of estimates made by the senior executives of the Group and of its consolidated companies, later ratified by their respective directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations recognized therein. Essentially, these estimates refer to:

- The market value of the Group's properties, determined on the basis of an assessment carried out by independent expert appraisers. Specifically, Savills Consultores Inmobiliarios, S.A. appraised the Group's portfolio of real estate assets as at December 31, 2018. The assets were appraised using the 'market value' assumption, in keeping with the Valuation - Professional Standards and Guidance notes published by Great Britain's Royal Institution of Chartered Surveyors (RICS) (Note 4.3). The estimation of the net realizable value of the Group's inventories: the Group has assessed at the reporting date the realizable value of its inventories, understood as their estimated sale price less all of the estimated costs necessary to complete their construction (which methodology is described in Note 4.3).

The probability of obtaining future taxable income when recognizing deferred tax assets (refer to Note 4.9).

Although these estimates were made on the basis of the best information available at December 31, 2018 regarding the facts analyzed, future events could make it necessary to revise these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with IAS 8, recognizing the effects of the change in estimates in the related consolidated income statement.

e) *Basis of consolidation*

In order to present the financial information on a uniform basis, the accounting policies and measurement rules used by the Parent have been applied to all of the companies consolidated.

The universe of companies included in the consolidation scope in the years ended December 31, 2018 and 2017 is listed in Appendix I.

Subsidiaries are investees over which the Parent exercises control either directly or indirectly via other subsidiaries. The Parent controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with it and has the ability to affect those returns through its power over the investee. The Parent is deemed to have power over an investee when it has existing rights that give it the current ability to direct its relevant activities. The Parent is exposed, or has rights, to variable returns from its involvement with the investee when the returns obtained from its involvement have the potential to vary as a result of the entity's performance.

The Parent re-evaluates whether it controls an investee when events and circumstances indicate the existence of changes in one or more of the control elements itemized above. The Parent consolidates a subsidiary from when it obtains control (and deconsolidates when it ceases to have such control).

At present, all of the Group companies are consolidated using the full consolidation method.

Any non-controlling interests are measured at their percentage interest in the fair values of the identifiable assets and liabilities recognized. Accordingly, any loss attributable to non-controlling interests in excess of the carrying amount of such interests is recognized with a charge against the Parent's equity. Minority interests in:

1. The equity of the Group's investees: are presented under "Non-controlling interests" in the consolidated balance sheet within Group equity.
2. Profit or loss for the year: are presented under "Profit/(loss) for the year attributable to non-controlling interests" in the consolidated income statement.

The income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the acquisition date or until the date of change in control, as warranted.

Material intra-group balances and transactions among fully-consolidated investees are eliminated upon consolidation, as are the gains or losses included in the inventories deriving from purchases from other Group companies.

Given that all of the Group companies have the same financial year-end no adjustments have had to be made to ensure uniform reporting periods.

All of the assets, liabilities, equity, income, expenses and cash flows related with transactions among the Group companies are fully eliminated upon consolidation.

The Parent has notified all the companies in which it has ownership interests of 10% or more, directly or indirectly through subsidiaries, of this fact, in keeping with article 155 of Spain's Corporate Enterprises Act. The list of non-Group companies that hold an equity interest in any of the fully-consolidated subsidiaries of 10% or more is provided in Appendix II.

f) *First-time consolidation differences*

The assets, liabilities and contingent liabilities of newly-acquired subsidiaries are stated at their acquisition-date fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets acquired (i.e., a bargain acquisition), the gain is recognized in profit and loss in the period of the acquisition.

The Group has not recognized any such goodwill or negative differences of consolidation to date.

g) *Comparative information*

For comparative purposes, the information contained in the accompanying consolidated financial statements for the year ended December 31, 2018 is presented alongside the information at December 31, 2017 in respect of the consolidated balance sheet, the consolidated income statement, consolidated statement of changes in equity and the consolidated statement of cash flows,

Any comparison should consider the changes in the Group's capital structure outlined in Notes 1.1 and 1.2.

A summary of the significant accounting policies and standards applied is provided in Note 4.

3. Appropriation of profit/(loss)

The appropriation of loss proposed by the Parent's directors for the year ended December 31, 2018, pending ratification at the Annual General Meeting, is as follows:

	Euros
	2018
Basis of appropriation:	
Profit for the year	16,067,303
Appropriation:	
Allocation to legal reserves	1,606,730
Prior-year losses offsetting	14,460,573

4. Recognition and measurement standards

The following accounting principles, policies and measurement criteria were used to draw up the Group's consolidated financial statements for the year ended December 31, 2018:

4.1 Intangible assets

Intangible assets are identifiable non-monetary assets, without physical substance, which arise as a result of a legal transaction or are developed by the consolidated companies. Only assets whose cost can be estimated reasonably objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognized.

Intangible assets are initially recognized at acquisition cost and subsequently measured at cost less any accumulated amortization and impairment losses.

a) Software

The Company recognizes computer software at the amount of costs incurred to acquire and develop them; these costs include website development costs. Software maintenance costs are expensed currently. Software is amortized using the straight-line method over a five-year period.

4.2 Property, plant and equipment

The items comprising property, plant and equipment are measured initially at acquisition cost and are subsequently carried net of accumulated depreciation and any impairment losses.

Acquisition or production cost for items of property, plant and equipment that require more than one year to ready for use (qualifying assets) include borrowing costs accrued prior to readying the assets for use when such expenses have been invoiced by the supplier or correspond to specific or generic loans or other external financing directly allocable to the acquisition, manufacture or construction of the asset.

The cost of maintaining and repairing the various items making up property, plant and equipment are charged to the income statement in the year incurred. On the other hand, amounts spent to upgrade these assets that increase their productivity, capacity or efficiency or lengthen their useful lives are capitalized.

Interest and other financial charges incurred during the construction of property, plant and equipment are recognized as an increase in the cost of the construction in progress.

The work that the Group performs on its own assets is recognized at cost, which is external costs plus internal costs, determined on the basis of in-house consumption of warehouse materials, direct labor

costs incurred and general manufacturing costs allocated based on throughput rates similar to those used to value inventories.

Depreciation is calculated on a straight-line basis based on the assets' cost less residual value. The land on which the Group's buildings and other structures stand is deemed to have an indefinite useful life and, therefore, is not depreciated.

The annual depreciation charges are made with a balancing entry in the consolidated income statement as a function of the assets' estimated useful lives. The average estimated useful lives of the items comprising property, plant and equipment are shown below:

	Annual depreciation rate
<i>Straight-line depreciation charge:</i>	
Buildings	14%
Other plant	20%
Furniture & fittings	10%
Computer equipment	25%
Other items of PP&E	20%

Assets under construction earmarked for production or for administrative or commercial use, are recognized at cost, less any impairment losses. Cost includes professional fees. Depreciation of these assets commences when the assets are ready for their intended use.

Impairment of intangible assets and property, plant and equipment

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets for indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the asset does not generate cash flows that are independent from those of other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. To estimate value in use, the Group discounts the asset's estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset in question for which the estimated future cash flows have not been adjusted.

If the estimated recoverable amount of an asset (or CGU) is lower than its carrying amount, the carrying amount of that asset (or CGU) is written down to its recoverable amount. The impairment loss is expensed in profit and loss immediately.

When an impairment loss subsequently reverts, the carrying amount of the asset (or CGU) is written up to its newly estimated recoverable amount, so long as the restated carrying amount does not exceed the carrying amount that would have been recognized had no impairment loss been recognized for the asset (or CGU) in prior years. The impairment loss is reversed in profit and loss immediately.

4.3 Inventories

This consolidated balance sheet heading includes the assets that the consolidated companies:

1. Hold for sale in the ordinary course of their businesses
2. Have in the process of production, construction or development to this end
3. Expect to consume in the production process or in the provision of services

The Parent's directors believe that the Group's inventories do not qualify as investment properties under IAS 40. As a result, the land and other properties it holds for sale are considered inventories once integrated into a real estate development.

Land and sites are measured at the lower of (i) acquisition cost plus any planning costs, costs specific to the acquisition (transfer tax, registration fees, etc.) and the borrowing costs incurred during execution of the planning work; or (ii) estimated market value.

Construction in progress refers to costs incurred in property developments, or sections thereof, whose construction is not complete at the reporting date. These costs include those corresponding to the site, urban planning, construction work, capitalized borrowing costs incurred from the start of the technical and administrative work required prior to commencing construction and during the construction period itself, and other direct costs and indirect costs that can be allocated to the developments.

The amount of capitalized borrowing costs stood at 7,418,498 euros as of December 31, 2018 (996,603 euros in year 2017); the balancing entry is recognized in profit and loss under "Borrowing costs capitalized in inventories" within the finance result. These borrowing costs are associated with developments in progress (Note 4.11).

The Group companies transfer the costs accumulated under "Construction in progress" to "Finished properties" when the construction of its developments or sections thereof is complete.

Sales costs, other than sales commissions conditional upon the sale going through, are expensed currently.

Costs accumulated for developments for which the forecast construction termination date is within 12 months of the reporting date are classified as "Short-cycle developments in progress".

The cost of works in progress and finished developments is written down to their net realizable value by recognizing an impairment loss whenever cost exceeds such net realizable value.

The fair value of the Group's inventories is estimated based on appraisals performed by independent experts not related to the Group (Savills Consultores Inmobiliarios, S.A.). Those appraisals calculate fair value primarily using the dynamic residual method for land and the discounted cash flow method for developments in progress and finished developments, in keeping with the Valuation and Appraisal Standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain, and the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC).

To calculate fair value, the Group has used the dynamic residual method and the discounted cash flow method for inventories of land and developments in progress/finished developments, respectively, as mentioned above. The methodology consists of estimating the value of the land/developments in progress/finished developments by means of the comparative or discounted cash flow method which is then reduced by the development costs still to be incurred for each property, depending on its stage of completion (such costs therefore include any planning costs, construction costs, fees, duties, sales costs, etc.), and the developer's margin in order to estimate the residual value. The sources of income and costs are spread out in time to reflect the development timelines and sales estimated by the appraiser. The discount rate used is that representing the average annual return on the project, adjusted for the property's intrinsic characteristics and risks, without factoring in external borrowings, that a developer would obtain on a development of similar characteristics to that being analyzed. The discount rate is arrived at by adding the risk-free rate and the risk premium (determined by assessing the development's risk in light of the nature of the property to be developed or under development, its location, liquidity, execution timeline and the investment required).

Given the uncertainty intrinsic in any forward-looking information, actual results may well differ from the projections used to estimate the recoverable amount of the Group's inventories, which could make it necessary to change these estimates (upwards or downwards) in future years; as disclosed in note 2.d, any such changes would be applied prospectively.

As of December 31, 2018, all the Group's assets (except for those covered by a pre-sale agreement and prepayments to suppliers) had been valued by an independent expert and that expert's appraisal values were used as inputs in testing its inventories for impairment.

Note that the appraisals took the form of individual asset-by-asset analysis, factoring in the building standards planned for each, which in turn determine the associated contracting costs and sales price ranges. An individual assessment was also made of the average length of time expected to be needed to obtain the various planning permits and requirements and the average length of time needed to build each development as function of its nature and density.

Lastly, the appraisal exercise entailed the calculation of a discount rate for each project, which was then stressed depending on the state of progress of the various developments. The discount rates used vary depending on the state of development of the asset (untransformed land, developments under construction, developments being sold from plan and finished developments). They range between 6% and 16%, the weighted average discount rate being 11.8% (12.49% as of December 31, 2017). The decrease is attributable to the progress made on executing the works and off-plan sales percentages as of December 31, 2018.

Having made a first estimate of how much the assets are worth, the valuation methods are checked to ensure the reasonableness of certain ratios such as the percentage of land to finished product, profit over construction costs or profit as a function of sales.

Other assumptions are unchanged from one development to the next, the main ones being:

- It has been assumed that off-plan sales will not be made before construction of the developments begins.
- As a general rule, it has been assumed that approximately 70% - 75% of sales (off-plan sales under private sale-purchase agreements) take place during construction of the various developments, with the rest of the units being sold in the three to nine months following their completion.
- The estimates do not assume any increase in sales prices with respect to market prices as of the reporting date, in general. The average sale price assumed was 2,821 euros per square meter.
- As a general rule, it has been assumed that it takes between 27 and 36 months from drawing up the plans for a development and obtaining the required permits until the marketing and sale of the development is complete.

4.4. Trade receivables

Trade receivables do not accrue interest and are recognized at their face value less provisions for impairment, if any.

For the impairment calculation of trade receivables as of 31 December 2018, the Group has applied the simplified approach under IFRS 9 *Financial Instruments* (loss allowance at an amount equal to lifetime expected credit losses). Although, it causes no impact in the consolidated financial statements, mainly due to the fact that the agreements signed with customers are terminable if they fail to comply with their payment commitments.

4.5. Customer prepayments

The amounts received from customers as down payments for land and/or buildings, whether in cash or trade bills, before the sale is recognized are recognized under "Customer prepayments" within current liabilities.

4.6 Financial instruments by category

4.6.1 Financial assets

Financial assets are measured at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Despite this, at initial recognition, the Group measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component.

The Group companies' financial assets are mainly classified as subsequently measured at amortized cost, because mainly such financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are derecognized by the different Group companies when the contractual rights over the cash flows of the financial asset expire or when substantially all the risks and benefits inherent to ownership of the financial asset are transferred.

At the end of each reporting period, the Parent's directors assess and recognize the applicable loss allowance for expected credit losses.

4.6.2 Financial liabilities and equity

An equity instrument is any contract that evidences a residual interest in the net assets of the Group.

The Group companies' financial liabilities are mainly held-to-maturity financial liabilities, which are classified as subsequently measured at amortized cost.

4.6.3 Equity instruments

The equity instruments issued by the Parent are recognized in equity at the amount received net of direct issuance costs.

4.6.4 Bank loans

Interest-bearing bank loans and overdrafts are recognized at the amount received, net of direct issuance costs. Finance costs, including premiums payable upon settlement or repayment and direct issuance costs, are recognized on an accrual basis in the consolidated income statement using the effective interest method and they are added to the carrying amount of the financial instrument to the extent that they are not settled in the year in which they accrue.

4.6.5 Trade payables

Trade payables do not accrue interest and are recognized at face value.

4.6.6 Derivatives

Derivatives are recognized at fair value and subsequent changes in their fair value are recognized in profit and loss.

4.7 Own shares of the Parent Company

Own shares acquired by the Parent during the year are recognized at the amount of consideration given in exchange and are presented as a deduction from equity. The gains and losses resulting from the purchase, sale, issuance or cancellation of own equity instruments are recognized directly in equity and are not reclassified to profit or loss under any circumstances.

4.8 Provisions and contingent liabilities

In drawing up the consolidated financial statements, the Parent's directors distinguish between:

- a. Provisions: liabilities recognized to cover a present obligation arising from past events, of uncertain timing and/or amount, the settlement of which is expected to result in an outflow of resources embodying economic benefits.
- b. Contingent liabilities: a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

The consolidated financial statements recognize all provisions in respect of which it is considered more likely than not that a present obligation exists.

Contingent liabilities are not recognized in the financial statements, but they are disclosed in the accompanying notes, unless the possibility of an outflow of resources embodying economic benefits is deemed remote, as required under IAS 37.

Provisions (which are estimated using the best information available regarding the consequences of the event giving rise to their recognition and re-estimated at each reporting date) are used to cover the specific obligations for which they were initially recognized; they are reversed, in full or in part, when these obligations cease to exist or diminish.

The compensation to be received from a third party when an obligation is settled is recognized as a separate asset so long as it is virtually certain that the reimbursement will be received, unless the risk has been contractually externalized so that the Company is legally exempt from having to settle, in which case the reimbursement is taken into consideration in estimating the amount of the provision, if any.

There were no contingent liabilities, contingent assets or penalties for delays in delivering houses at either reporting date, December 31, 2018 and 2017.

4.9 Income tax

The consolidated income tax expense is recognized in the consolidated income statement, except when it relates to transactions recognized directly in equity, in which case the related tax is likewise recognized in equity.

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

Deferred tax assets and liabilities are those expected to be recoverable or payable on the differences between the carrying amounts of assets or liabilities in the financial statements and the tax bases used to calculate taxable income and are recognized using the liability method in the consolidated balance sheet. They are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled.

Deferred tax assets or liabilities are recognized for temporary differences originating from investments in subsidiaries and associates and interests in joint ventures unless the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

However:

1. Deferred tax assets are only recognized to the extent that it is probable that the consolidated entities will generate sufficient taxable profit in the future against which these assets can be utilized, factoring in the outlook for the sector as a constraining factor such that such assets are only capitalized once the recovery of the relevant segments (residential) of the real estate market is deemed to have gained sufficient traction.

2. Under no circumstances are deferred taxes recognized in connection with goodwill arising in a business combination.

Recognized deferred tax assets and liabilities are reassessed at each reporting date to check that they still qualify for recognition and the appropriate adjustments are made on the basis of the outcome of the analyses performed, factoring in any applicable quantitative and/or time limits.

At December 27, 2017, the Board of Directors resolved to avail of the consolidated tax regime (contemplated in article 55 *et seq.* of the Spanish Corporate Income Tax - Law 27/2014) in 2018 and thereafter, Aedas Homes, S.A. being the parent of the tax group.

4.10 Revenue and expenses

The Group recognizes their ordinary income in a way that the transference of goods and services that are committed with their clients is recorded by the amount that reflects the compensation that the entity expects to receive in exchange to those goods or services, performing an analysis according to the following steps:

- Identification of the contract.
- Identification of the different performance obligations.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligations.
- Recognition the revenue when the entity satisfies the performance obligations.

Given the characteristics of the contracts signed with clients do not differ significantly, and according to the standard, the Group applies a collective accounting treatment to them.

The Group companies recognize property development sales and the related cost when the properties are handed over and title thereto has been transferred. For these purposes, the sale of a finished residential product is understood to have occurred when the keys are handed over, which coincides with the exchange of the deeds. A sale is not deemed closed for revenue recognition purposes until this happens.

Ordinary income does not include discounts, value added tax and other sales taxes.

Expenses are recognized on an accrual basis.

Interest income is recognized using the effective interest method, by reference to the principal outstanding and the applicable effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Dividend income from equity investments is recognized when the shareholders' right to receive payment is established.

Expenses are recognized in the income statement when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. This means that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets.

An expense is recognized immediately when an expenditure produces no future economic benefits or when future economic benefits do not qualify for recognition as an asset.

Similarly, an expense is recognized when a liability is assumed and no asset is recorded, such as a liability related to extension of a guarantee.

As a general rule, commissions paid to external agents that are not specifically allocable to the developments, albeit unquestionably related thereto, incurred between the start of the development work and recognition of the related sales as revenue are accrued under "Prepayments and accrued income" on the asset side of the balance sheet and are expensed upon recognition of the related revenue so long as at each reporting date the margin deriving from the sales contracts entered into and pending recognition as revenue is higher than such expenses. If a given development does not present a positive margin, these expenses are reclassified to profit and loss.

Sales costs, other than sales commissions conditional upon the sale going through, are expensed currently.

4.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets - assets that necessarily take a substantial period of time to ready for their intended use or sale - are capitalized within the cost of those assets until such time as the assets are substantially ready for their intended use or sale or their development is suspended. Interest income earned on the temporary investment of specific borrowings pending investment in qualifying assets is deducted from the borrowing costs eligible for capitalization.

In the case of funds obtained from generic loans, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the sum invested in the asset in question. That capitalization rate is the weighted average rate of interest borne on the loans received by the consolidated companies that were outstanding during the reporting period other than loans arranged specifically to finance certain assets. The amount of borrowing costs capitalized during the year did not exceed total interest expense incurred during the same.

4.12 Operating profit/(loss)

Operating profit or loss is presented before the Group's share of associates' earnings, income from financial investments and finance costs.

4.13 Termination benefits

Under prevailing labor law, the Group is obliged to pay severance to employees who are discontinued under certain circumstances. Termination benefits that can be reasonably estimated are recognized as an expense in the year in which the redundancy decision is taken.

No provision has been recognized in the accompanying consolidated financial statements in this connection at either December 31, 2018 or December 31, 2017 as no workforce restructuring is currently contemplated.

4.14 Director and key management personnel remuneration

The remuneration earned by the Parent's key management personnel (refer to Note 20) is recognized on an accrual basis such that the Group recognizes the corresponding provision at each reporting date in respect of any amounts that have not yet been paid.

In the case of equity-settled share-based transactions, both the services provided to the Group companies and the related increase in equity are measured at the fair value of the equity instruments granted with reference to the date of their grant. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognized at the fair value of the latter, with reference to the date on which the vesting conditions are met.

4.15 Environmental assets and liabilities

Environmental assets are long-lived assets used in the ordinary course of the Group's business whose ultimate purpose is to minimize the Group's environmental impact and to improve its environmental record and include assets designed to reduce or eliminate future contamination.

Given the activities in which the Group is involved, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or performance. Environmental disclosures are accordingly not provided in these consolidated financial statements.

4.16 Related-party transactions

The Group carries out all transactions with related parties (whether financial, commercial or other in nature) at transfer prices that meet the OECD's rules governing transactions with Group companies and associates. The Group has duly met its documentation requirements in respect of these transfer prices so that the Parent's directors believe there is no significant risk of related liabilities of material amount.

In the event of a significant difference between the price so established and the fair value of a transaction between related parties, the difference would be considered a distribution of profits or contribution of funds between Group companies and as such would be recognized with a charge or credit to a reserves account, as warranted.

The Group conducts all related-party transactions on an arm's length basis.

4.17 Distinction between current and non-current

The following assets are classified as current assets: assets associated with the normal operating cycle (which is generally considered one year); other assets that are expected to mature, be sold or realized within twelve months of the reporting date; financial assets held for trading other than financial derivatives due for settlement more than 12 months from the reporting date; and cash and cash equivalents. Any assets that do not meet these criteria are classified as non-current assets.

Likewise, the following liabilities are classified as current liabilities: those related with the normal operating cycle; financial liabilities held for trading other than financial derivatives due for settlement more than 12 months from the reporting date; and, in general, all liabilities that fall due or will be extinguished within 12 months of the reporting date. All other liabilities are presented as non-current.

The breakdown of short and long-term inventories is included in Note 10.

4.18 Business combinations

Business combinations are accounted for using the acquisition method, which requires identification of the acquisition date, calculation of the cost of the combination and recognition of the identifiable assets acquired and liabilities assumed at their acquisition-date fair values.

Goodwill (or a gain on a bargain purchase) is calculated as the difference between the fair values of the net assets acquired and the cost of the business combination, all as of the acquisition date.

The cost of a business combination is the aggregate of:

- The acquisition-date fair values of the assets received, the liabilities incurred or assumed and any equity instruments issued.
- The fair value of any contingent consideration that depends on future events or delivery of pre-determined conditions.

The cost of a business combination does not include expenses related with the issuance of any equity instruments or financial liabilities delivered in exchange for the assets acquired.

In the exceptional event of a gain on a bargain purchase, the gain is recognized in the income statement.

If at the end of the reporting period in which the business combination occurs it is not possible to complete the valuation work needed to apply the acquisition method outlined above, the business combination is accounted for provisionally. The provisional amounts recognized can be adjusted within a measurement period of no more than one year from the acquisition date to reflect access to new information. The effects of any such adjustments are accounted for retroactively, modifying the comparative information as necessary.

Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss, unless the consideration has been classified in equity, in which case subsequent changes in its fair value are not recognized.

4.19 Share-based payments

The Parent recognizes, on the one hand, the goods and services received as an asset or expense, depending on their nature, at the time they are received and, the corresponding increase in equity, if the transaction is settled using equity instruments, or the corresponding liability, if it is settled in an amount that is based on the value of the equity instruments, on the other.

In the case of equity-settled share-based transactions, both the services provided to the Group companies and the related increase in equity are measured at the fair value of the equity instruments granted with reference to the date of their grant. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognized at the fair value of the latter, with reference to the date on which the vesting conditions are met.

4.20 Segment information

The Group has defined neither operating nor geographical segments since its business consists exclusively of property development in Spain.

5. Earnings/(loss) per share

a) Basic earnings/(loss) per share

Earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Parent (i.e., after tax and profit/loss attributable to non-controlling interests) by the weighted average number of shares outstanding during the reporting period.

Accordingly:

	Euros	
	2018	.2017
Profit/(loss) for the period attributable to equity holders of the Parent	2,454,815	(40,078,380)
Number of shares outstanding (Note 13)	47,966,587	47,966,587
Basic earnings/(loss) per share	0.05	(0.84)

b) Diluted earnings/(loss) per share

Diluted earnings per share is calculated similarly to basic earnings per share; however, the weighted average number of shares outstanding is adjusted to factor in the potential dilutive effect of options over the Parent's shares, warrants and convertible debt outstanding at each year-end.

The Parent did not have any dilutive equity instruments at December 31, 2017. As of December 31, 2018, the Parent held 46,166 own share, not holding any other dilutive equity instrument, so the diluted earnings per share amounts to 0.05 euros.

6. Changes in the Group's composition

Changes in the group's composition are described in Notes 1.1 y 1.2.

7. Intangible assets

The reconciliation of the opening and year-end intangible asset balances:

	Euros		
	Software	Advances for intangible assets	Total
Cost:			
Balance at January 1, 2018	254,778	108,818	363,596
Additions	305,239	145,266	450,505
Derecognitions		(209,265)	(209,265)
Balance at December 31, 2017	560,017	44,819	604,836
Accumulated amortization:			
Balance at January 1, 2018	(47,777)	-	(47,777)
Charges	(140,969)	-	(140,969)
Derecognitions	-	-	-
Total accumulated depreciation	(188,746)	-	(188,746)
Carrying amount at Dec 31, 2018	371,271	44,819	416,090

	Euros		
	Software	Advances for intangible assets	Total
Cost:			
Balance at January 1, 2017	48,775	-	48,775
Additions	206,003	108,818	314,821
Derecognitions	-	-	-
Balance at December 31, 2017	254,778	108,818	363,596
Accumulated amortization:			
Balance at January 1, 2017	-	-	-
Charges	(47,777)	-	(47,777)
Derecognitions	-	-	-
Total accumulated depreciation	(47,777)	-	(47,777)
Carrying amount at Dec 31, 2017	207,001	108,818	315,819

The main additions recognized in 2018 and 2017 relate to the acquisition and development of computer applications for the management of the Group's financial reporting and cost management systems.

The amounts stated under "Advances for intangible assets" correspond to investments in the development of applications currently being carried out.

No items of intangible assets had been pledged as collateral at either December 31, 2018 or December 31, 2017.

Nor were any intangible assets fully amortized and still in use at either reporting date. Lastly, none of the Group's intangible assets had an indefinite useful life at December 31, 2018 or 2017.

8. Property, plant and equipment

The reconciliation of the movements under this heading during the year ended December 31, 2018 and 2017:

	Euros						
	Buildings	Other plant	Furniture & fittings	Computer equipment	Other items of PP&E	Prepayments for PP&E	Total
Cost:							
Balance at January 1, 2018	81,072	38,430	143,919	339,961	49,936	144,309	797,627
Additions	289,463	3,430	79,543	126,983	18,606	-	518,025
Derecognitions	(26,082)	-	-	-	-	-	(26,082)
Reclassifications	-	-	-	-	-	(144,309)	(144,309)
Balance at December 31, 2018	344,453	41,860	223,462	466,944	68,542	-	1,145,261
Accumulated depreciation:							
Balance at January 1, 2018	(8,880)	(7,629)	(15,016)	(56,056)	(4,274)	-	(91,855)
Charges	(69,393)	(7,928)	(20,383)	(99,637)	(10,972)	-	(208,313)
Derecognitions	7,072	-	-	-	-	-	7,072
Total accumulated depreciation	(71,201)	(15,557)	(35,399)	(155,693)	(15,246)	-	(293,096)
Carrying amount at Dec. 31, 2018	273,252	26,303	188,063	311,251	53,296	-	852,165

	Euros						
	Buildings	Other plant	Furniture & fittings	Computer equipment	Other items of PP&E	Prepayments for PP&E	Total
Cost:							
Balance at January 1, 2017	133,308	28,390	93,165	101,613	971	1,398	358,848
Additions	60,489	10,039	50,753	238,348	48,964	142,911	551,504
Derecognitions	(112,725)	-	-	-	-	-	(112,725)
Balance at December 31, 2017	81,072	38,429	143,918	339,961	49,935	144,309	797,628
Accumulated depreciation:							
Balance at January 1, 2017	(4,218)	(963)	(3,067)	(2,494)	(32)	-	(10,777)
Charges	(13,176)	(6,666)	(11,948)	(53,562)	(4,242)	-	(89,595)
Derecognitions	8,515	-	-	-	-	-	8,515
Total accumulated depreciation	(8,879)	(7,629)	(15,015)	(56,056)	(4,274)	-	(91,857)
Carrying amount at Dec. 31, 2017	72,193	30,800	128,903	283,905	45,661	144,309	705,771

The main additions recognized in the year ended December 31 2018 relate to capital expenditure on the new office facilities and computer equipment. The derecognitions related to old office facilities. The main additions recognized in the year ended December 31, 2017 related to capital expenditure on computer equipment as well as refurbishment and upgrade work undertaken at the Group's offices at Paseo de la Castellana, 42.

The balances derecognized in the year ended December 31, 2017 in an amount of 104,211 euros corresponded to the impairment charges recognized by the Parent's directors against the Group's former office headquarters.

None of the items of the Group's property, plant and equipment was fully depreciated and still in use at either reporting date, December 31, 2018 and 2017.

It is Group policy to take out all the insurance policies deemed necessary to cover the risks to which its property, plant and equipment is exposed.

No item of property, plant and equipment had been pledged as collateral at December 31, 2018 or 2017.

The Group had no contractual commitments for the purchase of property, plant and equipment either reporting date.

Operating leases

The future minimum payments under the Company's non-cancelable operating lease, of offices and vehicles, at year-end break down as follows:

	Euros	
	2018	2017
Within one year	895,592	832,593
Between one and five years	1,939,588	2,070,526
More than five years	-	-
	2,835,180	2,903,119

9. Current and non-current financial assets and liabilities

The breakdown of the Group's financial assets and liabilities at December 31, 2018 and 2017 is provided in the table below:

	Euros			
	Dec. 31, 2018		Dec. 31, 2017	
	Non-current	Current	Non-current	Current
Guarantees and deposits extended	1,475,922	-	578,782	-
Trade and other receivables (Note 11)	-	42,483,254	-	52,592,622
Current financial assets	-	5,601,059	-	5,996,527
Current provisions	-	(793,825)	-	(367,913)
Borrowings from related parties (Note 14)	-	(3,448,732)	-	(8,309,370)
Financial debts	(58,744,843)	(34,784,914)	(137,326)	(33,081,496)
Bank borrowings classified as current due in the long term (Note 14)	-	(56,823,957)	-	(28,455,143)
Trade and other payables (Note 15)	-	(172,356,235)	-	(121,373,761)
Total	(57,268,921)	(220,123,350)	441,456	(132,998,535)

"Current financial assets" on the accompanying consolidated balance sheet includes fixed-term deposits that mature less than one year after the reporting date. Some 5,348,067 euros of those fixed-term deposits have been pledged to secure sureties extended to house buyers at year-end 2018 (4,269,520 euros at year-end 2017).

10. Inventories

The breakdown of the Group's inventories as of December 31, 2018 and December 31, 2017 is as follows:

	Euros	
	Dec. 31, 2018	Dec. 31, 2017
Land and sites	650,205,822	694,199,047
Developments in progress (*)	393,456,468	167,957,642
Completed buildings	20,485,689	8,436,570
Prepayments to suppliers	11,628,662	10,075,910
Total	1,075,776,641	880,669,169

(*)At December 31, 2018, "Developments in progress" includes the cost of the land on which the developments are being carried out in the amount of 251,382,359 euros (117,335,239 euros at year ended December 31, 2017).

The reconciliation of the opening and year-end 2018 inventory balances:

Euros	Dec. 31, 2016	Additions due to contribution	Land purchases	Cost of sales	Derecognitions (Note 18.b)	Capitalized borrowing costs	Impairment (Note 18.b)	Dec. 31, 2017
Inventories	880,669,169	1,552,752	116,744,365	125,282,700	(56,768,927)	7,418,498	878,084	1,075,776,641

During 2018 the Group completed the works at three housing developments ('Brisas del Arenal', which is being developed by Facornata Servicios y Gestiones, S.L., 'Hacienda del Mar', being developed by Espebe 11, S.L. and "Nou Eixample Mar" being developed by SPV Reoco 1, S.L.U.), which implied the transfer of a balance of 58,664,975 euros from "Developments in progress" to "Completed buildings".

During 2018, The Group has agreed the following land purchases:

Euros				
2018				
Company	Transaction date	Transaction	Purchase price	Deferred price
SPV REOCO 1, S.L.U. (formerly Landata Investments, S.L.U.)(*)	February 8, 2018	Land purchase	8,500,000	-
SPV REOCO 1, S.L.U. (formerly SPV Reoco 26, S.L.U.)(*)	March 15, 2018	Land purchase	11,350,000	-
SPV REOCO 1, S.L.U. (formerly Espebe 27, S.L.U.)(*)	March 27, 2018	Land purchase	1,000,000	-
SPV REOCO 1, S.L.U. (formerly SPV Reoco 6, S.L.U.)(*)	March 27, 2018	Land purchase	9,189,338	-
SPV REOCO 1, S.L.U. (formerly Espebe 27, S.L.U.)(*)	April 4, 2018	Land purchase	850,000	-
SPV REOCO 1, S.L.U. (formerly Espebe 27, S.L.U.)(*)	April 13, 2018	Land purchase	475,989	-
SPV REOCO 1, S.L.U. (formerly Espebe 35, S.L.U.)(*)	April 24, 2018	Land purchase	6,915,600	-
SPV REOCO 1, S.L.U.	April 26, 2018	Land purchase	5,800,000	-
SPV REOCO 1, S.L.U.	May 11, 2018	Land purchase	20,159,464	3,382,258
SPV REOCO 1, S.L.U.	May 17, 2018	Land purchase	3,678,414	1,751,274
SPV REOCO 1, S.L.U.	May 30, 2018	Land purchase	8,750,000	-
SPV REOCO 1, S.L.U.	May 31, 2018	Land purchase	7,000,000	-
SPV REOCO 1, S.L.U.	June 7, 2018	Land purchase	3,620,267	-
SPV REOCO 1, S.L.U.	November 11, 2018	Land purchase	886,500	-
SPV REOCO 1, S.L.U.	December 4, 2018	Land purchase	2,600,000	-
SPV REOCO 1, S.L.U.	December 21, 2018	Land purchase	2,100,793	-
SPV REOCO 1, S.L.U.	December 26, 2018	Land purchase	8,600,000	-
SPV REOCO 1, S.L.U.	December 27, 2018	Land purchase	1,968,000	-
SPV REOCO 1, S.L.U.	December 28, 2018	Land purchase	13,300,000	-
		TOTAL	116,744,365	5,133,532

(*) Companies absorbed by SPV Reoco 1, S.L.U. (see note 1.1)

During 2018, The Group has agreed the following land sales:

Euros				
2018				
Company	Transaction date	Transaction	Sale price	Deferred price
SPV REOCO 1, S.L.U. (formerly Danta Investments, S.L.U.)(*)	January 15, 2018	Land sale	3,494,000	-
SPV REOCO 1, S.L.U. (formerly Espebe 34, S.L.U.)(*)	March 14, 2018	Land sale	3,993,500	-
SPV REOCO 1, S.L.U.	December 4, 2018	Land sale	2,410,000	-
SPV REOCO 1, S.L.U.	December 27, 2018	Land sale	4,324,650	3,459,720
		TOTAL	14,222,150	3,459,720

(*) Companies absorbed by SPV Reoco 1, S.L.U. (see note 1.1)

The outstanding amount of land acquired by the Group amounted to 9,338,292 euros at December 31, 2018 and 53,547,945 euros at December 31, 2017 (refer to Note 15).

The reconciliation of the opening and year-end 2017 inventory balances:

Euros	Dec. 31, 2016	Additions due to contribution	Land purchases	Cost of sales	Derecognitions (Note 18.b)	Capitalized borrowing costs	Impairment (Note 18.b)	Dec. 31, 2017
Inventories	31,720,592	689,671,307	132,677,430	51,375,950	(23,409,654)	996,604	(2,363,060)	880,669,169

The main change in "Inventories" in 2017 corresponded to the additions arising from the contributions made by the Majority Shareholder, detailed in note 1.2. The carrying amount of the assets contributed as part of those transactions is 596 million euros in respect of the assets contributed on March 30, 2017, 44 million euros in respect of those received on June 29, 2017 and 50 million in respect of those received on August 16, 2017.

The amount recognized under "Cost of sales" (Note 18.b) included the cost of new land acquired in 2017, as well as the costs capitalized as a result of the development of the Company's portfolio of land for real estate purposes.

In addition, the Group was party to the following key acquisitions and sales in 2017:

- On January 11, 2017, SPV Reoco 17, S.L., an Aedas Group company, agreed to buy some land for 17,250,000 euros plus VAT of 3,622,500 euros. The payment was structured into an initial payment of 9,000,000 plus all of the VAT due on the purchase, i.e., 12,622,500 euros in total, and a second payment of 8,250,000 euros, payable by the buyer 18 months from the acquisition date, and which has already been paid.
- On April 27, 2017, SPV Spain 7, S.L., an Aedas Group company, acquired some land for 10,349,400 euros plus VAT of 2,173,374 euros. That purchase will be paid for as follows:
 - o The sum of 4,234,254 euros, equivalent to 20% of the purchase price plus the entire VAT balance associated with the transaction, has been paid for in cash.
 - o A first deferred payment of 4,139,760 euros, equivalent to 40% of the purchase price, is due 12 months from the purchase date., and which has already been paid.
 - o A second deferred payment of 4,139,760 euros, equivalent to the remainder of the purchase price, is due 24 months from the purchase date, that is, on April 27, 2019.
- On May 16, 2017, SPV Reoco 2, S.L., an Aedas Group company, agreed to buy some land for 13,100,000 euros plus VAT of 2,751,000 euros. The buyer paid 7,205,000 euros plus all of the

VAT due on the transaction (for a total sum of 9,956,000 euros) upon purchase. The acquisition price had been settled in full at December 31, 2017.

- On May 16, 2017, SPV Reoco 2, S.L., an Aedas Group company, agreed to buy some land for 9,367,285 euros. The buyer paid for this land in full upon purchase.
- On May 16, 2017, SPV Reoco 2, S.L., an Aedas Group company, agreed to buy some land for 18,549,123 euros. The buyer paid 9,350,000 euros upfront in order to partially cancel the related financing agreements; the sum of 7,650,000 euros is payable by means of partial assumption of those financing agreements; and the remaining 1,549,123 euros is payable in cash.
- On July 5, 2017, ESPEBE 23, S.L.U., an AEDAS Group company, closed the sale of some land for 8,967,000 euros plus VAT of 1,883,070 euros, of which 542,503.50 had been collected upfront on October 6, 2016. The rest of the agreed price, 10,307,566.50 euros, was paid when the deeds were exchanged.
- On August 3, 2017, Delaneto Servicios y Gestiones, S.L.U., an AEDAS Group company, closed the sale of some land for 16,000,000 euros plus VAT of 3,360,000 euros, of which 1,936,000 euros had been collected upfront on August 3, 2016. The rest of the agreed price, 17,424,000 euros, was collected at the close.
- On August 23, 2017, SPV Reoco 26, S.L., an Aedas Group company, agreed to buy some land for 8,732,185 euros plus VAT of 1,833,758.85 euros. The buyer paid for this land in full upon purchase.
- On September 21, 2017, ESPEBE 22, S.L., an Aedas Group company, agreed to buy some land for 21,981,000 euros plus VAT of 4,616,010 euros, paying 20,002,710 euros on that date. The remaining 6,594,300 euros is due before September 25, 2018, having been paid as of December 31, 2018.
- On December 21, 2017, ESPEBE 16, S.L.U., an AEDAS Group company, closed the sale of some land for 6,456,100 euros plus VAT of 1,355,781 euros, of which 781,188.10 euros had been collected upfront on December 21, 2016. The rest of the agreed price, 7,030,692.90 euros, was paid by the buyer at the close.
- On December 29, 2017, SPV SPAIN PROJECT 1, S.L.U., an Aedas Group company, agreed to buy some land for 8,353,000 euros plus VAT of 1,754,130 euros, paying for it at the close.

In 2018, the Group capitalized 7,418,498 euros (996,603 euros in year 2017) of borrowing costs in inventories (Note 4.3). The average cost of the borrowings capitalized was approximately 2.44% (2.23% in year 2017).

None of the Group's inventories are located outside of Spain. The locations of the Group's inventories, stated at their carrying amounts, without considering prepayments to suppliers:

	Euros	
	Dec 31, 2018	Dec 31, 2017
Madrid	391,892,792	310,053,004
Catalonia	140,525,270	124,726,718
Costa del Sol	218,816,381	204,733,212
Rest of Andalusia	118,755,695	59,044,552
Balearic Islands and Spanish east coast	194,157,841	172,035,773
Total	1,064,147,979	870,593,259

No inventories were derecognized or transferred in 2018 other than the inventories sold in the amount of 79,822,668 euros (38,558,157 euros in year 2017) (Note 18.a), triggering the derecognition of inventories carried at 56,768,927 euros (23,409,654 euros in 2017).

As of December 31, 2018, there are contractual commitments to the purchase of plots for an amount of 46,451,714 euros, and no sales commitments, of which an amount of 11,410,000 euros have been paid, as advances, and which are included as Prepayments to Suppliers under the Current Assets of the Balance.

At December 31, 2017, it was contractually committed to the purchase of plots for 13,200 thousand euros (the Group was not contractually committed to selling any plots at either reporting date).

From the total amount recognized under "Trade and other accounts payable - Customer prepayments" within current liabilities on the consolidated balance sheet at December 31, 2018, an amount of 120.373.364 euros (31,031,577 euros at year-end 2017) corresponds to down payments from customers for house unit reservations and private house contracts. At December 31, 2017, the sum of 2,097,400 euros was additionally included, corresponding to options to sell land.

At December 31, 2017, the carrying amount of the assets subject to a land sale option amounted to 4,890,306 euros, while that of assets subject to a sale option amounted to 6,893,500 euros, with no amount related at December 31, 2018.

At December 31, 2018, "Inventories" includes assets with a gross carrying amount of 304.6 million euros (163.4 million euros at the end of the year 2017) that have been pledged as collateral to secure the developer loans secured by the Group (Note 14).

At the reporting date, the Group had insurance policies covering the inventories on which development work had begun.

The Group reviews its inventories for indications of impairment periodically, recognizing the required impairment provisions as warranted in keeping with the criteria outlined in Note 4.3. The cost of the land and sites and developments in progress and completed is reduced to their fair value by recognizing the appropriate impairment provision. If the fair value of the Group's inventories is above cost, however, the cost/contribution amounts are left unchanged.

The net realizable value assigned by Savills Consultoría Inmobiliaria S.A. to the portfolio of inventories (without considering supplier prepayments of 11,628,662 euros at the end of the year 2018, and 10,075,910 euros at the end of the year 2017) or assets subject to a sale option carried at 0 euros (4,890,306 euros at the end of the year 2017), as the directors have assumed that there is no indication that these assets are impaired), considering the Group's ownership interest therein, stood at 1.754 million euros (1.768 million euros assuming a 100% interest) (1,436 million euro in 2017, and 1,468 million euros assuming a 100% interest). In light of the appraiser methodology described in Note 4.3, the key valuation hypotheses are the discount rate and sales prices modeled. As a result of the above, the Group recognized an impairment charge of 1,484,975 euros at December 31, 2018 (2,363,060 euros at the end of the year 2017).

The inventory impairment charge breaks down as follows by region:

	Euros	
	Dec 31, 2018	Dec. 31, 2017
Madrid	(922,804)	(1,552,259)
Catalonia	-	(278,697)
Costa del Sol	(562,171)	(532,104)
Total	(1,484,975)	(2,363,060)

The breakdown of the inventory impairment charge by inventory category:

	Euros	
	Dec 31, 2018	Dec. 31, 2017
Land and sites	(1,461,805)	(1,830,956)
Developments in progress	-	-
Completed buildings	(23,170)	(532,104)
Total	(1,484,975)	(2,363,060)

The Company's directors have run sensitivity analysis with respect to the measurement of its inventories:

- The discount rate was varied by 100 basis points in both directions, based on the different economic scenarios forecast for the short and medium term and considering the rate of return that other developers with different profiles to that of the Group would demand.
- As for sales prices, the directors ran sensitivity analyses modeling variations of +/-1%, +/-5% and +/-10%, even though they believe it is unlikely that sales prices will differ by 10% (in either direction) with respect to the prices used for valuation purposes.

The sensitivity analysis was run keeping all other variables constant.

The above variations in the key assumptions would affect the net realizable and carrying amounts of the Group's inventories as follows:

Assumption	Thousands of euros	
	Discount rate	
	+1%	-1%
	Increase/(decrease)	
Change in carrying amount (*)	(509)	467

Assumption	Thousands of euros					
	Sale price					
	-1%	+1%	-5%	+5%	-10%	+10%
	Increase/(decrease)					
Change in carrying amount (*)	(422)	330	(6,185)	724	(35,762)	885

(*) The carrying amount is the lower of cost and the net realizable value. Increases in the net realizable value are not necessarily accompanied by an impact on the inventories' carrying amount.

The impact of the sensitivity analysis on the valuations compiled by the independent expert is as follows:

- A 100 basis point reduction in the discount rate would increase the valuation by 46 million euros, while a 100 basis point increase would decrease it by 44 million euros.
- A 1% decrease in sales prices would decrease the expert's valuation by 36 million euros, while a 1% increase would increase it by 34 million euros.
- A 5% decrease in sales prices would decrease the expert's valuation by 177 million euros, while a 5% increase would increase it by 175 million euros.
- A 10% decrease in sales prices would decrease the expert's valuation by 353 million euros, while a 10% increase would increase it by 350 million euros.

The Group has certain assets and liabilities that are recognized within current assets or current liabilities, respectively, but are expected to be realized or settled more than 12 months from the reporting date. Specifically:

	Euros	
	Dec. 31, 2018	Dec. 31, 2017
Inventories (long production cycle) before impairment	864,839,937	822,275,465
Inventories (short production cycle) before impairment	199,308,042	48,317,794
Total current assets	1,234,990,054	1,114,816,591
Borrowings secured to finance inventories (long cycle) – note 14	58,409,956	36,236,992
Total current liabilities	268,207,663	191,587,682

11. Trade and other receivables

"Trade and other receivables" broke down as follows at year-end 2018 and 2017:

	Euros	
	Dec. 31, 2018	Dec. 31, 2017
Trade receivables	36,703,959	5,963,497
Sundry receivables	19,779	8,774,024
Personnel	17,016	-
Current tax asset (note 16.b)	1,418,585	353,721
Taxes payable (note 16.b)	4,323,915	37,501,380
Total	42,483,254	52,592,622

The Group regularly analyzes its credit risk in respect of its accounts receivable, updating the corresponding provision for impairment accordingly. The Parent's directors believe that the carrying amounts of the Group's trade and other receivables approximate their fair value.

Under "Trade receivables" it has been recognized a balance of 32,098,138 euros (5,963,497 euros at year-end 2017) of trade bills, that includes a balance in respect of customer remittances not due until 2019 in the amount of 29,505,898 euros (1,464,374 euros at year-end 2017).

In order to calculate the accounts receivable impairment at December 31, 2018, the Group has applied the simplified approach under IFRS 9 Financial Instruments (loss allowance at an amount equal to lifetime expected credit losses). Although, it causes no impact in the consolidated financial statements, mainly due to the fact that the agreements signed with customers are terminable if they fail to comply with their payment commitments.

Trade receivables do not accrue interest. The directors believe that the carrying amounts of the Company's trade and other receivables approximate their fair value.

On September 21, 2017, ESPEBE 31 entered into a private agreement with Hipoteca 45 LUX, under which Hipoteca 45 LUX has given ESPEBE 31 its interest in all of its economic entitlements under certain loans with special privileges extended by Hipoteca 45 LUX to a creditor that has been declared bankrupt for a price of 8,750,000 euros; the value of the properties received by the Group will depend on the assets foreclosed and the terms of the agreement. This entitlement was recognized under "Sundry receivables". As of December 31, 2018, these rights were extinguished by the awarding of land in debt remission.

12. Cash and cash equivalents

“Cash and cash equivalents” includes the Group’s cash on hand and short-term bank deposits with original maturities of three months or less. The carrying amount of these assets approximates their fair value.

	Euros	
	Dec. 31, 2018	Dec. 31, 2017
Demand deposits in current accounts	102,984,585	172,435,462
Total	102,984,585	172,435,462

The amount pledged to secure mortgage loans amounted to 154,564 euros at December 31, 2018 (year-end 2017: 71,683 euros), for guarantees delivered to customers amounted to 348,067 euros (year-end 2017: 1,648,526 euros) and for corporate financing costs to a total of 1,831,358 euros.

There were no restrictions on the use of the Group's cash at December 31, 2018 except for the fact, as required under Spanish Law 20/2015, that down payments received in connection with residential developments must be deposited in a special account separate from the rest of the Group's funds and may only be used to cover expenses deriving from the construction of the developments. The balance subject to this restriction amounted to 40,123,161 euros at year-end 2018 (14,794,184 at year-end 2017). The amount of cash that was restricted at year-end 2018 accordingly totaled 42,457,149 euros (14,865,867 euros at year-end 2017).

13. Equity

a) Share capital

The Parent was incorporated on June 9, 2016 with initial share capital of 3,000 euros, represented by 3,000 indivisible, sequentially-numbered equity interests (*participaciones sociales*) with a unit par value of 1 euro, all of which were subscribed and paid for by Structured Finance Management (Spain), S.L.

On July 5, 2016, Structured Finance Management sold its equity interests in the Parent to Hipoteca 43 Lux, S.A.R.L., a company domiciled in Luxembourg with registered office at 534 Rue de Neudorf L2220, Luxembourg and tax ID number N0184886J. Accordingly, as at July 5, 2016, Hipoteca 43 Lux, S.A.R.L. was the Parent's Sole Shareholder.

On March 30, 2017, the Company received a non-monetary equity contribution from its Majority Shareholder in the amount of 314,032,337 euros. In exchange, the Company issued 31,403,231 equity interests with a unit par value of one euro, with the remainder of the contribution deemed a share premium (Note 1.2).

On June 29, 2017, the Company received another non-monetary equity contribution from its Majority Shareholder in the amount of 23,140,283 euros. In exchange, the Company issued 2,314,028 equity interests with a unit par value of one euro, with the remainder of the contribution recognized as a share premium (Note 1.2).

On August 16, 2017, the Company received another non-monetary equity contribution from its Majority Shareholder in the amount of 110,867,709 euros. In exchange, the Company issued 11,086,771 equity interests with a unit par value of one euro, with the remainder of the contribution recognized as a share premium (Note 1.2).

On September 12, 2017, the Company officially converted from a limited liability company to a public limited company and its share capital was thus represented by 44,807,030 ordinary shares (rather than 'equity interests') with a unit par value of one euro.

On October 19, 2017, it formalized a deed of capital increase through a cash contribution amounting to 99,999,979.05 euros, with waiver of the right of preferred subscription of the Majority Shareholder,

through an Offer of Subscription of shares of the Company. As a result of the foregoing, the company issued 3,159,557 shares with a nominal value of one euro and the rest was an issue premium.

At December 31, 2018, and 2017, the Parent's share capital accordingly consisted of 47,966,587 shares, with a par value of one euro each. The shares are fully subscribed and paid in.

None of the Parent's shares was pledged at either December 31, 2018 or December 31, 2017.

b) Legal reserve

In accordance with article 274 of the consolidated text of the Spanish Corporate Enterprises Act, 10% of profits must be earmarked to endowment of the legal reserve each year until it represents at least 20% of share capital.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase.

Except for this purpose, until the legal reserve exceeds the limit of 20% of capital, it can only be used to offset losses, if there are no other reserves available.

This legal reserve was not fully endowed at either year-end.

c) Share premium

The movements in the share premium account were as follows in year 2017:

	Euros
	2017
Opening balance	-
Shares issued on March 31, 2017	282,629,106
Shares issued on June 29, 2017	20,826,255
Shares issued on August 16, 2017	99,780,938
Shares issued on October 19, 2017	96,840,422
Total	500,076,721

There were no movements in the share premium during the year 2018.

The balance of the share premium account can be freely distributed.

d) Distribution of dividends

As stated in the Spanish Corporate Enterprise Act (article 273), dividends may only be drawn on the year's profits or freely available reserves after meeting the requirements laid down by law and in the by-laws, and if the value of the corporate equity is not, or as result of such distribution would not be, less than the company's capital. For these purposes, any profit directly allocated to total equity may not be distributed either directly or indirectly. In the event of losses in preceding years that reduce corporate equity to less than the company's capital, profits shall be used to offset such losses.

No dividends were paid out in 2017 and 2018. However, there are no restrictions on the payment of dividends at December 31, 2018, different from those covered on mercantile regulation.

e) Own Shares

The Parent arranged a liquidity agreement with BANCO DE SABADELL, S.A. (the "Financial Broker") on March 28, 2018 with the sole object of fostering the frequency and regularity with which the Company's shares are traded, within the limits established at the Company's Annual General Meeting and, specifically, CNMV Circular 1/2017 on liquidity agreements.

The term of the contract is 12 months from its date of effectiveness, which is April 5, 2018.

On 28 December 2018 the Parent put on hold the liquidity agreement as a result of having exceeded the limit of Funds as established in Circular 1/2017, of 26 April of the Spanish National Securities Market Commission (CNMV), on liquidity contracts. Once the securities and the corresponding cash accounts are reconciled again, the liquidity contact will be resumed.

At December 31, 2018, the Parent held 46,166 own shares, carried at 1,127,936 euros.

During the financial year 2018, it purchased 369,699 shares at an average price of 28.43 euros per share and sold 323,533 at an average price of 27.60 euros per share.

As of December 31, 2017, none of the Parent or the subsidiary or associates held own shares.

f) Owner contributions

On July 29, 2016, the Majority Shareholder decided to contribute all of the credit claims it held by virtue of a 3,000 euros loan extended to it. Subsequently, between September 13 and December 29, 2016, the former Sole Shareholder, Hipoteca 43 Lux S.A.R.L., injected equity into the Parent in the form of cash on several occasions (totaling 8,837,875 euros) to fund the Company's business activities. Furthermore, on December 29, 2016, the former Sole Shareholder resolved to capitalize certain loans totaling 7,000 euros.

On January 24, 2017, the Sole Shareholder at the time officially registered the contribution of 525,000 euros that had been made in two payments of 25,000 and 500,000 euros on July 17 and 19, 2016, respectively. That resolution had been reflected by the former Sole Shareholder at the close of December 31, 2016.

During the year ended December 31, 2017, the Majority Shareholder continued to make contributions to the Parent to fund its business activities:

- Monetary contributions in a sum of 8,085,000, 1,400,000, 635,000 and 70,900,000 euros, made respectively, on May 9, May 31, June 22 and September 20, 2017.
- On October 3, 2017, it contributed credit claims held by the then Sole Shareholder against the Company in the amount of 623,497,318 euros.
- In November 2017, the Majority Shareholder settled the management incentive plan (MIP), paying its beneficiaries a mix of cash and Company shares in an aggregate amount of 26,181,063 euros. This payment, which was paid for in full by the Majority Shareholder, is reflected in the Company's income statement as an employee benefits expense, in keeping with the principles set down in IFRS 2, recognizing an additional owner contribution in equity in the same amount as the balancing entry.

Cumulative contributions by the Majority Shareholder stood at 740,071,256 euros at December 31, 2017 and 2018.

The breakdown of the Company's significant shareholders (those with equity interests of 3% or more) at December 31, 2018, as gleaned from the information reported to Spain's securities market regulator, the CNMV, by the shareholders themselves:

	Total shareholding %	% Voting rights attached to shares		% Voting rights through financial instruments	
		Direct shareholding %	Indirect shareholding %	Direct shareholding %	Indirect shareholding %
HIPOTECA 43 LUX S.A.R.L. (*)	54,35	54,35	-	-	-
T. ROWE PRICE ASSOCIATES, INC	5,08	-	5,08	-	-
T. ROWE PRICE INTERNATIONAL FUNDS, INC.	4,09	-	4,09	-	-
RYE BAY EUROPEAN MASTER FUND LIMITED	4,08	-	-	4,08	-
CANYON CAPITAL ADVISORS LLC	3,86	-	3,86	-	-

(*) Percentage interests according to the shareholder register managed by Computershare (IBERCLEAR)

The breakdown of the Company's main shareholders at December 31, 2017, gleaned from the information reported to Spain's securities market regulator, the CNMV, by the shareholders themselves:

	Total shareholding, %	Direct shareholding, %	Indirect shareholding, %
HIPOTECA 43 LUX S.A.R.L.	55.46	55.46	-
T. ROWE PRICE ASSOCIATES, INC	5.08	-	5.08
CANYON CAPITAL ADVISORS LLC	3.86	-	3.86
FMR LLC	3.64	-	3.64
T. ROWE PRICE INTERNATIONAL FUNDS, INC.	3.02	-	3.02

g) Non-controlling interests

This heading presents the share of the equity of the fully-consolidated Group companies that is held by minority shareholders.

The reconciliation, by subsidiary, of the opening and closing balances of non-controlling interests in 2018:

	Ownership interest attributable to the Parent	Euros			
		Dec 31, 2017	Profit/(loss) attributable to non-controlling interests	Other changes	Dec 31, 2018
SPV REOCO 15, S.L.U.	80%	440,286	(49,291)	-	390,995
SPV SPAIN 2, S.L.	87.5%	1,377,844	(83,179)	(885,757)	408,908
ESPEBE 11, S.L.	80%	265,233	1,434,023	(768,024)	931,232
FACORNATA SERVICIOS Y GESTIONES, S.L.	94.68%	162,439	108,877	(13,300)	258,016
Total		2,245,802	1,410,430	(1,667,081)	1,989,151

On July 30, 2018, Group subsidiary SPV Reoco 1, S.L.U. acquired 22,500 shares in SPV Spain 2, S.L. (giving it a 22.5% shareholding) from Big Change, S.L. for 4,191,556 euros. In the wake of that acquisition, SPV Reoco 1, S.L.U. holds 87.5% of SPV Spain 2, S.L. (the subsidiary building a housing development in Andratx). As part of the same proceedings, the Group Parent, Aedas Homes, S.A., purchased from Big Change, S.L. the latter's credit claims over SPV Spain 2, S.L. for 3,178,444 euros (3,130,013 euros of which corresponding to loan principal and 48,431 euros to interest accrued as of the date of execution of the agreement). In the financial year 2018, the subsidiary ESPEBE 11, S.L returned minority partner contributions and paid interim dividend totalling an amount of 768 thousand euros, and the company FACORNATA SERVICIOS Y GESTIONES, S.L. returned minority partner contributions in an amount of 13,300 euros.

The reconciliation of the opening and closing balances of non-controlling interests in 2017:

	Ownership interest attributable to the Parent	Euros			
		Dec 31, 2016	Profit/(loss) attributable to non-controlling interests	Other changes	Dec 31, 2017
SPV REOCO 15, S.L.U.	80%	507,280	(71,339)	4,345	440,286
SPV SPAIN 2, S.L.	65%	-	(100,618)	1,478,462	1,377,844
ESPEBE 11, S.L.	80%	-	(63,391)	328,624	265,233
FACORNATA SERVICIOS Y GESTIONES, S.L.	94.68%	-	(9,024)	171,463	162,439
Total		507,280	(244,372)	1,982,894	2,245,802

The increase in the section on December 31, 2017 is due mainly to the incorporation of a consolidation perimeter of several companies, made by the Sole Shareholder at the time (Notes 1.2 and 6).

h) Other equity instruments

On September 26, 2017, the Majority Shareholder approved a long-term incentive plan payable entirely in shares for the CEO and members its key management personnel, structured into three overlapping three-year periods or cycles (from the IPO, i.e., October 20, 2017, to December 31, 2020; from January 1, 2019 to December 31, 2021; and from January 1, 2020 to December 31, 2022). The metrics to be used to measure delivery of the targets for the first cycle are, in equal parts: (i) EBITDA; (ii) the development margin; and (iii) the shareholder return. For each there are minimum thresholds below which the bonuses do not accrue; there is also scope for outperformance. The number of shares to be received by each participant will be determined by the price of the shares in each three-year cycle (the IPO price for the first cycle and the average trading price during the 20 trading sessions prior to the start of the second and third cycles) and the level of target delivery. All of the shares received by the CEO and 50% of those received by the key management personnel are subject to a one-year lock-up from when they are received. In the case of the CEO and members of the Management Committee, this bonus is subject to repayment under certain circumstances. The cost of this incentive plan will be assumed by the Group. The maximum amount receivable by the plan beneficiaries is 11 million euros. The plan was endorsed by the Appointments and Remuneration Committee on February 27, 2018 and was executed with the beneficiaries between March and April 2018.

The amount recognized under "Other equity instruments" in respect of the commitment assumed under the long-term incentive plan by the Parent vis-a-vis its key management personnel stood at 1,123,888 euros (0 euros at year-end 2017).

i) Voluntary reserves

Parent company reserves

The voluntary reserve came about as a result of the difference between the fair value at which the real estate development business was contributed and the amounts at which that business was carried in the then Sole Shareholder's financial statements (Note 1.2).

The movement recorded during the financial year 2018 corresponds to the result of purchases and sales of its own shares, as shown in the section e).

Reserves at fully-consolidated companies

Corresponds mainly to changes in the composition of the Group because of the purchase of SPV Spain 2, S.L. shares, as well as the merger expenses recognition.

14. Borrowings and other financial liabilities

The Group had the following borrowings at December 31, 2018:

	Euros				
	Dec 31, 2018				
	Limit	Current liabilities		Non-current liabilities	Total
Due in the long term		Due in the short-term			
Shareholder Loan Agreement with External Shareholders	1,924,615	-	1,761,516	-	1,761,516
Shareholder Credit Facility Agreement with External Shareholders	6,675,000	1,585,999	-	-	1,585,999
Interest on Group company borrowings	-	-	101,217	-	101,217
All borrowings from non-controlling shareholders	8,599,615	1,585,999	1,862,733	-	3,448,732
Mortgage loans secured by inventories	440,092,358	47,326,876	321,788	-	47,648,664
Interest on developer loans	-	-	92,417	-	92,417
Total developer loans	440,092,358	47,326,876	414,205	-	47,741,081
Mortgage loans secured by inventories	9,497,081	9,497,081	-	-	9,497,081
Interest on mortgages secured by inventories	-	-	5,797	-	5,797
Total loans taken over as part of land purchase	9,497,081	9,497,081	5,797	-	9,502,878
Commercial paper issued	-	-	33,953,563	-	33,953,563
Syndicated loan	150,000,000	-	410,667	57,630,275	58,040,941
Derivatives	-	-	-	1,114,569	1,114,569
Interest on collateral provided	-	-	682	-	682
Total other borrowings	150,000,000	-	34,364,912	58,744,843	93,109,755
Total	608,189,054	58,409,956	36,647,647	58,744,843	153,802,446

The Group had the following borrowings at December 31, 2017:

	Euros				
	Dec 31, 2017				
	Limit	Current liabilities		Non-current liabilities	Total
Due in the long term		Due in the short term			
Shareholder Loan Agreement with External Shareholders	-	4,698,548	-	-	4,698,548
Shareholder Credit Facility Agreement with External Shareholders	10,032,805	3,083,302	285,743	-	3,369,045
Interest on Group company borrowings	-	-	241,777	-	241,777
All borrowings from non-controlling shareholders	10,032,805	7,781,850	527,520	-	8,309,370
Mortgage loans secured by inventories	169,221,700	28,455,142	271,915	-	28,727,058
Interest on developer loans	-	-	8,570	-	8,570
Total developer loans	169,221,700	28,455,142	280,486	-	28,735,628
Mortgage loans secured by inventories	35,535,133	-	32,735,133	-	32,735,133
Interest on mortgages secured by inventories	-	-	65,377	-	65,377
Total loans taken over as part of land purchase	35,535,133	-	32,800,510	-	32,800,510
Derivatives	-	-	-	137,326	137,326
Security deposits received	-	-	500	-	500
Other loans	-	-	-	-	-
Total other borrowings	-	-	500	137,326	137,826
Total	214,789,638	36,236,992	33,609,016	137,326	69,983,334

Loans from the Majority Shareholder

On October 3, 2017, Hipoteca 43 Lux. S.à r.l. contributed credit claims to the Company's equity in an aggregate amount of 623.4 million euros. As a result of this contribution, the credit claims it had against the Company under the agreements described below have been capitalized:

- A Shareholder Master Facility Agreement with a limit of 100 million euros recognized in the amount of 98.9 million euros at the contribution date (principal drawn down of 97.6 million euros and 1.2 million euros of accrued interest).
- Borrowings from the Majority Shareholder in the context of the restructuring effort which resulted in the contribution to the Company of certain subsidiaries and credit claims against them. Those transfers were set down in the Loan Transfer Agreements entered into by and between the Company and Hipoteca 43, Lux. S.à r.l. on March 30, 2017 and June 29, 2017 in an amount on the date of capitalization of 505.8 million euros (492.8 million of principal and 12.9 million of accrued interest).

- The deferred portion of the price corresponding to the transfer made by Hipoteca 43, Lux. S.à r.l. to the Company under the Credit Claim Transfer Agreement entered into by them on October 2, 2017 and corresponding to the deferred portion of an investment agreement entered into by Hipoteca 45 Lux S.à r.l. and Espebe 31, S.L. on September 21, 2017, in the amount of 8.7 million euros.
- The 10 million euro intragroup loan granted by Hipoteca 43, Lux. S.à r.l. by means of a bank transfer on September 18, 2017 carrying interest at 1-month Euribor plus 3.5%.

Loans from non-controlling shareholders

On February 8, 2017, but with effect from December 22, 2016, a Credit Facility Agreement was arranged between SPV REOCO 15 and PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.U. in the amount of 6,675,000 euros; this facility is due December 31, 2022. This facility carries interest at an annual rate of Euribor plus 3.5%. The amount drawn down at December 31, 2018 stood at 1,585,999 euros (1,544,375 euros at year-end 2017).

In addition, as a result of the real estate business contributions made by the Majority Shareholder during the year ended December 31, 2017, the following loans from external shareholders were recognized for the first time:

- On September 15, 2016, Group subsidiary FACORNATA SERVICIOS Y GESTIONES, S.L. borrowed 657,895 euros from its non-controlling shareholder, OPTIMIZA ASSET MANAGEMENT, S.L.; the loan is due March 31, 2018. The amount drawn under that loan at December 31, 2017 amounted to 285,743 euros. This facility carries interest at an annual rate of Euribor plus 3.5%. As of December 31, 2018 the debt had been fully paid.
- On December 30, 2015, Group subsidiary SPV Spain 2, S.L. borrowed 1,924,615 euros from its non-controlling shareholder, Promociones y Propiedades Inmobiliarias Espacio, S.L.U.; the loan is due December 31, 2019. The amount drawn under that loan at December 31, 2017 amounted to 1,692,376 euros. This facility carries interest at an annual rate of Euribor plus 3.5%. The amount drawn down at December 31, 2018 stood at 1,761,516 euros.
- On March 2, 2016, Group subsidiary SPV Spain 2, S.L. borrowed 2,694,033 euros from its non-controlling shareholder, Bigchange Gestión, S.L.; the loan is due December 30, 2019. The amount drawn under that loan at December 31, 2017 amounted to 3,006,172 euros. This facility carries interest at an annual rate of Euribor plus 3.5%. On July 30, 2018, the Group Parent, Aedas Homes, S.A., purchased from Big Change, S.L. the latter's credit claims over SPV Spain 2, S.L. for 3,178,444 euros (3,130,013 euros of which corresponding to loan principal and 48,431 euros to interest accrued as of the date of execution of the agreement).
- Group subsidiary Espebe 11, S.L. had the following loans at year-end 2017:
 - o On August 7, 2015, it borrowed 984,073 euros for a 48-month term from its non-controlling shareholder, Promociones y Propiedades Inmobiliarias Espacio, S.L.U. This facility carries interest at an annual rate of Euribor plus 3.5%.
 - o On September 14, 2016, it borrowed 175,000 euros for a term of 48 months. This facility carries interest at an annual rate of Euribor plus 3.5%.
 - o On December 3, 2015, it borrowed 40,000 euros for a term of 48 months. This facility carries interest at an annual rate of Euribor plus 3.5%.
 - o On February 29, 2016, it borrowed 240,000 euros for a term of 48 months. This facility carries interest at an annual rate of Euribor plus 3.5%.

- On March 21, 2016, it borrowed 50,000 euros for a term of 48 months. This facility carries interest at an annual rate of Euribor plus 3.5%.

As of December 31, 2018 these loans had been fully paid.

The difference between the amount drawn down and the amount of the loans extended corresponds to accrued borrowing costs that have been capitalized.

Developer loans

As a result of the real estate business contributions made by the Majority Shareholder during the year ended December 31, 2017, several mortgage-secured developer loans were recognized for the first time in an aggregate amount of 28,727,058 euros, distributed among several Group companies, mainly Damalana Servicios y Gestiones, S.L.U., Facornata Servicios y Gestiones, S.L., SPV Spain 2, S.L. and Espebe 11. The limit on those loans is 169,221,700 euros in total, so that the Group had drawn down 17%. They carry interest at rates ranging between 1% and 3.25% and fall due between 2018 and 2054.

As of December 31, 2018, the AEDAS Group had arranged mortgages in an aggregate amount of 440,092,358 euros in order to finance 37 developments in progress. The amount drawn down under these loans at December 31, 2018 stood at 47,047,934 euros, which is equivalent to 10.69% of the maximum available. The mortgage loans carried interest at Euribor plus spreads ranging between 100 and 250 basis points.

Loans taken on to purchase land

On December 1, 2016, Group subsidiary SPV REOCO 5, S.L. took over a mortgage loan of 10,035,133 euros as a result of the acquisition of certain estates. That loan has been recognized within current liabilities because it was used to fund the acquisition of properties classified as inventories. There was a grace period on the repayment of principal until October 2017, when the sum of 2.8 million euros fell due, with the remainder falling due in 2018. The loan carried a fixed annual rate of 3% until December 1, 2017. After that date and until the end of the agreement, it will carry a benchmark rate plus 300 basis points.

In addition, as a result of the real estate business contributions made by the Majority Shareholder during the year ended December 31, 2017, the following mortgage-secured loans for the acquisition of land were recognized for the first time:

- On February 23, 2016, Group subsidiary SPV Spain 7, S.L.U. acquired a plot of land which it financed by assuming the mortgage which the seller had taken out over the site. That mortgage amounts to 11,500,000 euros and falls due on February 23, 2018. It was partially cancelled (in the amount of 2,002,919 euros) on February 15, 2018 and on February 22, 2018 its terms were amended to extend its maturity to February 23, 2020. It carries interest at 12-month Euribor plus a spread of 3.25%.
- On August 31, 2016, Group subsidiary SPV Spain 17, S.L.U. acquired a plot of land which it financed by assuming the mortgage which the seller had taken out over the site. That mortgage amounts to 14,000,000 euros and falls due in full on August 23, 2018. It carries interest at 12-month Euribor plus a spread of 3.25%. On December 31, 2018 this loan was paid-off.
- On December 1, 2016, Group subsidiary SPV Reoco 5, S.L.U. acquired a series of plot of land on which fell a loan which was subrogated to the company. The amount of the loan amounted to 10,035,133 euros, of which 2,800,000 euros were matured on October 28, 2017, leaving a capital pending to amortization at December 31, 2017 of 7,235,133 euros. During 2018 said loan has been fully paid.

The above loan agreements do not entail any covenants. The loan agreements do not contain any change of control clauses.

Loans classified as current due in the long term

The maturity profile of the face value of the loans classified as current borrowings but due in the long term is as follows:

Year	Euros	
	Non-current	
	Dec. 31, 2018	Dec. 31, 2017
2019	-	6,992,567
2020	10,242,006	961,844
2021	1,267,113	982,443
2022	3,116,303	2,542,095
2023 and subsequent	43,784,534	24,758,043
	58,409,956	36,236,992

Bonds and other marketable securities

On June 12, 2018, the Parent arranged the AEDAS HOMES Commercial Paper Programme 2018 on Spain's alternative fixed income market (MARF for its acronym in Spanish). It can issue up to 75,000,000 euros of paper under the program with terms of up to 24 months. The idea is to diversify the Group's sources of financing.

During 2018, the Parent has closed several issues under the program, issuing a total amount of 78.2 million euros; of which an amount of 44.2 million euros has been amortized at maturity, remaining an amount of 34.4 million euros that falls due on several terms, until May 2019. The effective annual cost of those issues is 0,70%.

The commercial paper is initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently, the implicit interest on the paper is accrued using the effective interest rate on the transaction so that the carrying amount of these borrowings is adjusted for the interest accrued. The commercial paper issued by the Parent was carried at 33,953,563 euros at December 31, 2018.

Syndicated loan

On August 6, 2018, the Parent arranged a 150,000,000 euros corporate syndicated loan which it will use to finance future land purchases; it has six months to draw the loan down. On December 13, 2018, said availability period was extended two months until April 6, 2019. It has a maturity of 24 months and carries interest of 3.5% in year one and of 4.25% in year two. At December 31, 2018, the outstanding balance is 60 million euros.

Derivatives

On October 17, 2017, AEDAS Homes arranged an equity swap with Goldman Sachs to hedge the exposure arising from its obligation to deliver a certain number of shares to employees of AEDAS Homes under the long-term incentive plan (LTIP) approved by the Board of Directors on September 26, 2017. As of December 31, 2018, the fair value of the derivative is 1,114,568 euros (137,326 euros at year-end 2017), recognized as a liability.

Financial assets and liabilities recognized at fair value are categorized by the Group in the following three levels based on the relevance of the inputs used in the fair value measurement:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: different inputs as stated in Level 1, which are directly (prices) or indirectly (derived from prices) observable.
- Level 3: inputs which are not based in observable market data (unobservable inputs).

YEAR 2018	Euros		
	LEVEL 1	LEVEL 2	LEVEL 3
Derivatives	1.114.568	-	-
Total	1.114.568	-	-

YEAR 2017	Euros		
	LEVEL 1	LEVEL 2	LEVEL 3
Derivatives	137.326	-	-
Total	137.326	-	-

Changes in liabilities arising from financing activities

Following is the information regarding the changes in liabilities derived from financing activities during the years 2017 and 2018, including both those that are derived from cash flows, and those which are not.

	Non-current debt with credit entities	Non-current debt with related parties	Other non-current debts	Current debt with credit entities	Current debt with related parties	Commercial paper current debt	Other current debt	TOTAL
Balance at January 1, 2017,	-	28,213,625	-	10,118,536	1,531,875	-	-	39,864,036
Changes from financing cash flows	-	69,410,269	-	9,396,797	771,974	-	-	79,579,040
Changes arising from obtaining or losing control of subsidiaries or other businesses	-	524,567,850	-	42,020,805	5,754,632	-	-	572,343,287
Effect of changes in foreign exchange rates	-	-	-	-	-	-	-	-
Changes in fair values	-	-	137,826	-	-	-	-	137,826
Unpaid accrued interests	-	1,305,574	500	-	250,889	-	-	1,556,963
Conversion in partners contributions	-	(623,497,318)	-	-	-	-	-	(623,497,318)
Other changes	-	-	-	-	-	-	-	-
Balance at December 31, 2017,	-	-	137,826	61,536,138	8,309,370	-	-	69,983,334
Changes from financing cash flows	57,630,275	-	-	8,657,723	(4,974,873)	33,953,563	-	95,266,688
Changes arising from obtaining or losing control of subsidiaries or other businesses	-	-	-	-	-	-	-	-
Effect of changes in foreign exchange rates	-	-	-	-	-	-	-	-
Unpaid accrued interests	-	-	183	434,933	114,235	-	-	549,351
Subrogations on development loans	-	-	-	(12,974,169)	-	-	-	(12,974,169)
Changes on the reasonable value,	-	-	977,243	-	-	-	-	977,243
Other changes	-	-	-	-	-	-	-	-
Balance at December 31, 2018,	57,630,275	-	1,115,252	57,654,624	3,448,732	33,953,563	-	153,802,446

15, Trade and other payables

The next table provides the breakdown of this heading at year-end 2018 and 2017:

	Euros	
	Dec 31, 2018	Dec 31, 2017
Trade and other payables	45,070,109	64,237,741
Trade payables, group companies and associates	-	88,716
Payable for services received	2,935,546	5,696,255
Employee benefits payable	2,436,994	1,500,600
Current tax liabilities (note 16)	-	3,007,741
Other payables to public authorities (note 16)	1,540,222	13,713,730
Customer advances (note 10)	120,373,364	33,128,977
Total	172,356,235	121,373,760

"Trade and other payables" as of December 31, 2018, includes payments due for the land contributed and/or acquired during the reporting period in the amount of 9,338,292 euros (53,547,945 euros at the end of year 2017) (Note 10).

The directors believe that the carrying amounts of the Group's trade payables approximate their fair value,

Information on late payments to suppliers under Additional Provision Three "Disclosure requirements" of Law 15/2010

Below are the disclosures required under additional provision three of Spanish Law 15/2010 (of July 5, 2010) (as amended by final provision two of Law 31/2014, of December 3, 2014), prepared in accordance with the related resolution issued by the Spanish Audit and Accounting Institute (ICAC) on January 29, 2016, regarding the information to be disclosed in the financial statement notes in relation to the average term of payment to trade suppliers,

	2018	2017
	Days	Days
Average supplier payment term	43,77	30,51
Paid transactions ratio	46,38	28,95
Outstanding transactions ratio	22,04	36,92
	Euros	Euros
Total payments made	19,516,646	6,523,180
Total payments outstanding	2,340,387	1,589,096

In keeping with the ICAC Resolution, in calculating the average supplier payment term, the Company considered the commercial transactions corresponding to goods or services delivered and accrued since effectiveness of Law 31/2014 (of December 3, 2014),

Exclusively for the purposes of this Resolution, suppliers are trade creditors in respect of amounts due in exchange for the goods and services supplied presented under "Trade payables" in current liabilities in the accompanying balance sheet,

"Average supplier payment term" is the period from delivery of the goods or provision of the services by the supplier and effective payment for the transaction,

The maximum legal term applicable to the Company under Law 3/2004 of December 29, 2014), establishing measures to combat supplier non-payment, and the transition relief provided under Law 15/2010 (of July 5, 2010) and Royal Decree-Law 4/2013 (of February 22, 2013) on measures to support entrepreneurs and stimulate growth and job creation, is 60 calendar days from the date of receipt of the merchandise or performance of the service (30 days if the parties have not entered into a prior agreement in respect of payment terms),

16. Taxes payable and receivable and tax matters

a) Applicable legislation and years open to inspection

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period has elapsed, As of December 31, 2018, the Parent and other Group companies had all their tax returns open to inspection as the authorities have no time limit for checking and investigating the tax credits and tax losses used in the returns open to inspection.

The Parent's directors don't anticipate the accrual of additional liabilities other than those already provided for as a result of any review by the tax authorities of the years open to inspection.

b) Taxes payable and receivable

The breakdown of taxes payable to and receivable from the tax authorities is as follows:

	Euros			
	2018		2017	
	Current	Non-current	Current	Non-current
Taxes payable:				
VAT payable	(317,138)	-	(2,052,299)	-
Payable in respect of withholdings	(403,009)	-	(10,558,942)	-
Corporate tax payable	-	-	(957,856)	-
Tax refunds payable to the tax authorities	(616,597)	-	-	-
Social security contributions payable	(203,478)	-	(144,633)	-
Taxes payable (Note 15)	(1,540,222)	-	(13,713,730)	-
Current tax liabilities	-	-	(3,007,741)	-
Taxes receivable:				
Tax refunds receivable from the tax authorities - VAT	3,523,915	-	36,668,651	-
Social security contributions receivable	800,000	-	800,000	-
Tax refunds receivable from the tax authorities	-	-	32,532	-
Withholdings and interim payments receivable	-	-	197	-
Taxes receivable (Note 11)	4,323,915	-	37,501,380	-
Current tax assets	1,418,585	-	353,721	-
Deferred tax assets	-	24,628,246	-	12,602,937
Deferred tax liabilities	-	-	-	-
Net deferred tax assets	4,202,278	24,628,246	21,133,630	12,602,937

Most of the balance recognized as of December 31, 2017 under "Tax refunds receivable from the tax authorities - VAT" corresponds to balances recognized in connection with the purchase of land in the books of the companies contributed by the then Sole Shareholder in 2017,

c) Reconciliation of accounting profit/(loss) and tax income/(expense)

The reconciliation of accounting profit/(loss) and tax income/(expense) is as follows:

	Euros	
	2018	2017
Profit/(loss) before tax	(8,132,916)	(45,962,021)
Permanent differences	(44,260)	27,896,356
Temporary differences	2,026,349	-
Taxable income/(tax loss) before utilization of tax losses/credits	(6,150,827)	(18,065,665)
Unrecognized tax credits utilized	-	-
Taxable income/(tax loss)	(6,150,827)	(18,065,665)
Tax rate	25%	25%
Tax accrued (expense)	1,537,707	4,516,416
Activation of tax credits generated in previous years	4,391,931	-
Activation of deductible temporary differences generated in previous years	5,552,008	-
Activation of deductible temporary differences generated in 2018	543,663	-
2017 income tax adjustment	(27,148)	-
Tax credits generated during the reporting period not recognized	-	1,122,852
Current income tax (expense)/income (*)	(27,148)	(*) (3,085,819)
Deferred tax (expense)/income	12,025,309	8,725,088

(*) In 2017 the Group did not file its taxes under the consolidated tax regime. The current tax expense corresponded to the generation of taxable income by the Group subsidiaries,

The settlement of the Income Tax is as follows:

	Euros	
	2018	2017
Profit/(loss) before tax	(8,132,916)	(45,962,021)
Permanent differences	(44,260)	27,896,356
Temporary differences	2,026,349	-
Taxable income/(tax loss) before utilization of tax losses/credits	(6,150,827)	(18,065,665)
Unrecognized tax credits utilized	-	-
Taxable income/(tax loss)	(6,150,827)	(18,065,665)
Tax rate	25%	25%
Tax at 25 % on the Taxable Base	-	-
Deductions	-	-
Tax credits	-	-
Tax charge	-	-
Withholdings	51,732	431,799
Payments on account	1,364,915	-
Tax payable (+) / refundable (-)	(1,416,648)	(*) 2,654,020

(*) In 2017 the Group did not file its taxes under the consolidated tax regime. The current tax expense corresponded to the generation of taxable income by the Group subsidiaries,

d) Unrecognized deferred taxes

The breakdown of tax losses not recognized as tax assets at December 31, 2018:

	Euros
	Dec, 31, 2018
AEDAS HOMES S,A,	-
Other Group companies	4,392,620
TOTAL	4,392,620

The Group has analyzed the scope for utilizing its tax credits as a function of its business plan and considering the fact that it applied to have the tax authorities allow it to file its taxes under the consolidated tax regime from January 1, 2018,

e) Deferred taxes

The breakdown of tax losses recognized as tax assets by the various Group companies at December 31, 2017:

	Euros
	Dec, 31, 2018
AEDAS HOMES S,A,	1,472,891
Other Group companies	23,155,355
TOTAL	24,628,246

The reconciliation of deferred tax assets at the beginning and end of 2018 is shown below:

	Euros				
	Dec, 31, 2017	Changes recognized in		Additions due to business combinations	Dec, 31, 2018
	Opening balance	Income statement	Equity		Closing balance
Deferred tax assets					
Unused tax losses	12,602,937	5,929,638	-	-	18,532,575
Deductible temporary differences	-	6,095,671			6,095,671
Total	12,602,937	12,025,309	-	-	24,628,246

The variation of tax credits capitalized during 2018 corresponds mainly to the activation of 2018 unused tax loss for an amount of 1,537,707 euros (of which 220,831 euros correspond to the company SPV Spain 2, S.L., which does not belong to the tax group), to the activation of unused tax loss corresponding to previous years amounting to 4,391,931 euros, as well as the accounting recognition of the tax credit for the difference between the book value and the tax value of certain assets for a value of 5,552,008 euros, and 543,663 euros corresponding to the deductible temporary differences generated in 2018, based on a recoverability analysis carried out by the Group,

The reconciliation of deferred tax assets at the beginning and end of 2017 is shown below:

	Euros				
	Dec, 31, 2016	Changes recognized in		Additions due to business combinations	Dec, 31, 2017
	Opening balance	Income statement	Equity		Closing balance
Deferred tax assets					
Unused tax losses	51,488	8,930,788	-	3,620,661	12,602,937
Total	51,488	8,930,788	-	3,620,661	12,602,937

The movement in recognized tax assets with respect to December 31, 2016 related to (i) the recognition of tax assets based on the recoverability analysis conducted by the Group; and (ii) the contributions made by the Majority Shareholder (Note 1,2),

At December 27, 2017, the Board of Directors resolved to avail of the consolidated tax regime (contemplated in article 55 *et seq.*, of the Spanish Corporate Income Tax - Law 27/2014) in 2018 and thereafter, Aedas Homes, S.A, being the parent of the tax group,

The Company's directors believe there are no indications that the deferred tax assets recognized are impaired on the basis of:

- The projections drawn up by the Company for 2017-2023; and
- The appraisal of its inventories provided by Savills which indicates a gross asset value (GAV) of 1,754 million euros (1,768 million euros assuming a 100% ownership interest),

On the basis of the foregoing, the Company's directors believe that it will be able to utilize the tax assets recognized within the horizon of the business plan, i.e., by 2023, at the latest,

17. Sureties and guarantees extended to third parties and other contingent liabilities

The balance of sureties extended to customers to guarantee their down payments stood at 88,314,947 euros (24,211,961 euros at the end of the year 2017), The total limit on surety lines extended stood at 196,611,019 at December 31, 2018 (84,942,760 euros as of December 31, 2017), In addition, surety

bonds have been created for the same reason, the amount of which as of December 31, 2018 amounted to 14,244,457 euros (3,508,800 euros as of December 31, 2017), The total limit of the insurance line formalized is 30,527,080 euros as of December 31, 2018 (11,370,000 euros as of December 31, 2017),

Performance bonds amounted to 5,916,537 euros at the closing date (2,727,363 euros at the end of the year 2017),

There were no contingent guarantees or liabilities at December 31, 2017 and 2018,

18. Income and expenses

a) Revenue

The breakdown of revenue in 2018 and, 2017 is provided below:

	Euros	
	2018	2017
By business segment		
Land sales	14,222,579	37,349,157
Development sales	65,600,089	1,209,000
Services rendered	-	136,148
Total	79,822,668	38,694,305

Sales of developments in 2018 amounted to 65,600,089 euros, corresponding to the delivery of homes of the following developments: Galera Sun (Estepona), Brisas del Arenal (Javea), Hacienda del Mar (Alicante) and Nou Eixample (Vilanova),

In 2018, the Group companies sold land for 14,222,579 euros (37 million euros in the last financial year),

All reported revenue was generated in Spain,

b) Cost of sales and changes in inventories

The breakdown of "Cost of sales" and "Change in inventories" in the income statements for the years ended December 31, 2018 and December 31, 2017 is shown below:

	Euros	
	Group total	
	2018	2017
Changes in inventories of finished goods and work in progress	229,828,763	(3,960,581)
Consumption of land inventories	(242,027,066)	(253,792,157)
Changes in land inventories	(44,570,623)	226,421,922
Inventory impairment losses / reversals (Note 10)	878,084	(2,363,060)
Total	(55,890,842)	(25,772,713)

c) Employee benefits expense and average headcount

The breakdown of "Employee benefits expense" is provided below:

	Euros	
	2018	2017
Wages, salaries and similar		
Salaries and wages	(10,196,456)	(19,577,016)
Share-based payment transactions	(1,123,889)	(12,940,532)
Termination benefits	(31,615)	(128,636)
	(11,351,960)	(32,646,184)
Employee benefits		
Social security	(1,744,649)	(962,095)
Other benefit expense	(295,055)	(161,496)
	(2,039,704)	(1,123,591)
Total	(13,391,664)	(33,769,775)

"Salaries and wages" in 2017 in the table above includes 13,241 thousand euros corresponding to the share-based payments accrued by a series of employees under the Management Incentive Plan (MIP) as part of the IPO process

The average number of people employed by the various Group companies in 2018 was 154 (2017: an average of 85), The breakdown, by job category, of the year-end 2018 and 2017 headcounts is shown below:

	2018			2017		
	Women	Men	Total	Women	Men	Total
Graduates	62	55	117	35	45	80
Diploma holders	17	12	29	10	13	23
Other	13	17	30	11	12	23
Total	92	84	176	56	70	126

One employee with a disability of a severity of 33% or higher is employed by the Group at year-end 2018 and 2017,

d) Other operating expenses

The breakdown of "Other operating expenses" in the income statements for the years ended December 31, 2018 and December 31, 2017 is shown below:

	Euros	
	2018	2017
Independent professional services	(2,488,719)	(5,607,346)
Insurance premiums	(70,951)	(64,921)
Banking and similar services	(53,240)	(2,098,862)
Rent and fees	(1,081,160)	(667,221)
Repairs and upkeep	(874,994)	(380,675)
Advertising, commercialization, publicity and public relations	(8,640,310)	(4,568,866)
Utilities	(13,753)	(6,660)
Other services	(1,368,731)	(1,426,746)
Other taxes	(2,105,557)	(487,173)
Total	(16,697,415)	(15,308,470)

Sales and marketing expenses amounted to 7,955,503 in 2018 (4,568,866 euros in 2017),

At December 31, 2017, "Independent professional services" and "Banking and similar services" in the table above includes 4,9 million euro corresponding to IPO-related expenses, of which the Majority Shareholder

had funded part of them before the IPO, During the year 2018, the Group Parent passed the corresponding share of the IPO expenses, namely 1,4 million euros, on to CastleLake L,P, The corresponding invoice was settled on July 1, 2018,

e) Finance costs

Finance costs, calculated using the effective interest rate method, are broken down below:

	Euros	
	2018	2017
Finance costs, borrowings from Group companies and minority shareholder	(209,466)	(9,301,643)
Finance costs, other borrowings	(9,456,704)	(1,935,258)
Total	(9,666,170)	(11,236,901)

The Group accrued 9,050,754 euros of interest on its borrowings from the Majority Shareholder during the year 2017 (Note 14), and the remaining amount in year 2017 corresponded to loans with minority shareholders (no amount during year 2018), Said expenses were accrued prior to the capitalization of the debt mentioned in Note 13,

19, Related-party transactions

The Group's related parties include, in addition to its subsidiaries, jointly controlled companies and associates, its shareholders, key management personnel (the members of its Board of Directors and its executives, along with their close family members) and the entities over which its key management personnel have control or significant influence, Specifically, related-party transactions are those performed with non-Group agents with whom there is a relationship in accordance with the definitions and criteria derived from Spain's Ministry of Finance Order EHA 3050/2004 (of September 15, 2004) and CNMV Circular 1/2005 (of April 1, 2005), Pursuant to those criteria, the following are considered related parties:

- Merlin Properties SOCIMI, S,A,, by virtue of the existing relationship between a senior executive of that entity and a member of the Parent's Board of Directors,
- FAB MAY, due to the provision of services by the Company to the former, Note that FAB MAY is owned by entities related to the Parent,
- CastleLake L,P,, as CastleLake Funds manager and 100% indirect shareholder of Hipoteca 43 Lux, S,A,R,L, (Majority Shareholder of Aedas Homes, S,A,),

The main transactions with related parties in the year ended December 31, 2018 were the following:

- Contracts granted by minority shareholders: Loans, management and commercialization,
- Re-invoicing of a portion of the IPO transaction costs, according to the IPO Prospectus (Note 18,d),

The main transactions with related parties in the year ended December 31, 2017 were the following:

- The assets contributed to the Company by the Majority Shareholder (Note 1,2),
- The financing extended to the Company by the Majority Shareholder (Note 1),
- The services provided by Merlin Properties SOCIMI, S,A, amounted to 250,000 euros plus VAT during the year ended December 31, 2017,

- The lease over the Company's offices at Castellana 83-85, Madrid with Merlin Properties SOCIMI, S,A, (dated June 15, 2016) implied expenditure of 70,426 euros, That contract was terminated early on May 3, 2017,
- On April 25, 2017, the Parent transferred the lease over the offices located at Castellana 42 in Madrid, It was transferred from Merlin Properties SOCIMI, S,A, to RREEF Investment GMBH, Sucursal en España, As a result, the Parent paid Merlin a security deposit of 74,745 euros and received from Merlin the sum of 81,822 euros corresponding to two months' rent as grace, The agreement with RREEF Investment GMBH, Sucursal en España terminates on December 1, 2023; it is mandatory for the first five years, until December 1, 2020,
- The lease over the Parent's offices in Barcelona with Merlin Properties SOCIMI, S,A, (dated October 15, 2016) implied expenditure of 37,331 euros in 2017, That lease terminates on September 30, 2021,
- The sum of 54,325 euros invoiced to FAB MAY and the administration and management of the assets of Fondo de Activos Bancarios May pursuant to the agreement entered into on November 1, 2016,
- One member of the Parent's senior management team received remuneration in cash from Merlin Properties SOCIMI, S,A, for work performed for the latter until September 15, 2017, when that relationship was terminated, However, the economic rights accrued until the date of termination of his employment contract remain valid,
- The Majority Shareholder approved a management incentive plan (MIP) to be settled in a mix of cash and shares, The amount payable under the MIP was tied to the internal rate of the return obtained as a result of the IPO, The total paid out under the MIP was 26 million euros, Fifty per cent was paid in cash and the remaining 50% in Company shares,

The balances outstanding with parties related to the Group at December 31, 2018 and the transactions in 2018 with parties related are shown in the tables below:

Year ended December 31, 2018	Euros					
	Income			Expenses		
	Revenue			Cost of sales – Supplies	External services	Finance costs
	Revenue from sales	Services rendered	Finance income			
Castlelake, L,P, Minority shareholders	-	-	1,407,024	-	-	-
	-	-	-	(696,361)	(2,617,680)	(209,466)
	-	-	1,407,024	(696,361)	(2,617,680)	(209,466)

	Euros					
	Trade and other receivables	Borrowings from shareholders (note 4)	Bank borrowings	Prepayments to suppliers	Trade and other current accounts payable	Customer prepayments
Minority shareholders	-	3,448,732	-	-	48,400	-
	-	3,448,732	-	-	48,400	-

The balances outstanding with parties related to the Group at December 31, 2017 and the transactions in 2017 with parties related are shown in the tables below:

Year ended December 31, 2017	Euros					
	Income			Expenses		
	Revenue			Cost of sales – Supplies	External services	Finance costs
	Revenue from sales	Services rendered	Finance income			
Hipoteca 43 Lux, S,A,R,L,	-	-	-	-	-	(9,050,753)
Merlin Properties, SOCIMI, S,A,	-	81,822	-	-	357,757	-
FAB MAY	-	54,325	-	-	-	-
	-	136,147	-	-	357,757	(9,050,753)

	Euros					
	Trade and other receivables	Borrowings from shareholders	Bank borrowings	Prepayments to suppliers	Trade and other current accounts payable	Customer prepayments
Merlin Properties, SOCIMI, S,A,	-	-	-	-	75,625	-
	-	-	-	-	75,625	-

20. Remuneration and other benefits provided to the directors, key management personnel and the Group auditor

Changes to the governing bodies

On September 27, 2017 and October 4, 2017, the Majority Shareholder decided to modify the Parent's governance structure, implementing a Board of Directors made up of nine members, Consequently, the Board of Directors consist of the following members:

- David Martinez Montero
- Eduardo Edmundo D'Alessandro Cishek
- Evan Andrew Carruthers
- Santiago Fernandez Valbuena
- Emile K, Haddad
- Javier Lapastora Turpín
- Miguel Tembory Redondo
- Merlin Properties SOCIMI, S,A,
- Cristina Álvarez Álvarez

Disclosures regarding director conflicts of interest

Neither the current nor former directors of the Parent transacted with the Parent or any of its Group companies other than in the ordinary course of business or other than on an arm's length basis during the year ended December 31, 2018,

Nor did the members of the Parent's Board of Directors or their related parties, as defined in Spain's Corporate Enterprises Act, relate with other companies whose business activities could represent a conflict of interest for them or the Parent during the year ended December 31, 2018 or the reporting period ended

December 31, 2017 on the basis that none of the notices required under article 229 of that Act have been filed with the competent authorities, Accordingly, there are no related disclosures in these consolidated financial statements,

Director remuneration and other benefits

The compensation accrued by the members of the Company's Board of Directors amounted to 1,300,246 euros in 2018 and 7,119,700 euros in 2017 (including CEO MIP),

KMP remuneration and other benefits

The remuneration paid to the Parent's key management personnel and professionals performing similar executive duties during the year ended December 31, 2018 and 2017:

No, of individuals	Euros			Advances	
	2018			No,	Amount
	Fixed and variable remuneration	Other remuneration	Total		
2018					
11	1,555,800	416,810	1,972,610	2	9,500

No, of individuals	Euros		
	2017		
	Fixed and variable remuneration	Other remuneration	Total
2017			
9	969,020	13,975,774	14,944,794

The Parent has no pension obligations to its key management personnel nor has it extended these professionals any advances, loans or guarantees and there were no special incentive plans over shares of Aedas Homes, S.A, at December 31, 2018 and 2017, except for 9,500 euros of advances granted as of December 31, 2018, and the incentive described below:

On September 26, 2017, the former Sole Shareholder approved a long-term incentive plan payable entirely in shares for around 50 key employees, including the CEO and key management personnel, among others, structured into three overlapping three-year periods or cycles (from the IPO to December 31, 2020; from January 1, 2019 to December 31, 2021; and from January 1, 2020 to December 31, 2022), The metrics to be used to measure delivery of the targets for the first cycle are, in equal parts: (i) EBITDA; (ii) the development margin; and (iii) the shareholder return, For each there are minimum thresholds below which the bonuses do not accrue; there is also scope for outperformance, The number of shares to be received by each participant will be determined by the price of the shares in each three-year cycle (the IPO price for the first cycle and the average trading price during the 20 trading sessions prior to the start of the second and third cycle) and the level of target delivery, All of the shares received by the CEO and 50% of those received by the key management personnel are subject to a one-year lock-up from when they are received, In the case of the CEO and members of the Management Committee, this bonus is subject to repayment under certain circumstances, The cost of this incentive plan will be assumed by the Group, The maximum amount payable to the plan beneficiaries is 11 million euros, The plan was endorsed by the Appointments and

Remuneration Committee on February 27, 2018 and was executed with the beneficiaries between March and April 2018,

Auditor fees

The fees accrued in respect of services provided by the Company's auditor, Ernst & Young, S.L., in 2018 and 2017 is as follows:

	Euros	
	2018	2017
Audit and related services		
Audit services and limited review	154,539	215,400
Other assurance services	15,000	240,000
Total	169,539	455,400

21. Environmental disclosures

The Group's business activities do not have a significant environmental impact so that it does not hold any fixed assets for the purpose of minimizing its environmental impact and/or enhancing environmental protection,

22. Risk management

The Group, of which Aedas Homes is the Parent (Note 1), manages its capital so as to ensure that the Group companies will be able to continue as profitable concerns while maximizing shareholder returns by balancing its debt versus equity structure,

Financial risk management is centralized in the Corporate Finance Department, which has established the mechanisms necessary for controlling exposure to credit and liquidity risk and, to a lesser extent, interest rate risk,

Qualitative disclosures-

Credit risk:

The Group is not significantly exposed to credit risk as collection of the proceeds from the sale of its developments to customers is guaranteed by the properties sold; in addition, it places its cash surpluses with highly solvent banks in respect of which counterparty risk is not material,

Liquidity risk:

The Group determines its liquidity requirements by means of cash forecasts, These forecasts pinpoint when the Group will need funds and how much and new funding initiatives are planned accordingly,

In order to ensure ongoing liquidity and the ability to service all the payment commitments arising from its business operations, the Group holds the cash balances shown on the balance sheet as well as the credit lines and financing agreements detailed in note 14,

The Parent's directors believe that these arrangements will be sufficient to cover its cash requirements and those of its subsidiaries going forward, The liquidity function is managed at the Group level, so that the operating companies do not face liquidity shortfalls and can concentrate on pursuing their real estate developments, which are financed using external borrowings,

Market risk: interest rate risk

Although the Group's cash balances and borrowings both expose it to interest rate risk, and this could have an adverse impact on its net finance costs and cash flows, the Parent's directors have not deemed it necessary to write interest rate hedges,

Quantitative disclosures-

Credit risk:

No accounts receivable from Group companies, related parties or third parties were past due at December 31, 2018,

Liquidity risk:

On June 12, 2018, the Parent arranged the AEDAS HOMES Commercial Paper Programme 2018 on Spain's alternative fixed income market (MARF for its acronym in Spanish), It can issue up to 75,000,000 euros of paper under the program with terms of up to 24 months, The idea is to diversify the Group's sources of financing, By December 31, 2018, the Company closed seven issues under the program, issuing 78,200,000 euros in total (Note 14),

On August 6, 2018, the Company arranged a 150 million euro corporate loan which it will use to finance future land purchases; it has eight months to draw the loan down, It has a maturity of 24 months and carries interest of 3,5% in year one and of 4,25% in year two, At December 31, 2018, the outstanding balance is 60 million euros,

The borrowings from the Majority Shareholder were capitalized on October 3, 2017 (Note 14), thus improving the Group's capital structure,

Note that the business plan targets a leverage ratio at the Group level of 30-35%,

Interest-rate risk:

A 100 basis point movement in interest rates would have increased finance costs by 759,606 euros in 2018 (and by 3,487,372 euros in FY17),

23. Events after the reporting period

No events have taken place since the end of the reporting period that could have a material impact on the information presented in the consolidated financial statements authorized for issue by the directors or that are worthy of disclosure on account of their materiality, other than that disclosed below:

- On January 16, 2019, SPV REOCO 1, S,L,U, agreed to buy some land for 12,000,000 euros plus VAT, which amounts to 14,520,000 euros, The buyer paid for this land in full upon purchase,
- On January 21, 2019, SPV REOCO 1, S,L,U made the purchase of indivisible plots of land for an amount of 600,000 euros plus VAT, which amounts to 726,000 euros, of which 426,000 were paid by banker's cheque and the remaining 300,000 euros by deducting the amount of credit held by SPV REOCO 1, S,L,U, by virtue of a contract of private sale of a residence,
- On January 21, 2019, SPV REOCO 1, S,L,U, entered a private agreement for the transfer of rights over a private contract of sale of some plots of land for an amount of 1,200,000 euros plus VAT, which amounts to 1,452,000 euros, By virtue of said transfer contract, SPV REOCO 1, S,L,U, subrogates all rights and obligations laid out in the private contract of land sale as signed by the transferor,
- On January 22, 2019, the Parent Company completed an additional issue of commercial paper under the current program, issuing a total amount of 12,500,000 euros, of which 5,000,000 euros

falls due on February, 22 2019, 3,500,000 euros falls due on May, 24 2019, and the remaining 4,000,000 million falls due on June, 21 2019,

- On January 23, 2019, the liquidity contract between the Company and Banco Sabadell, with the object of fostering the frequency and regularity with which the Company's shares are traded, was resumed, This occurred once the adjustments to place the contract within the limit of resources with adjusted balances were made, as stated in Circular 1/2017 on liquidity agreements,
- During January and February 2019, the AEDAS Group has arranged developer loans with mortgages in an aggregate amount of 74,478,681 euros in order to finance 5 developments in progress, The mortgage loans carried interest at Euribor plus spreads ranging between 185 and 225 basis points,

Appendix I - Subsidiaries included in the scope of consolidation at December 31, 2018

Company	Registered office	Business activity	Shareholding		Shareholder	Auditor
			Dec 31, 2018			
SPV REOCO 1, S,L,U,	Madrid	Development	100%	Direct	AEDAS HOMES S,A,	-
DAMALANA SERVICIOS Y GESTIONES, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 18, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV REOCO 15, S,L,	Madrid	Development	80%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV SPAIN 2, S,L,	Madrid	Development	87,50%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 11, S,L,	Madrid	Development	80%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
FACORNATA SERVICIOS Y GESTIONES, S,L,	Madrid	Development	94,70%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SERVICIOS INMOBILIARIOS LICANCABUR S,L,U	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SERVICIOS INMOBILIARIOS MAUNA LOA, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-

Appendix I - Subsidiaries included in the scope of consolidation at December 31, 2017

Company	Registered office	Business activity	Shareholding		Shareholder	Auditor
			Dec 31, 2017			
SPV REOCO 1, S,L,U,	Madrid	Holding company	100%	Direct	AEDAS HOMES S,A,	-
DAMALANA SERVICIOS Y GESTIONES, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
CORNETALA SERVICIOS Y GESTIONES, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
MILEN INVESTMENTS, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 4, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 7, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 12, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 15, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 14, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-

ESPEBE 18, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 17, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 16, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 20, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 2, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 22, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 23, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 26, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 25, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 27, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV SPAIN 7, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 28, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 29, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 34, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 32, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV SPAIN 16, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV SPAIN 17, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV REOCO 6, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 35, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV REOCO 5, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV SPAIN PROJECT 1, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV REOCO 15, S,L,	Madrid	Development	80%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV REOCO 14, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-

SPV REOCO 17, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV SPAIN 2, S,L,	Madrid	Development	65%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV REOCO 2, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV REOCO 12, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV REOCO 18, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SPV REOCO 26, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
LANDATA SERVICIOS Y GESTIONES, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 31, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
DELANETO SERVICIOS Y GESTIONES, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 11, S,L,	Madrid	Development	80%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
ESPEBE 21, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
FACORNATA SERVICIOS Y GESTIONES, S,L,	Madrid	Development	94,70%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
DESARROLLO EMPRESARIAL LICANCABUR, S,L, U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SERVICIOS INMOBILIARIOS LICANCABUR S,L,U	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SERVICIOS INMOBILIARIAS MAUNA LOA, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
DANTA INVESTMENTS, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
SERVICIOS INMOBILIARIOS CLEGANE, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-
EPAVENA PROMOCIONES Y SERVICIOS, S,L,U,	Madrid	Development	100%	Indirect	AEDAS HOMES, S,A,, through SPV REOCO 1, S,L,U,	-

Salient financial information about the directly and indirectly held investees is provided below:

Company	Equity at December 31, 2018 (euros) (*)							Total equity
	Capital	Share premium	Reserves	Retained earnings (prior-year losses)	Profit/(loss) for the year	Other owner contributions	(Interim dividend)	
SPV REOCO 1, S,L,U,	44,807,030	403,236,299	(322,926,544)	-	(17,827,809)	61,533,015	-	168,821,991
DAMALANA SERVICIOS Y GESTIONES, S,L,U,	3,010	-	(353)	(2,277,412)	(963,266)	8,000,000	-	4,761,979
ESPEBE 18, S,L,U,	3,000	-	(458)	(1,374,771)	45,461	1,740,000	-	413,232
SPV REOCO 15, S,L,	3,000	-	(344)	(376,421)	(246,454)	2,555,125	-	1,934,906
SPV SPAIN 2, S,L,	100,000	978,848	(405)	(454,887)	(665,431)	4,124,175	-	4,082,300
ESPEBE 11, S,L,	3,000	-	(411)	(1,015,170)	7,170,116	-	(2,200,000)	3,957,536
FACORNATA SERVICIOS Y GESTIONES, S,L,	3,010	-	(538)	(2,040,724)	2,046,552	2,970,000	-	2,978,300
SERVICIOS INMOBILIARIOS LICANCABUR, S,L,U,	3,000	-	(215)	(746)	(599)	1,500	-	2,940
SERVICIOS INMOBILIARIOS MAUNA LOA, S,L,U,	3,000	-	(215)	(676)	(629)	1,500	-	2,960

(*) Unaudited figures

Company	Equity at December 31, 2017 (euros) (*)							Total equity
	Capital	Share premium	Reserves	Retained earnings (prior-year losses)	Profit/(loss) for the year	Other owner contributions		
SPV REOCO 1, S,L,U,	44,807,030	403,236,299	(310,992,338)	(30,965)	8,107,472	31,878,627	177,006,124	
DAMALANA SERVICIOS Y GESTIONES, S,L,U,	3,010	-	(353)	(1,465,508)	(811,905)	8,000,000	5,725,245	
CORNETALA SERVICIOS Y GESTIONES, S,L,U,	3,010	-	(334)	(584,605)	(81,028)	2,275,000	1,612,043	
MILEN INVESTMENTS, S,L,U,	3,000	-	(426)	(1,421,886)	(833,269)	8,202,500	5,949,920	
ESPEBE 4, S,L,U,	3,000	-	(406)	(669,469)	(373,259)	2,941,001	1,900,867	
ESPEBE 7, S,L,U,	3,000	-	(340)	(223,196)	(261,750)	2,063,125	1,580,839	
ESPEBE 12, S,L,U,	3,000	-	(418)	(1,111,846)	(1,566,267)	9,750,000	7,074,470	
ESPEBE 15, S,L,U,	3,000	-	(349)	(389,386)	(316,068)	2,350,000	1,647,198	
ESPEBE 14, S,L,U,	3,000	-	(354)	(1,212,072)	(1,331,054)	10,804,007	8,263,527	
ESPEBE 18, S,L,U,	3,000	-	(458)	(464,849)	(909,922)	1,740,000	367,771	
ESPEBE 17, S,L,U,	3,000	-	(403)	(803,674)	(834,753)	2,352,500	716,670	
ESPEBE 16, S,L,U,	3,000	-	(395)	(378,546)	1,057,208	2,600,000	3,281,267	
ESPEBE 20, S,L,U,	3,000	-	(412)	(612,782)	(694,548)	4,750,000	3,445,258	
ESPEBE 2, S,L,U,	3,000	-	(405)	(454,152)	(511,431)	4,050,000	3,087,011	
ESPEBE 22, S,L,U,	3,000	-	(350)	(463,085)	(710,119)	10,250,000	9,079,445	
ESPEBE 23, S,L,U,	3,000	-	(355)	(31,203)	2,892,360	-	2,863,803	

ESPEBE 26, S,L,U,	3,000	-	(365)	(234,962)	(420,271)	3,041,250	2,388,651
ESPEBE 25, S,L,U,	3,000	-	(365)	(638,608)	(1,372,182)	8,047,500	6,039,345
ESPEBE 27, S,L,U,	3,000	-	(440)	(390,357)	(1,307,614)	4,050,000	2,354,590
SPV SPAIN 7, S,L,U,	3,000	-	(323)	(745,569)	(2,367,982)	9,385,000	6,274,126
ESPEBE 28, S,L,U,	3,000	-	(440)	(287,237)	(925,808)	7,750,000	6,539,515
ESPEBE 29, S,L,U,	3,000	-	(346)	(104,255)	(365,468)	1,375,000	907,931
ESPEBE 34, S,L,U,	3,000	-	(353)	(128,556)	(137,657)	1,425,000	1,161,434
ESPEBE 32, S,L,U,	3,000	-	(347)	(86,763)	(3,214,790)	11,160,525	7,861,625
SPV SPAIN 16, S,L,U,	3,000	-	(437)	(105,388)	392,382	2,743,750	3,033,306
SPV SPAIN 17, S,L,U,	3,000	-	(408)	(1,204,150)	(6,170,652)	13,157,500	5,785,290
SPV REOCO 6, S,L,U,	3,000	-	(479)	(76,063)	(461,153)	2,777,000	2,242,305
ESPEBE 35, S,L,U,	3,000	-	(353)	(71,678)	(10,467,322)	11,419,421	883,069
SPV REOCO 5, S,L,U,	3,000	-	(479)	(74,492)	(566,929)	977,000	338,100
SPV SPAIN PROJECT 1, S,L,U,	3,010	-	(325)	(8,456)	(439,433)	3,918,750	3,473,545
SPV REOCO 15, S,L,	3,000	-	(344)	(19,724)	(356,697)	2,555,125	2,181,360
SPV REOCO 14, S,L,U,	3,000	-	(344)	(17,350)	(154,368)	919,500	750,438
SPV REOCO 17, S,L,U,	3,000	-	(361)	(15,640)	(417,027)	3,247,375	2,817,347
SPV SPAIN 2, S,L,	100,000	978,848	(405)	(167,410)	(287,477)	4,124,175	4,747,731
SPV REOCO 2, S,L,U,	3,000	-	(374)	(10,853)	(2,492,340)	11,473,250	8,972,683
SPV REOCO 12, S,L,U,	3,000	-	(387)	(24)	(242,251)	1,402,000	1,162,338
SPV REOCO 18, S,L,U,	3,000	-	(361)	(236)	(153,894)	1,827,000	1,675,509
SPV REOCO 26, S,L,U,	3,000	-	(369)	(10)	(281,360)	2,752,000	2,473,260
LANDATA SERVICIOS Y GESTIONES, S,L,U,	3,010	-	(317)	(237)	(14,360)	27,000	15,097
ESPEBE 21, S,L,U,	3,000	-	(368)	(187,403)	(97,412)	1,275,000	992,818
ESPEBE 31, S,L,U,	3,000	-	(347)	(19,151)	(404,038)	2,262,133	1,841,597
DELANETO SERVICIOS Y GESTIONES, S,L,U,	3,010	-	602	-	5,817,125	-	5,820,737
DANTA INVESTMENTS, S,L,U,	27,716,927	22,241,273	(452)	-	(488,627)	2,500,000	51,969,121
DESARROLLO EMPRESARIAL LICANCABUR, S,L,U,	3,000	-	-	-	(366)	-	2,634
SERVICIOS INMOBILIARIOS LICANCABUR, S,L,U,	3,000	-	-	-	(746)	-	2,254
EPAVENA PROMOCIONES Y SERVICIOS, S,L,U,	3,000	-	-	-	(358)	-	2,642
SERVICIOS INMOBILIARIOS CLEGANE, S,L,U,	3,000	-	-	-	(1,126)	-	1,874
SERVICIOS INMOBILIARIAS MAUNA LOA, S,L,U,	3,000	-	-	-	(676)	-	2,324
ESPEBE 11, S,L,	3,000	-	(411)	(698,213)	(316,957)	1,640,121	627,540
FACORNATA SERVICIOS Y GESTIONES, S,L,	3,010	-	(538)	(1,871,091)	(169,633)	3,220,000	1,181,748

(*) Unaudited figures

Appendix II - List of non-Group companies that hold an equity interest in any of the fully-consolidated subsidiaries of 10% or more at December 31, 2018

Company invested in	Shareholder	Ownership interest, %
SPV SPAIN 2, S,L,	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S,L	12,50%
SPV REOCO 15, S,L,	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S,L,	20%
ESPEBE 11, S,L,	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S,L,	20%

List of non-Group companies that held an equity interest in any of the fully-consolidated subsidiaries of 10% or more at December 31, 2017

Company invested in	Shareholder	Ownership interest, %
SPV SPAIN 2, S,L,	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S,L	12,50%
SPV SPAIN 2, S,L,	BIGCHANGE GESTIÓN, S,L,	22,50%
SPV REOCO 15, S,L,	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S,L,	20%
ESPEBE 11, S,L,	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S,L,	20%

Annual
Report
2018



AEDAS
HOMES

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1. Executive summary

In 2018, AEDAS Homes delivered the key targets set down in its 2017-2023 business plan.

From the business standpoint, it is worth highlighting the number of houses launched: 2,265 units, year-on-year growth of 28%, which was 11% above target.

As for targeted deliveries, the company delivered 231 units, marking significant growth from 2017, as it ramps up towards its targeted annual delivery run rate of 3,000 units from 2022, meeting the related target.

Sales increased by 44% by value year-on-year to €756.7 million. By year-end, the company had begun construction of 3,344¹ homes in total, 2,532 of which were started in 2018, growth of 307% from 2017.

AEDAS Homes remained one of the most active players in the land purchasing arena. Its investment volumes stood out compared to the other Spanish homebuilders. Specifically, its investments last year (at acquisition cost) amounted to €111.7² million and encompassed a total of 20 new projects. All of these transactions were concentrated in the seven Spanish provinces with the most dynamic housing markets. The newly acquired land presents scope for the development of 2,616 housing units. 30% is Ready to Build Land and the remaining 70% is Fully Permitted Land.

The investments closed over the course of 2018 and those anticipated in 2019, for which the outlook is good, put the company on track for meeting the targets set in its 2017-2023 business plan with respect to new development launches. At year-

end 2018, the company's land bank amounted to c. 14.892 housing units, marking growth of 15% from year-end 2017.

According to Savills, with those investments, the company's GAV stood at €1,768 billion at 31 December 2018, year-on-year growth of 20%. Like-for-like GAV registered growth of 8%. Similarly at year-end, the company's NAV amounted to €1,616 million, up to 7% from a year earlier.

In all, at year-end 2018, inventories had increased by 22% year-on-year to €1.076 billion, while financial liabilities had increased by 23% to €156 million, made up of €117.2 million of banking loans, €3.4 million of loans with external partners, €34 million of commercial paper, €1.1 million of derivatives and €0.6 million of interest. That puts the company's LTV ratio at 5% and its LTC ratio at 9%.

No business is unaffected by the prevailing technological changes. The company sees these developments as an opportunity for offering its customers better products and service. Indeed, innovation is one of AEDAS Homes' key values. Against this backdrop, AEDAS Homes has taken the initiative of spearheading the industrialisation of the offsite construction model in Spain. The aim of that model is to reduce the time it takes to deliver a development sold off plans by half, cutting our customers' wait times, while accelerating the company's capital turnover ratio. That is achieved by managing the various construction processes simultaneously (as opposed to sequentially): the houses are manufactured in a factory while the site is cleared and the foundations are laid in the traditional manner. The company's first offsite development, launched in Torrejón de Ardoz, Madrid, in 2018, has been very well received by the market.

The global capital markets experienced growing volatility as the year unfolded, driven, among other factors, by fears of rate hikes, geopolitical instability

¹ Includes projects acquired with construction started.

² Excludes the acquisition of 287 units corresponding to Tempranales, Torrejón de Ardoz, amounting to € 9,457,128 including price and acquisition costs, attributed to the year 2017.

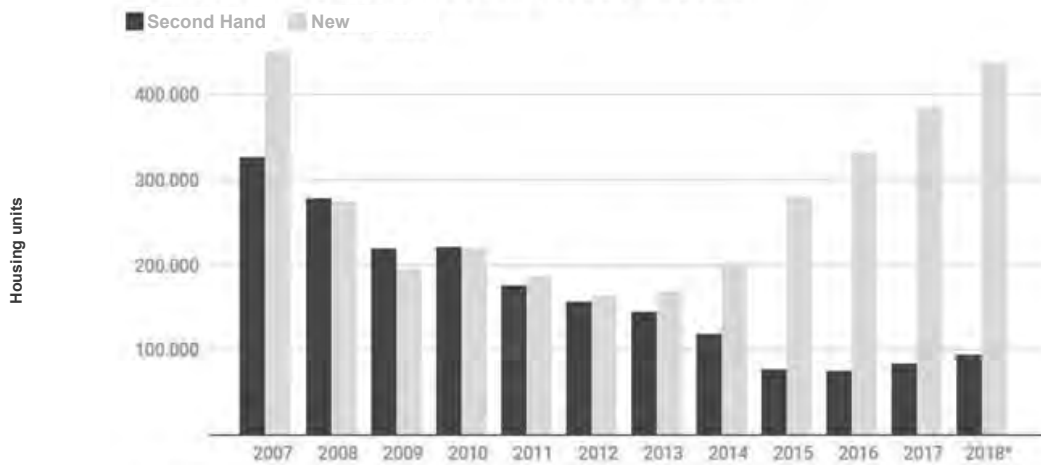
and Brexit. As a result, many IPO candidates had to call their plans off, with the number of stock market debuts falling 41%¹ worldwide compared to 2017. These sources of uncertainty translated into significant capital flows, attracted to other asset classes, prompting significant corrections in the main European stock market indexes.

Europe's homebuilding sector was not immune to the broader trend: in fact, it was one of the hardest hit, correcting across the board by between 16%² and 43%³. AEDAS Homes' share price was similarly

affected by this situation, correcting by 28%, despite having met all the guidance committed to in its business plan and boasting one of the healthiest capital structures in the market.

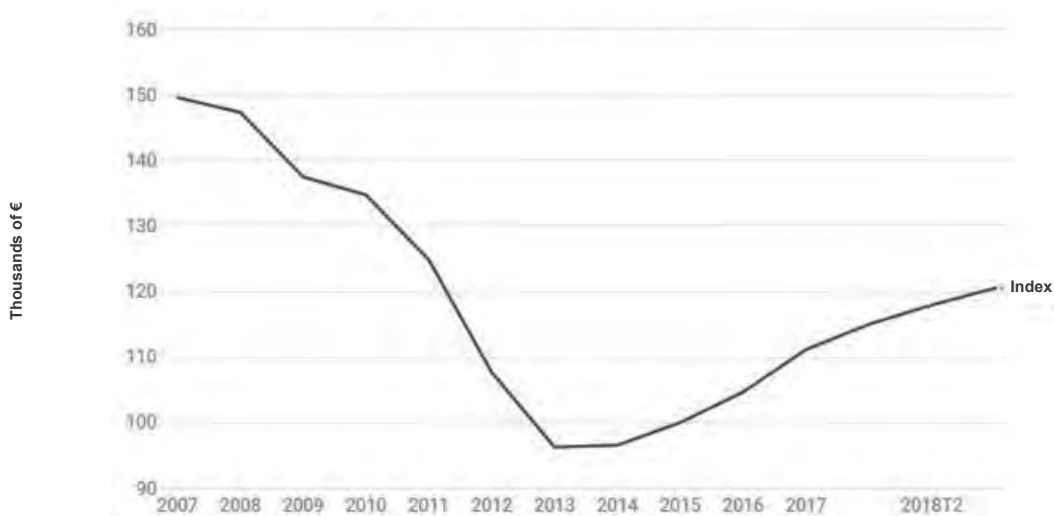
In contrast to the trend in the equity markets, the Spanish market for new homes is in good health, enjoying strong demand. The business fundamentals continue to point, with a good degree of visibility, to growth in volumes and prices, underpinned by a clear mismatch between supply and demand.

New vs Second Hand Housing Transactions in Spain



Source: Instituto Nacional de Estadística (INE)
*2018 expected data as of June 2018

Spanish Housing Price Index



Source: Instituto Nacional de Estadística (INE)
*2018 expected data as of June 2018

¹ Source: Deloitte

^{2 3} Source: Bloomberg; Countries: Ireland, France, Spain and UK

The Spanish economy grew by 2.5%⁴ in 2018 and the forecast is for GDP growth of 2.2%⁵ in 2019. Despite the slowdown with respect to prior years, Spanish growth is expected to continue to top the EU average, accompanied by continued strong job creation. And for the first time in 10 years, salaries have begun to rise.

As for the mortgage market, the banks continue to exert an iron grip on their purse strings: despite year-on-year growth in new mortgages of 13%⁶ to 355,000⁷ loans, in absolute terms volumes remain significantly below historical levels. That figure represents 68% of all homes sold in Spain in 2018 (530,000 units⁸). Just 18%⁹ of all homes sold were new builds.

In light of the above, AEDAS Homes is in a position to reiterate its targets. Delivery of its guidance and ongoing momentum in the key business fundamentals bode well for the company's performance in 2019, a year in which the company will continue along the roadmap set for reaching a delivery run rate of 3,000 homes a year by 2022.

2. Business performance

2.1 Active Units

Homes are considered active from when they enter the design phase until their delivery.

At 31 December 2018, the company had a total of 7,055 active units, annual growth of 74%. In other words, the activation of 2,998 homes took place in 2018.

The breakdown of those 7,055 active units by phase of development is as follows: 3,084 units at the design stage; 907 in the marketing phase; 3,050 under construction; and 14 finished.

^{4 5} Source: Bank of Spain

^{6 7 8 9} Source: INE

2.2 Launches

Housing units are considered launched once marketing is underway, i.e., they are classified as 'launched' subsequent to the design phase, once they are put up for sale.

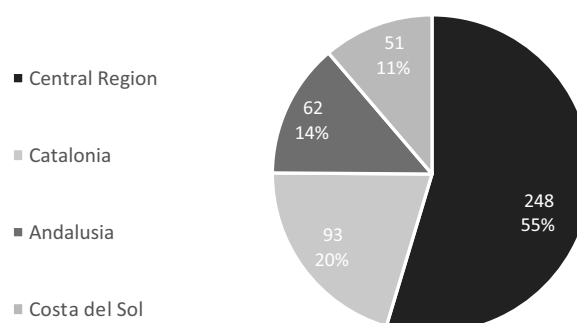
In 2018, the company launched 41 projects encompassing 2,265 housing units in total. That marks growth of 17% in projects and of 28% in units with respect to the respective 2017 figures.

The target was for 2,042 launches in 2018, implying outperformance by 11%.

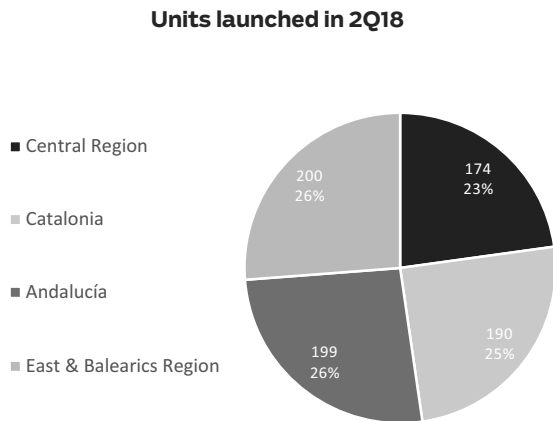
The GDV of the units launched in 2018 is €708 million, implying an average selling price (ASP) per unit launched of €312,582 (subject to change).

In the first quarter of 2018, the company launched 454 units corresponding to 7 developments. Of that total, 248 units were launched in the Central region; 93 units in Catalonia; 62 in Andalusia; and 51 on the Costa del Sol. No new developments were launched in the East & Balearics region in the first quarter.

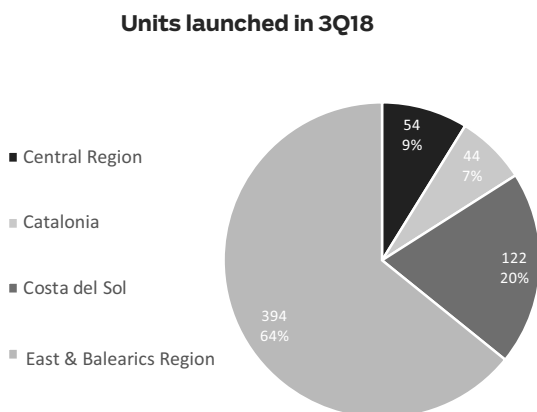
Units launched in 1Q18



In the second quarter of 2018, the company launched 763 units corresponding to 13 developments. Of that total, 174 units were launched in the Central region; 190 units in Catalonia; 199 in Andalusia; and 200 in the East & Balearics region. No new developments were launched on the Costa del Sol in the second quarter.

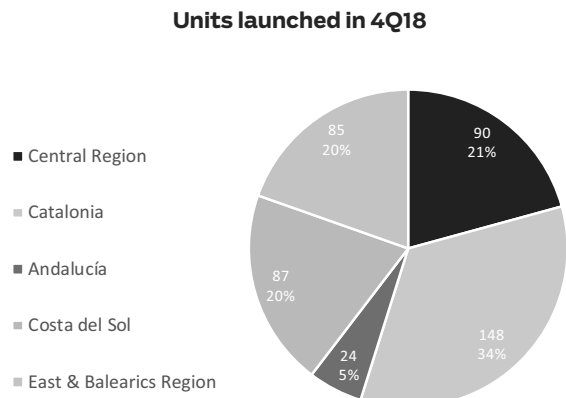


In the third quarter of 2018, the company launched 614 units corresponding to 11 developments. Of that total, 54 units were launched in the Central region; 44 units in Catalonia; 122 on the Costa del Sol; and 394 in the East & Balearics region. No new developments were launched in Andalusia in the third quarter.



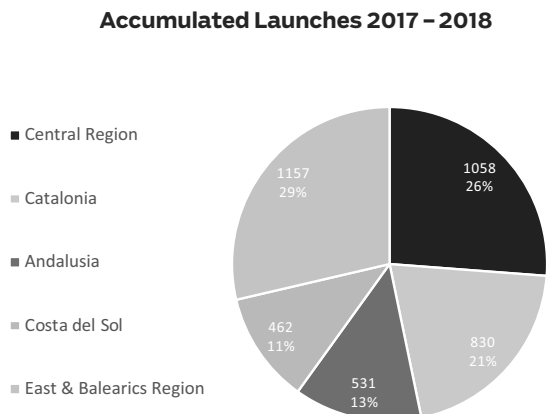
In the fourth quarter of 2018, the company launched 434 units corresponding to 10 developments. Of that total, 90 units were launched in the Central region; 148 units in Catalonia; 24 in Andalusia; 87 on

the Costa del Sol; and 85 in the East & Balearics region.



Of all units launched in 2018, 26% were launched in the Central region; 21% in Catalonia; 13% in Andalusia; 11% on the Costa del Sol; and 29% in the East & Balearics region.

By 31 December 2018, the company had launched a cumulative 76 projects encompassing 4,038 housing units and representing a GDV of €1.49 billion. Of that total, the breakdown by regional branches is as follows: in the Central region, 20 projects encompassing 1,058 units representing 26% of total GDV; in Catalonia, 16 projects with 830 units accounting for 21% of the total; in Andalusia, 10 projects encompassing 531 units representing 13% of the total; on the Costa del Sol, 10 projects with 462 units accounting for 11% of the total; and, lastly, in the East & Balearics, 20 projects with 1,157 units representing 29% of the total.



2.3 Sales

The sale of a unit begins with execution of a pre-sale agreement. Once the company has a building permit for a pre-sold house, the customer is asked to execute a sale contract. Lastly, when the construction work is complete and the occupational licence has been obtained, the customer is asked to sign the deed of purchase, upon which the house is delivered immediately.

Throughout 2018, sales totalled 1,240 homes. That marks annual volume growth of 35% (2017: 915).

The GDV of the units sold in 2018 is €446.7 million, implying an average selling price (ASP) per unit of €360,000. Sales increased by 44% by value year-on-year to €756.7 million.

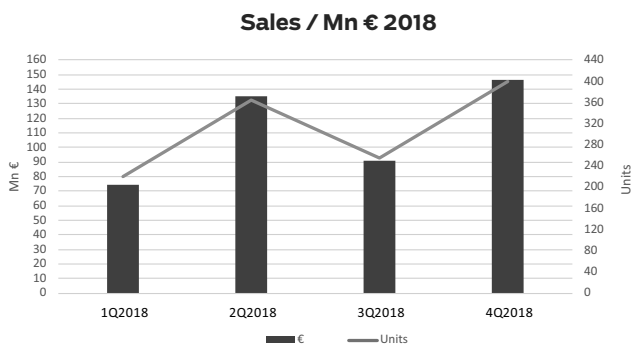
The breakdown of Sales by quarter:

In the first quarter of 2018, sales amounted to €74.5 million (220 units).

In the second quarter of 2018, sales amounted to €135.3 million (365 units).

In the third quarter of 2018, sales amounted to €90.6 million (255 units).

In the fourth quarter of 2018, sales amounted to €146.2 million (400 units).

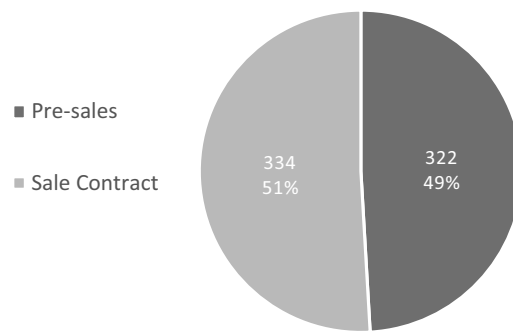


At 31 December 2018, the company had sold an accumulated (2017 and 2018) 2,155 units.

Accumulated sales in the Central region stood at 656 units (30% of the total), of which 322 are pre-sales and 334 are already under sale contract. Those pre-sales amount to €132.3 million and the contracts to €139.6 million. The ASP of those units is €415,000.

Sales to date in this region - €271.9 million - account for 36% of total accumulated sales.

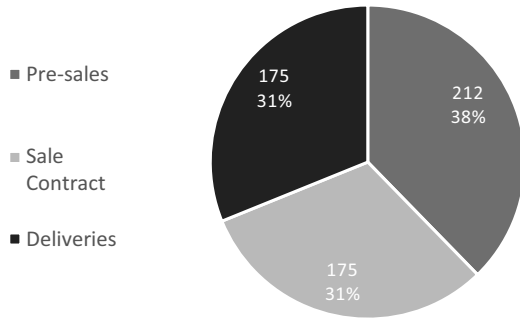
Central region
Cumulative sales, 2017-2018



Accumulated sales in the East & Balearics region stood at 562 units (26% of the total), of which 212 are pre-sales, 175 are under sale contract and 175 have been delivered. Those pre-sales amount to €76.03 million, the contracts to €103.7 million and the deliveries to €50.2 million. The ASP of those units is €409,000.

Sales to date in this region - €229.9 million - account for 30% of total accumulated sales.

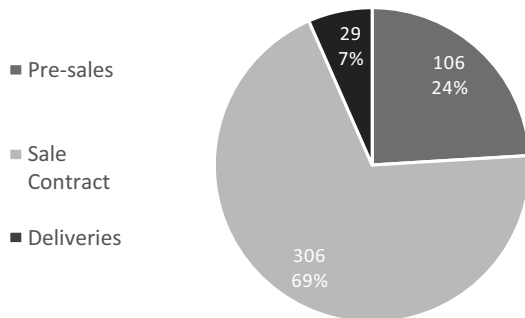
East & Balearics
Cumulative sales, 2017-2018



Accumulated sales in Catalonia stood at 441 units (21% of the total), of which 106 are pre-sales, 306 are under sale contract and 29 have been delivered. Those pre-sales amount to €40.3 million, the contracts to €91.04 million and the deliveries to €22.5 million. The ASP of those units is €298,000.

Sales to date in this region - €131.3 million - account for 17% of total accumulated sales.

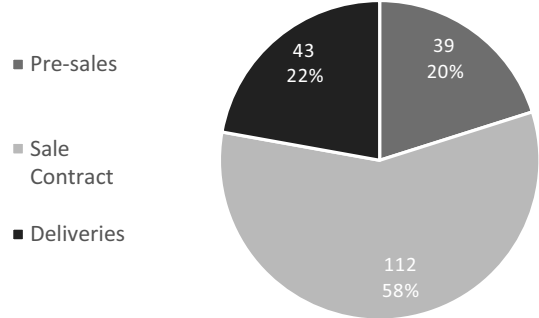
Catalonia
Cumulative sales, 2017-2018



Accumulated sales in the Costa del Sol region stood at 194 units (9% of the total), of which 39 are pre-sales, 112 are under sale contract and 43 have been delivered. Those pre-sales amount to €15.8 million, the contracts to €39.5 million and the deliveries to €3.6 million. The ASP of those units is €304,000.

Sales to date in this region - €59.05 million - account for 8% of total accumulated sales.

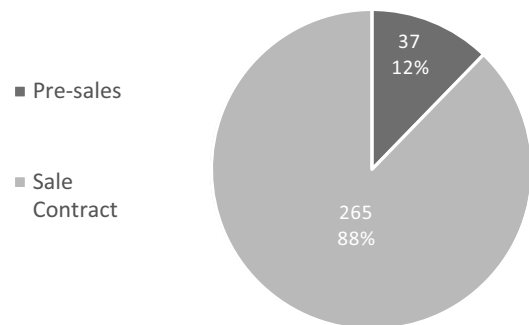
Costa del Sol
Cumulative sales, 2017-2018



Accumulated sales in Andalusia stood at 302 units (14% of the total), of which 37 are pre-sales and 265 are under sale contract. Those pre-sales amount to €8.4 million and the contracts to €55.9 million. The ASP of those units is €213,000.

Sales to date in this region - €64.3 million - account for 9% of total accumulated sales.

Andalusia
Cumulative sales 2017-2018



2.4 Construction

Throughout 2018 construction began on 2,532 homes, which represents an increase of 307% on the 622 homes¹ that began construction throughout 2017. At the end of fiscal year 2018, the company had a total of 3,050 units under construction, which represents an increase of 300% over the 763 units² under construction at the end of 2017.

In the first quarter of 2018, construction began on 644 units and 64 where completed.

In the second quarter of 2018, construction began on 250 units and 126 where completed.

In the third quarter of 2018, construction began on 200 units; no houses were completed that quarter.

In the fourth quarter of 2018, construction began on 1,438 units and 55 where completed.

Below is a breakdown of the various developments under construction, excluding completed units.

	2017	1Q18	2Q18	3Q18	4Q18
Hevia F1, F2 & F3					220
Fineo					56
Lángara					100
Tasman II					35
Orellana I					74
Ulloa III					54
Escalonia II					150
Estronci 93					71
Mesas R-15					30
Piteas					48
Ulloa II					54
Orpí					36
Jardines H. Rosario F3					79
Jardines H. Rosario F4					63
Vanian Green Village II					92
Merian I					10
Armstrong Cisneo F1 & F2					120
Kane					87
Acosta M3 - Bormujos					24
Bremond Son Moix					35
J. Castellarnau F1, F2 & F3				138	
Cook				62	
Doria 6			40		
Terraza Los Fresnos II			98		
Cabot			28		
Middel Views			84		
Carreres 10		59			
Altos del Pilar		100			
Altos de la Reserva		11			
Ulloa I		54			
Humboldt		93			
Tasman		30			
Dampier		26			
Villas Arco Norte F2		62			
Villas Arco Norte F3		27			
Jardines H. Rosario II		63			
Vanian Green Village		72			
South Bay		47			
Marina Real	80				
Escalonia	60				
Altos de Los Fresnos	35				
Terraza Los Fresnos	30				
Nou Eixample Mar	33				
Estronci 99	55				
Villas Arco Norte F1	50				
Jardines H. Rosario I	79				
Ramón y Cajal	54				
Zagaleta 2	1				
New Folies	41				
TOTAL	518	644	250	200	1438

¹ Excluding projects acquired with construction started

² Excluding completed units

2.5 Building permits

Building permits are awarded by the municipal authorities. Permit applications include the architectural plans which must necessarily comply with municipal planning and zoning requirements. Municipal authorities are obliged to grant building permits to the extent the plans meet those requirements. The permitting period depends on each authority's responsiveness.

Over the course of 2018, the company obtained a total of 2,311 building permits, growth of 115% over the 1,073¹ obtained in 2017. That means that by year-end the company had obtained building permits for 3,384 homes in total.

In the first quarter of 2018, building permits were obtained for 509 units.

In the second quarter of 2018, building permits were obtained for 124 units.

In the third quarter of 2018, building permits were obtained for 467 units.

In the fourth quarter of 2018, building permits were obtained for 1,211 units.

In addition, at year-end 2018, a total of 2,279 building permit applications were being processed, 100 of which had been applied for within the previous four months, 1,152 between four and eight months before year-end and 1,027 more than eight months earlier.

Below is the breakdown of building permits obtained per development (2017-2018):

	2017	1Q18	2Q18	3Q18	4Q18
Hannon					40
Estronci 93					71
Orellana					74
Escalonia II					150
Tasman II					35
Lángara					100
Hevia F1, F2 & F3					220
Fineo					56
Bremond Son Moix					35
Piteas					48
Ulloa II					54
Ulloa III					54
Jardines H. Rosario F3					79
Jardines H. Rosario F4					63
Vanian Green Village II					92
South Bay II					30
Merian I					10
J. Castellarnau F1, F2 & F3				138	
Cook				62	
Orpí				36	
Armstrong Cisneo F1 & F2				120	
Kane				87	
Acosta M3 - Bormujos				24	
Doria 6			40		
Middel Views			84		
Carreres 10		59			
Altos del Pilar		100			
Ulloa I		54			
Cabot		28			
Humboldt		93			
Tasman		30			
Dampier		26			
Vanian Green Village		72			
South Bay		47			
Marina Real	80				
Escalonia	60				
Altos de Los Fresnos	35				
Altos de la Reserva	11				
Terraza Los Fresnos	30				
Terraza Los Fresnos II	98				
Nou Eixample Mar	88				
Estronci 99	55				
Villas Arco Norte F1	50				
Villas Arco Norte F2	62				
Villas Arco Norte F3	27				
Jardines H. Rosario I	79				
Jardines H. Rosario II	63				
Ramón y Cajal	54				
Galera Sun	48				
Zagaleta 2	1				
Zagaleta 1	1				
New Folies	41				
Brisas del Arenal	64				
Hacienda del Mar II	126				
TOTAL	1073	509	124	467	1211

¹ Includes licenses with construction finished.

2.6 Units delivered

The company, which is in the midst of ramping up its operations, delivered a total of 231 homes in 2018, thus delivering the target set for that year. The revenue received in exchange for those deliveries amounted to €65.6 million. In total, the company has now delivered 247 units, which is 16 units above the target for the period 2016-2018.

Below is the breakdown of deliveries by development:

	Units	GDV 31-12-18	ASP € 000	Sold	% Sold	% Delivered	Delivered 2018	Delivered in previous years	Total Delivered
Galera Sun	48	5.370	112	43	90%	90%	27	16	43
Brisas del Arenal	64	19.962	312	56	83%	83%	53	0	53
Hacienda del Mar II	126	41.150	327	126	97%	97%	122	0	122
Nou Eixample Mar	55	14.150	256	54	53%	53%	29	0	29
TOTAL	293	80.588		279	74%	84%	231	16	247

*Units slated for delivery in 2019: 5 at Galera Sun; 11 at Brisas del Arenal; 4 at Hacienda del Mar II; and 58 at Nou Eixample Mar.

3. Investments

AEDAS Homes remained one of the most active purchasers of land in Spain throughout 2018; its investment volumes stood out with respect to the other Spanish homebuilders. The investments closed over the course of 2018 are designed to fulfil the new development launch targets set by the company in its 2017-2023 business plan.

In keeping with the company's investment policy, the assets acquired in 2018 comprised, at a minimum, Fully Permitted Land (FPL), i.e., land zoned for development but in respect of which either (i) the relevant urban planning and allotment processes have not been fully approved and/or implemented; or (ii) only the utilities and services required for urban use need to be completed for classification as Ready to Build (RTB) Land, i.e., land for which only the corresponding building permits are required for the housing developments to proceed. The newly acquired land is located in the provinces with the most dynamic homebuilding markets. Development land is managed by the company's five regional branches. All of the land acquired presents upside of at least 20% in terms of net developer margin, calculated assuming acquisition-date sales prices and costs. The land will be earmarked to the development of market rate homes in the mid to upper-mid segments of the market.

In total, in 2018, the company acquired land for the development of 20 projects¹. Of that total, 5 projects correspond to the East & Balearics region (4 in the province of Alicante; 1 in Valencia); 5 to the Central region (4 in the province of Madrid; 1 in Valladolid); 8 in Andalusia (4 in each of the provinces of Seville and Granada); and 2 on the Costa del Sol (both in the province of Malaga). The sites acquired in the provinces of Valladolid and Granada mark the company's first land purchases in those provinces, prompted by the encouraging trends in certain local indicators (GDP growth; falling unemployment; mo-

mentum in second-hand home sales; rising prices, etc.) which point to a mismatch between housing supply and demand propitious to the development of housing in those locations.

The 20 sites acquired are located in seven provinces comprising the following municipalities: in the province of Madrid, in the municipalities of Alcorcón, Madrid, Villanueva del Pardillo and Valdemoro; in the province of Granada, in the municipality of Granada (the province's capital city); in the province of Seville, in the municipalities of Bormujos and Mairena de Aljarafe; in the province of Valencia, in the municipality of Valencia (capital); in the province of Valladolid, in the municipality of Valladolid (capital); in the province of Alicante, in the municipalities of Alicante, San Juan and Jávea; and in the province of Malaga, in the municipality of Rincón de la Victoria. The newly acquired land presents scope for the development of 2,616² housing units. Of those 2,616 homes, 785 (30%) are RTB and 1,831 (70%) correspond to FPL.

In total, the company invested €111.7³ million in these land purchases (the cost of acquiring the properties, including transaction costs). The capital expenditure needed to bring all of the land to RTB classification is estimated at €17.72 million, lifting total estimated investment to €129.41 million. In sum, the average acquisition cost per housing unit once all of the land is brought to RTB permitting status is estimated at €49,469/unit, ranging from a low of €23,062/unit in Jávea, Alicante to a high of €90,168/unit in the city of Alicante.

¹ The number of developments does not exactly match with the number of transactions due to the existence of multiple sellers.

² A third party may estimate a different number of potential units than the company. The estimated number of units can vary in time as the end product is defined. The buildable area, however, is a constant metric.

³ Excludes the acquisition of 287 units corresponding to Tempranales, Torrejón de Ardoz, amounting to € 9,457,128 including price and acquisition costs, attributed to the year 2017.

REGIONAL BREAKDOWN

Regional branch	No. of homes	Acquisition cost €	RTB capex €
ANDALUSIA	942	37,310,497	42,701,744
CENTRAL	1,010	46,045,966	56,383,175
COSTA DEL SOL	166	3,888,606	4,700,606
EAST/BALEARICS	498	24,451,505	25,627,405
Total	2,616	111,696,574¹	129,412,930

¹ Excludes the acquisition of 287 units corresponding to Tempranales, Torrejón de Ardoz, amounting to € 9,457,128 including price and acquisition costs, attributed to the year 2017.

As for the land sold in 2018, the company sold five sites with an estimated development potential of 273 housing units.

Three of those sites are located in the province of Barcelona: two in the municipality of Hospitalet de Llobregat (74 & 20 units) and the third in Cornellá (50 units), so that they correspond to the Catalonia branch.

One is located in the province of Madrid, in the municipality of Alcalá de Henares (93 units) (Central region).

The fifth site sold is located in the province of Málaga, in the municipality of Mijas (36 units) (Costa del Sol).

The classification of the land sold for permitting purposes, as of the dates of sale: RTB in four instances (Hospitalet de Llobregat (2); Alcalá de Henares (1) and Mijas (1)) and FPL in the fifth case (Cornellá).

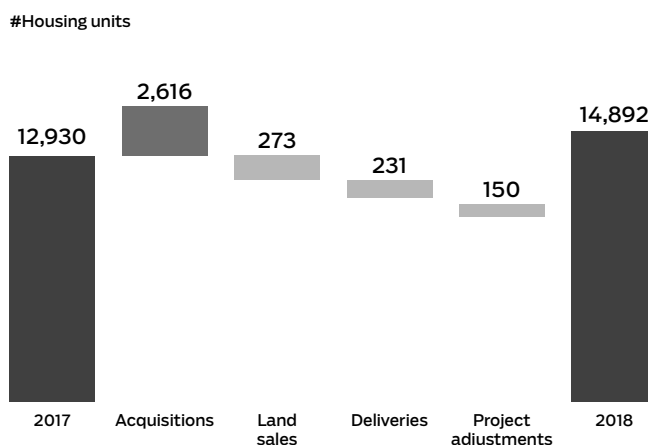
The five sites sold fetched an aggregate price of €14.22 million, implying a gross margin of €5 million (35%). The average sales price per buildable square metre (bm²) ranged between €390/bm² and €980/bm² for an average of €571/bm².

The breakdown by sales transaction is provided below:

Regional	Localidad	Sales Date	Price	RESI Units
CATALONIA	L'Hospitalet De Llob.	15 Jan 2018	3,494,000	74
COSTA DEL SOL	Mijas	14 Mar 2018	3,993,500	36
MADRID	Alcalá de Henares	21 Dec 2018	4,324,650	93
CATALONIA	L'Hospitalet De Llob.	4 Dec 2018	690,000	20
CATALONIA	Cornella	4 Dec 2018	1,720,000	50
TOTAL			14,222,150	273

In sum, the size of the land bank, expressed in terms of potential housing units, at 31 December 2018, is as follows:

Total land bank as of 31 Dec 2018



Of the total land bank, 70% is RTB and the remaining 30% is FPL.

According to Savills, the company's GAV stood at €1,768 billion at 31 December 2018, year-on-year growth of 20%. Like-for-like GAV registered growth of 8%.

4. Consolidated Financial information

4.1 Profit and Loss Statement

Compared to 2017, the main profit and loss headings clearly evidence the company's ramp-up: revenue increased by 107% to €79.8 million in 2018, 82% of which derived from the core business - housing developments - and the remaining 18%, from land sales.

Note that as required under Spain's General Accounting Plan, the marketing heading reflects the amount corresponding to all developments in progress at the reporting date, irrespective of the scheduled year of delivery, such that this heading continues to relate to a number of developments that significantly exceeds the developments actually delivered during the reporting period. That heading will tend to normalise as a percent of revenue as the company approaches its targeted delivery cruising speed.

General expenses increased during this period of business ramp-up to levels that are very close to those estimated once cruising speed is reached, although this heading will represent a lower percentage of revenue by then.

The capitalisation of €12.0 million of tax assets in 2018 contributed to the recognition of positive net profit sooner than anticipated. The breakdown to be made in the tax assets is 1.4 corresponding to the negative bases of this fiscal year, c. 0.2 corresponding to the company outside the fiscal group, 4.4 of tax assets prior to the consolidated tax and 5.5 for the difference in the accounting and tax value of certain assets. There is also a small amount accounting for 0.5 of temporary differences activated in the exercise.

AEDAS HOMES €m ¹	FY18	FY17	Change € m
Revenue from sales	79,8	38,6	41,2
Cost of sales	(56,0)	(23,3)	(32,7)
Gross margin	23,8	15,3	8,5
Gross margin, %	29,8%	40,0%	(10,2%)
Sales & marketing expenses	(8,0)	(4,0)	(4,0)
Other expenses and taxes	(2,5)	(0,7)	(1,8)
Net margin	13,4	10,5	2,9
Net margin, %	16,8%	27,2%	(10,4%)
Overhead	(19,5)	(13,2)	(6,3)
Other operating income and expenses	1,6	0,2	1,4
Inventory impairment reversals/ (losses)	0,1	(2,5)	(2,6)
EBITDA	(4,4)	(4,9)	0,5
Depreciation and amortisation	(0,4)	(0,2)	(0,2)
Net finance costs	(3,3)	(9,7)	6,4
Non-recurring items	0	(31,1)	31,1
Profit/(loss) before tax	(8,1)	(46)	37,9
Income tax	12,0	5,6	6,4
Profit/(loss) for the year	3,9	(40,3)	44,2
Profit for the year, %	4,8%	-	-
Non-controlling interests	1,4	(0,2)	1,6
Profit/(loss) for the year attributable to equity holders of the parent	2,5	(40,1)	42,6

¹ Differences due to rounding errors

4.2 Balance sheet and average supplier payment term

4.2.a Balance sheet

Non-current assets increased as a result of the recognition of €12.0m of tax assets.

Current assets registered year-on-year growth of 11%, driven mainly by growth of 22% in inventories on the back of land purchases and all the building work started over the course of 2018. At year-end, inventories amounted to €1,076m, broken down between land (60%), construction in progress (37%), finished product (2%) advances to suppliers (1%). It includes €11,4 m corresponding to downpayments due to commitments with land acquisitions. Meanwhile, cash decreased by 39% due to land purchases.

Trade and other accounts payable increased by 42% due to the growth in customer prepayments to €166m.

For more information about the company's borrowings, refer to section 4.4 below.

AEDAS HOMES in € m ¹	31/12/2018	31/12/2017	Change € m
Non-current assets	27	14	13
Inventories	1,076	881	195
Trade and other accounts receivable	42	53	(11)
Prepayments and accrued income	8	3	5
Cash and cash equivalents	109	178	(69)
Current assets	1,235	1,115	120
Total assets	1,262	1,129	133
Equity	935	937	(2)
Non-current bank borrowings	58	0	58
Derivatives	1	0.1	0.9
Non-current liabilities	59	0.1	58.9
Provisions	1	0.4	0.6
Non-current bank borrowings, notes and other marketable securities	92	62	30
Other financial liabilities	3	8	(5)
Trade and other accounts payable	172	121	51
Current liabilities	268	192	76
Total equity and liabilities	1,262	1,129	133

¹ Differences due to rounding errors

4.2.b Consolidated Average supplier payment term

Spanish suppliers are paid at 43.77 days on average.

	Días
Average supplier payment term	43,77
Paid transactions ratio	46,38
Outstanding transactions ratio	22,04
	Euros
Total payments made	19,516.646
Total payments outstanding	2.340.387

4.3 Consolidated Cash-Flow Statement

Summary Cash Flow Statement AEDAS HOMES (In € Mn ¹)	Dec 2018	Dec 2017
Profit/(loss) before tax	(8,1)	(4,6)
Adjustments to profit/(loss)	5,7	18,3
Other cash flows (used in)/from operating activities	(11,8)	(1,6)
Interest received/paid	(8,7)	(1,6)
Income tax paid	(3,1)	0
Change in working capital	(142,9)	(130,6)
Inventories	(185,3)	(148,5)
Trade and other receivables	10,1	(40,4)
Trade and other payables	52,0	65,5
Other operating cash flows	(19,8)	(7,2)
Net cash flow from operating activities	(157,3)	(159,8)
Net cash flow from investment activities	(5,9)	21,6
Net cash flow from financing activities	93,7	296,8
Net cash increase / (decrease)	(69,5)	158,6
Cash BoP	172,4	13,8
Cash EoP	103,0	172,4
Available Cash	60,5	157,5

¹ Differences due to rounding errors

4.4 Financial Debt

At 31 December 2018, the company had been granted €670 million of bank loans by a well-diversified mix of the leading Spanish banks.

That sum includes the mortgages arranged to finance the developments in progress. The company's total mortgage grant amounts to €510.5 million, of which only €440 million can be drawn down by it; the remaining €70.5 million can be assumed by the company's customers if they want. Borrowings also include a land loan of €9.5 million assumed by the company when it acquired the property in question. The purpose of the €150 million syndicated loan (a term facility obtained by the parent) is to finance land purchases (bank syndicate: Citi, Deutsche Bank, Goldman Sachs, Liberbank and EBN Banco).

Of total bank borrowings granted, the company had drawn down €117.2 million¹ at year-end. The reason for this low drawdown level is the fact that the company has been using customer down payments as a cheaper alternative source of financing.

¹ Accounting value €115.2 m

The company has also been extended a €3.4 million loan in some of its projects by its non-controlling shareholders (Inmobiliaria Espacio), which is associated with €1.1 million of derivatives and €0.6 million of interest.

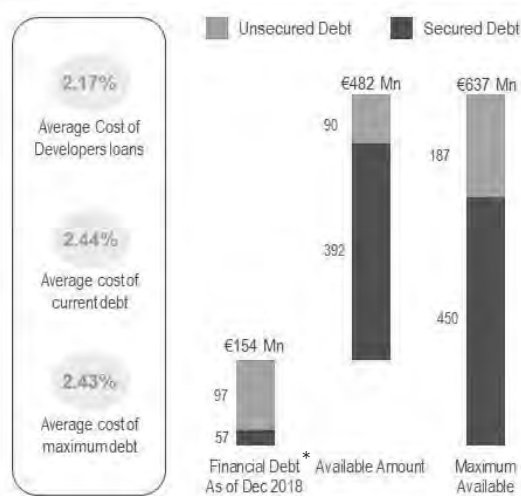
In addition, on 12 June 2018, the company registered the AEDAS HOMES Commercial Paper Programme 2018 on Spain's alternative fixed income market (MARF for its acronym in Spanish) under which it can issue up to €75 million of paper with terms of up to 24 months. The balance outstanding at year-end under that commercial paper programme was €34 million.

As a result, the company's financial debt stood at €156¹ million at 31 December 2018.

The snapshot of AEDAS Homes' loans reveals a diversified mix of sources of financing and lenders, so that its financial risk is not concentrated.

The 27% year-on-year increase in loans in 2018 is attributable to the acceleration in business volumes as the company ramps up. Despite the increase, and reflecting the low level of drawdown for the reasons outlined above, the company's LTV and LTC ratios stood at just 5% and 9%, respectively, at year-end.

Financial Debt Structure (€ Mn)



* Does not include other financial debt

	Amount extended					Amount drawn			
	Mortgages Undrawn	Mortgages	Land	Corp.	Total	Mortgages	Suelo	Corp.	Total
Sabadell	156,555	165,6			165,6	9,7			9,7
Santander	86,954	114,7	9,5		124,2	21,1	9,5		30,6
BBVA	74,583	88,9			88,9	6,4			6,4
Bankinter	17,800	25,1			25,1	1,6			1,6
Caixa	22,899	32,3			32,3	0,8			0,8
Kutxabank	39,847	42,4			42,4	0,4			0,4
Bankia	18,155	18,2			18,2	1,7			1,7
Popular	4,500	4,5			4,5	4,5			4,5
Liberbank	18,800	18,8			18,8	1,5			1,5
Sindicado	0,0	0,0		150,0	150,0	0,0		60,0	60,0
Total	440,092	510,5	9,5	150,0	670,0	47,7	9,5	60,0²	117,2

¹ Accounting value €154m as of December 2018.

² Accounting value €58m as of December 2018.

4.5 Alternative performance measures

The company presents certain alternative performance measures (APMs) in order to provide additional information designed to enhance the comparability and comprehension of its financial information, while also facilitating its ability to take decisions and monitor its performance. Financial information users should treat the APMs as complementary to the measures presented for accounting purposes.

The most significant APMs are the following:

Gross Development Margin

Definition: Revenue from sales – Change in inventories – Cost of sales (without factoring in provisions for the impairment of inventories).

Rationale for usage: the parent company's directors use the Gross Development Margin to measure its performance as this yardstick provides information about how its development projects are performing by starting from third-party sales and subtracting the costs incurred to make such sales. Calculation of this APM factors in the impairment charges applied to real estate assets sold during the reporting period. Note that the Gross Development Margin does not include any gains realised on the sale of land.

Gross Margin

Definition: Revenue from sales – Change in inventories – Cost of sales (without factoring in provisions for the impairment of inventories).

Rationale for usage: used in the company's financial statements, differs from Gross Development Margin by taking into account sales of land.

Net Development Margin

Definition: Gross Development Margin – Sales & marketing expenses.

Rationale for its usage: the Net Development Margin is used by the parent company's directors as a yardstick for its performance as it provides information about the net margin generated on the developments that generated sales revenue during the reporting period. The Net Development Margin is calculated based on the Gross Development Margin, net of certain expenses associated with the marketing. Note that the Net Development Margin does not include any gains realized on the sale of land.

Net Margin

Definition: Gross Development Margin – Sales & marketing expenses (included within Other operating expenses in the statement of profit or loss).

Rationale for its usage: used in the company's financial statement, differs from Net Development Margin by taking into account sales of land.

EBITDA

Definition: Net Development Margin – Impairment of inventories + Revenue from services + Other operating income – Employee benefits expense – Other operating expenses other than sales & marketing expenses.

Rationale for usage: the parent company's directors use EBITDA to measure its performance as it provides information for analysing profitability (before interest, tax, depreciation and amortisation) by approximating the operating flows that generate cash. It is also a measure that is widely used by the investment community in appraising companies' performance; it is further used by the rating agencies and creditor community to evaluate leverage and interest coverage by comparing EBITDA with an entity's net debt and debt service obligations.

Adjusted EBITDA

Definition: EBITDA + Inventory impairment

Rationale for usage: the parent company's directors use Adjusted EBITDA to measure its performance as it provides information for analysing profitability net of inventory impairment charges, which do not represent cash flows.

Loans

Definition: Loans and other financial liabilities – the Shareholder Master Credit Facility Agreement.

Rationale for usage: Loans is a measure used by the parent's directors to track its performance as it measures the company's net financial position and is necessary to calculate the leverage ratios typically used in the market.

Net Debt

Definition: Loans – Deferred payments due on the acquisition of inventories – Cash and cash equivalents (excluding the sum that is restricted in respect of down payments on developments, which must be deposited in a special account and may only be used to service expenses derived from construction of the developments) and the cash pledged to cover debt service obligations under mortgages.

Rationale for usage: Net Debt measures an enterprise's net financial position. It is also a metric that is widely used by investors to analyse companies' net leverage and by rating agencies and creditors to assess net debt.

Leverage

Definition: Borrowings / Total assets

Rationale for usage: Leverage provides a measure of the company's indebtedness. It is widely used by

investors to analyse real estate companies' leverage and by rating agencies and creditors to assess their net debt.

Return on capital employed (ROCE)

Definition: Adjusted EBITDA / (the sum of the average balances of Equity and Net Debt between 31 December 2017 and 31 December 2018)

Rationale for usage: ROCE is used by the parent company's directors as it measures an enterprise's profitability by factoring in a matter of particular importance, namely the efficiency with which capital is employed. It is widely used by investors to assess companies' real profitability.

Loan to Value (LTV)

Definition: Net Debt/(Cash) / (Market value of appraised assets (GAV) + Sale options over inventories)

Rationale for usage: LTV provides a measure of the company's indebtedness relative to the market value of its properties. It is widely used by investors to analyse real estate companies' leverage and by rating agencies and creditors to assess their net debt.

Loan to Cost (LTC)

Definition: Net Debt/(Cash) / (Inventories - Pre-payments to suppliers)

Rationale for usage: LTC provides a measure of the company's indebtedness. It is widely used by investors to analyse real estate companies' leverage and by rating agencies and creditors to assess their net debt.

Gross Asset Value (GAV)

The value of the company's assets, and, by extension, its GAV, is calculated by an independent appraiser, specifically Savills. That appraiser uses the RICS methodology to calculate the market value of properties. The RICS defines market value as the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Net Asset Value (NAV)

The market value of the company's equity or net worth, i.e., the total value of its assets minus the total value of its liabilities.

Gross development value (GDV)

A measure of what the company's assets are expected to be worth on the open market once all development works have been completed.

5. Risks and sources of uncertainty

AEDAS Homes has an enterprise risk management system that is regulated by the Risk Control and Management Policy approved by the Board of Directors in September 2017. Over the course of 2018, the company continued to make progress on implementing that policy.

The purpose of the risk management policy is to identify, evaluate, manage and report any risks that could jeopardise delivery of AEDAS Homes' business objectives, managing its capital so as to ensure that the group is able to continue as a profitable

concern while maximising shareholder returns by balancing its debt versus equity structure.

AEDAS Homes' risk management model groups the various risks to which it is exposed into four different categories:

- Strategic: Risks associated with key long-term objectives. They can arise from the actions of other key market participants (customers, competitors, regulators), business plan choices, changes in the competitive environment or changes in the business model itself.
- Operational: Risks associated with the standard operations carried out in the course of developing Aedas Homes' business model, including all risks related with operating processes.
- Financial: Risks related with the processes, techniques and instruments used to manage the finances of Aedas Homes, including the processes involved in maintaining financing relationships with third parties.
- Compliance: The risk of non-compliance by the company with its legal and regulatory obligations. In keeping with AEDAS Homes' business model, each of the four above major risk categories are sub-divided into the following risk factors:

- Strategic risks
 - Real estate market
 - Land bank
 - Competition
 - Availability of financing
 - Reputation
 - Securities markets
- Operational risks
 - Purchase of land
 - Transformation of land
 - Development
 - Sales and marketing

- Talent management
- Technology
- Cybersecurity
- Workplace safety
- Property security
- Financial risks
 - Interest rates
 - Liquidity
 - Credit risk
 - Asset valuations
 - Reliability of the financial information
- Compliance risks
 - Anti-money laundering legislation
 - Criminal law
 - Securities market law
 - Tax law
 - Environmental regulations
- Securities markets
- Real estate market
- Land bank
- Competition
- Development
- Workplace safety
- Reliability of the financial information
- Cybersecurity

A monitoring system has been established for the risks listed above based on the following elements:

- Specific risk events have been defined for each risk category
- Indicators have been established for monitoring purposes
- A tolerance threshold has been set for each indicator
- A plan has been established for reporting regularly on the risk indicators and that report must be sent to the Management Committee and the Audit and Control Committee

Having duly identified the risks itemised above, the members of the Management Committee proceeded to assess the various risks with the aim of identifying those which pose a greater threat to the company, filtering them using the following variables:

- Impact: the damage to Aedas Homes' objectives in the event the risk in question materialises. The impact is evaluated in economic, operational and reputational terms.
- Probability: the probability that the risk in question will materialise
- Level of management: the effectiveness of the controls, procedures or other initiatives designed to mitigate the risk in question and keep it within the thresholds set by Aedas Homes.

Note 22 of the Consolidated Report in relation to the year 2018 also describes in detail the main operational and financial risks in which Aedas Homes is exposed in its activity

As a result of the above evaluation exercise, the members of the Management Committee singled out the following risks for management:

6. Employees and environmental management

6.1 Organisational structure

Article 2 of AEDAS Homes' Bylaws states that the company's core object is to acquire, permit, manage, market and develop properties of any kind for the holding, use, management, sale or lease.

The company conducts its business across five regional branches: Catalonia; the Central region (Madrid); Andalusia; Costa del Sol; and the East & Balearics region. At year-end it had a total of 176 employees.

The general meeting is the company's highest decision-making and control body in respect of the matters within the shareholders' purview and it is the vehicle around which the shareholders' right to intervene in the company's decision-making is articulated.

The Board of Directors has authority over any and all matters that are not specifically vested in the shareholders general meeting by the Bylaws or prevailing company law. As a general rule, the Board of Directors, which is vested with the broadest powers to manage, direct, administer and represent the company, delegates the company's every-day management in the board's steering committees and the management team, establishing the content of, limits to and modus operandi for such delegation of powers, so that it can concentrate on its general supervisory duty and attend to matters of particular significance to the company.

The Board of Directors is made up of nine members. Five are independent directors, three are proprietary and the ninth is executive. It is regulated by the Board Regulations, the purpose of which is to set the guidelines governing the actions of the Board of Directors, the basic rules governing how it is organised and run, the rules of conduct its members must abide by and the directors' duties. The Board Regulations were approved

by the Board of Directors.

The Board of Directors has set up the following board committees:

The Audit and Control Committee, comprised of three directors, two of whom independent (one of whom chairs this committee) and the third, proprietary. Article 14 of the Board Regulations regulates the Audit and Control Committee, its composition, its powers and its modus operandi.

The Appointments and Remuneration Committee, made up of three directors, two of whom independent (one of whom chairs this committee) and the third, proprietary. Article 15 of the Board Regulations regulates the Appointments and Remuneration Committee, its composition, its powers and its modus operandi.

The Technology Committee, made up of three directors, one of whom (the committee chairperson) is independent, one proprietary, and one executive. Another two company executives also sit on this committee. There are specific regulations addressing the composition, powers and rules of operation of the Technology Committee.

In addition, the company has a **Management Committee**, a **Business Committee** and an **Investment Committee** made up of AEDAS Homes executives. Each is governed by its own set of rules that are approved by the company's CEO and address their make-up, powers and rules of operation.

There is also a **Compliance Committee** made up of the heads of the Corporate Resources, Legal and Risk Departments whose composition, powers and rules of operation are set down in the board-approved Compliance Policy and Manual. Lastly, there is an Internal Control Body which oversees anti-money laundering and counter terrorism financing (AML/CTF) matters whose composition, powers and rules of operation are set down in the AML/CTF Manual approved by the Internal Control Body itself.

MANAGEMENT COMMITTEE



DAVID MARTÍNEZ
Chief Executive Officer (CEO)

A civil engineering graduate from Madrid's Polytechnic University, David also holds an Executive MBA from IESE. He boasts over 20 years' experience in the real estate sector, having worked at Ferrovial, Bovis Lend Lease and Valdebebas. He has headed up landmark real estate transactions such as Madrid's four new skyscrapers (the Cuatro Torres) and the Chamar-tín development, similarly in Madrid. He is a member of the Spanish Council of the Urban Land Institute and he teaches at IE Business School. He has been spearheading the incorporation and creation of AEDAS from the outset in 2016.



SERGIO GÁLVEZ
Chief Investment Officer (CIO)

An industrial engineering graduate from ICAI. Sergio has more than 19 years' experience in real estate in Spain, having worked at firms such as Crevare and Hansa Urbana. He began his career in strategic consulting, specifically in Arthur Andersen's real estate division. He joined AEDAS Homes as director of business development in 2016 and in 2017 he was named chief investment officer for the entire firm.



MARÍA JOSÉ LEAL
Chief Financial Officer (CFO)

A business administration graduate from CUNEF, María José has also completed IESE's executive management programme. She has extensive experience at fast-growing, listed multinational enterprises. Most recently, she has worked as Deputy CFO at the high-profile listed companies AENA and PROSEGUR. She was named CFO of AEDAS Homes in November 2018.



ALBERTO DELGADO
Chief Operations Officer (COO)

A civil engineering graduate from Madrid's Polytechnic University. Alberto has over 17 years' experience in the real estate sector. He began his career in ACS's residential construction division. He was then hired by Vallehermoso, where he worked in the operations and finance departments in Catalonia and Madrid for over a decade. In 2015, he founded Socebi, a company specialised in real estate services that worked with Castlflake on its real estate strategy in Spain. He joined AEDAS Homes in 2016 and has been its COO since 2017.



JAVIER SÁNCHEZ
Chief Innovation & Marketing Officer (CMO)

Degree in Law and Business Administration at the university ICADE. He has developed his professional career in the areas of technology, Marketing, communication and innovation. He has participated in the development of telecommunications and Internet companies such as Vodafone and Orange, and has founded several technology and Audiovisual communication companies as Vertex 360. Prior to joining AEDAS Homes, Javier worked as Director of Marketing and innovation at promoter Dospuntos. In the Real estate field Javier stands out in the creation of brand, digital marketing and customer experience.



ESTHER DUARTE
Chief Resources Officer (CRO)

Esther's academic qualifications include a diploma in educational sciences, Garrigues' executive programme in labour relations and ESADE's executive development programme in human resource management. She boasts more than 20 years' experience in human resource management at multinationals such as Ferrovial Inmobiliaria and Grupo Aldesa. Esther joined AEDAS Homes in 2017.



ÓSCAR DE LA TORRE
Chief Technology Officer (CTO)

An IT engineering graduate from ICAI, Oscar has also completed the International Executive Program at IE Business School. He built his career at Valassis, Pullmantur Cruceros and Mobile Dreams Factory, among other firms. He is also an associate professor at IE Business School. Oscar joined AEDAS Homes in 2017.



CORO MORALES
Chief Legal Officer

A law graduate from Madrid's Complutense University, Coro also holds an LLM in European law from the Free University of Brussels. She boasts over 25 years' experience as in-house counsel at companies such as Cintra Infraestructuras, ING Real Estate and Salsa Inmobiliaria. She has served as board secretary at several of those firms. She joined AEDAS Homes in 2017 as chief legal officer and has been serving as vice-secretary of the company's board since 2017.

REGIONAL DIRECTORS



PABLO ALONSO
Director of Central Region

A law graduate from León University, Pablo also holds an LLM in Business Law from Navarra University. He has been working in the sector for 23 years. Before joining AEDAS Homes, he worked at sector players such as Testa, Vallehermoso and Grupo Prosacyr Ocio.



DAVID GÓMEZ
Director of Catalonia

A civil engineering graduate from the Catalan Polytechnic University, David also holds an MBA from ESDAE. He has been working in the real estate sector for more than 20 years. He has held executive positions in the residential development segment at different Spanish companies including Banco Sabadell, Solvia and Vallehermoso.



DIEGO CHACÓN
Director of Andalusia

A civil engineering graduate from Granada University, Diego also holds an MBA from EOI. He has been working in the sector for 17 years. Before joining AEDAS Homes, he worked at Hansa Urbana.



SILVIA SÁNCHEZ
Director of Costa del Sol

Silvia holds a diploma in business science from Salamanca University and Master's in Commercial Real Estate Management from IPE Malaga. She has 25 years' experience in the real estate sector, having worked at Aliseda and Reyal Urbis.

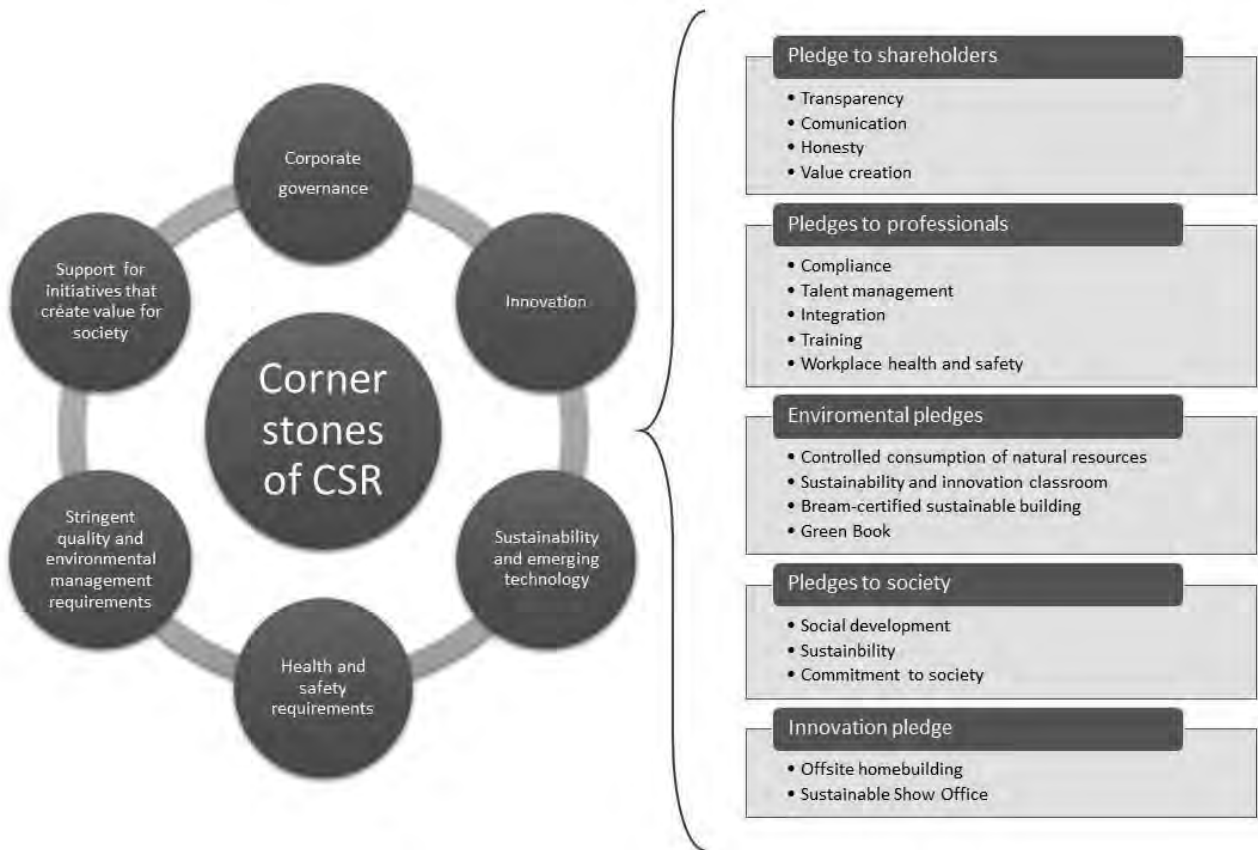


JUAN LÓPEZ
Director of East and Balearics

A technical architect (Alicante University), Juan also holds a Master's in Workplace Safety from Fundesem Business School. Juan has extensive experience in real estate, having worked at Solvia and Hansa Urbana prior to joining AEDAS Homes.

6.2 Corporate social responsibility (“CSR“)

AEDAS Homes’ corporate social responsibility policy was formulated with the aim of creating value sustainably for its shareholders, employees, suppliers and for society in general, by offering its customers the houses they want: meticulously designed houses with personality, sustainably built and equipped with cutting-edge technology so as to provide the people living in them with an ideal experience and well-being.



7. Innovation

AEDAS Homes pursues innovation, one of its most cherished values, for two main reasons. To be a nimble company in the short term. To be a company that is capable of change and recovery in the event of potential adversity in the long run.

AEDAS Homes continually explores complementary and alternative products, services and business models in search of new solutions that render its processes more efficient. More specifically, the company is striving to deliver more houses, to deliver them faster and to deliver them more profitably. The main fields of innovation in which the company is concentrating its resources are:

- Product (type, functionality)
- Services (financing, insurance, after-sales)
- Homebuyer experience (dialogue, confidence)
- Construction and materials (offsite, industrialisation 2D, standardisation)
- Sustainability (energy management and consumption)
- User experience (automation, smart home)
- Business model (built-to-rent, co-living)
- Processes (data, artificial intelligence)
- Marketing and communication (branding)

2018 projects

AEDAS Homes Offsite (industrialised housing developments)

In 2018, AEDAS Homes launched a new business line, Offsite, which industrialises the home design and construction process. Offsite development allows the planning, design and fabrication of housing developments at a location other than their final installed location, where they are simply assembled. This new way of building houses drastically reduces delivery times (slashing them by half), whi-

le ensuring enhanced product quality control.

The company has kick-started its new Offsite Division with seven offsite developments encompassing a total of 100 homes.

This new way of developing and building homes at AEDAS Homes represents nothing short of a revolution in the residential market and comes about in response to one of its customers' most pressing demands: shortening new home delivery timeframes.

These timeframes can be cut drastically thanks to a simple formula: a shift from a sequential model in which each phase of a project is dependent on the previous step to a simultaneous model in which multiple lines of work can be performed at once.



By fabricating the houses in a factory, energy usage and carbon emissions are lower (much of the machinery traditionally used on site is no longer needed), thus reducing the environmental impact.

Offsite housing designs are articulated around the most stringent energy efficiency standards, which are implemented in a controlled environment: oversight by skilled professionals coupled with exacting quality controls.

AEDAS Homes pursues innovation, one of its most cherished values, for two main reasons. To be a nimble company in the short term. To be a company that is capable of change and recovery in the event of potential adversity in the long run.

AEDAS Homes continually explores complementary and alternative products, services and business models in search of new solutions that render its processes more efficient. More specifically, the company is striving to deliver more houses, to deliver them faster and to deliver them more profitably. The main fields of innovation in which the company is concentrating its resources are:

Working in a factory has the benefit of generating additional compelling advantages: generation of value-added jobs; paradigm shift from construction worker to assembler; reduction in cost/time deviations; ability to create enhanced versions of a given model; ability to offer higher and constant quality standards by working in a controlled environment; reduced risk of accidents; facilitation of shift work; and the incorporation of women into the construction sector.

AEDAS Homes Live (live tours of new houses being built) Codename: unReal Estate

Last year AEDAS Homes also launched Live, an in-house innovation project carried out in collaboration with outside specialists that allows customers to connect live with a sales advisor and visit their as yet unbuilt house together.

Customers can connect up easily from their mobiles, tablets or PCs and have a conversation with their advisor while being given a tour of their future homes, including the communal areas. Their advisors can give them all the details about the project and resolve any questions they may have then and there.

Live was conceived of to make it easier for customers, especially those living abroad, to visualise their new homes and get answers to all of their questions. As a result, customers don't have to leave their homes or places of work, while AEDAS earns their trust and shortens purchasing decision times. The company brought Live from concept to reality in just a few months by ingeniously bringing three universes together for the first time in homebuilding: 3D modelling; a virtual television studio and the Internet.

live.aedashomes.com





AEDAS Homes Show Office (an experience-based, industrialised and sustainable purchasing venue)

AEDAS Homes, in collaboration with COAM, Madrid's School of Architects, sponsored an innovation contest, open to architects, with the aim of creating an enhanced purchasing experience in a new and inspiring space which materialises in an experiential tour capable of conjuring up the sensation of the customer's new home while projecting the company's brand, values and principles.

The result was Project ORIGEN, a Show Office in which prospective customers can experience the sensations they will get from living in their new home.

8. Share price performance and price-sensitive notices

8.1 Share price and liquidity

In 2018, the global capital markets were shaped by significant sources of uncertainty, including fears of rate hikes, heightened volatility, geopolitical instability and Brexit, which translated into significant capital flows from equities into more attractive asset classes, triggering significant corrections in the main European equity indices, including Spain's IBEX-35, which lost 15%.

The European homebuilding sector was one of the hardest hit by this environment.

Specifically, AEDAS Homes' share price started the year at €30.82/share, reaching a high for the year of €32.72/share on 7 June, from where it went on to correct, ending the year at €22.16/share, down 28%.

As for liquidity, the equivalent of 87% of total outstanding shares traded hands in 2018. The free-float at year-end was 27%. As a percentage of the free-float, the number of shares traded in 2018 was equivalent to 326%.

On 20 March 2018, the company entered into a liquidity agreement with Banco Sabadell with the aim of fostering trading liquidity and regularity.

2018: AEDAS' SHARE PRICE PERFORMANCE VS. IBEX-35 (%)



MARKET CAP. AT 31 DECEMBER 2018

	CLOSING PRICE		%GAIN/(LOSS)	MARKET CAPITALISATION (€ m)
	02/01/2018	31/12/2018	ANNUAL	31/12/2018
AEDAS	30.82	22.16	-28.10%	1,063

TRADING VOLUMES

PEERS	TRADING VOLUMES (last 6 months)						
	Average daily volume by value (price x 6m volume)	Average daily volume (last 6m)	No. of trading sessions	Annualised trading volume	Total no. of shares	Annualised trading vol./total no. of shares, %	Average daily volume/total no. of shares, %
AEDAS	3,678,560	166,000	250	41,500,000	47,966,587	86.52%	0.35%

8.2 List of price-sensitive notices

DATE OF PUBLICATION	TYPE OF PRICE-SENSITIVE NOTICE	SUMMARY CONTENT	CNMV REG. NUMBER
28/12/2018	Liquidity contracts and specialists	Suspension of the liquidity agreement	273439
21/11/2018	Liquidity contracts and specialists	LIQUIDITY CONTRACT - Transactions between 02/07/18 and 28/09/18	271765
16/11/2018	Interim financial information	Submission of information about the company's third-quarter 2018 results	271644
14/11/2018	Others about corporate governance	Press release: new CFO appointment	271549
14/11/2018	Information on P&L	Q3 2018 results	271543
27/09/2018	Information on P&L	H1 2018 results	270000
27/09/2018	Interim financial information	Submission of information about the company's first-half 2018 results	269999
21/09/2018	Announcements of public presentations or meetings	AUDIO WEBCAST ANNOUNCEMENT - 1 OCTOBER	269820
06/08/2018	Loans, credit lines and guarantees	€150m term facility loan	268957
10/07/2018	Liquidity contracts and specialists	2Q 2018 TRANSACTIONS REGARDING THE LIQUIDITY CONTRACT	267703
08/07/2018	Strategic plans, profit forecasts and presentations	H1 2018 acquisitions and deliveries visibility	267679
25/06/2018	Fixed-income issues	COMMERCIAL PAPER NOTES ISSUANCE: "AEDAS HOMES 2018 COMMERCIAL PAPER NOTES PROGRAMME"	267112
25/06/2018	Fixed-income issues	COMMERCIAL PAPER NOTES ISSUANCE: "AEDAS HOMES 2018 COMMERCIAL PAPER NOTES PROGRAMME"	267111
12/06/2018	Fixed-income issues	COMMERCIAL PAPER PROGRAMME REGISTRATION AT THE MARF	266665
21/05/2018	Mergers, splits, dissolutions and spin-offs	MERGER REGISTRATION MAY 2018	265983
17/05/2018	Announcements and resolutions of general shareholders meetings	APPROVAL OF THE PROPOSED RESOLUTIONS IN THE ORDINARY SHAREHOLDERS' MEETING 17 MAY 2018	265779
10/05/2018	Interim financial information	Submission of information about the company's first-quarter 2018 results	265472
11/04/2018	Announcements and resolutions of general shareholders meetings	2018 General Shareholders' Meeting Announcement	263949
06/04/2018	Liquidity contracts and specialists	Disclosure of liquidity contract between AEDAS HOMES and BANCO SABADELL	263807
05/04/2018	Liquidity contracts and specialists	Disclosure of liquidity contract between AEDAS HOMES and BANCO SABADELL	263758

DATE OF PUBLICATION	TYPE OF PRICE-SENSITIVE NOTICE	SUMMARY CONTENT	CNMV REG. NUMBER
03/04/2018	Mergers, splits, dissolutions and spin-offs	Merger by absorption between SPV Reoco 1, S.L.U. and its 41 wholly-owned subsidiaries all belonging to the group of companies of Aedas Homes, S.A. but being the latter excluded from the perimeter of companies participating in the merger	263629
26/03/2018	Board of directors remuneration annual statement	Submission of annual statement on director remuneration for 2017	263472
26/03/2018	Annual corporate governance report	Submission of annual corporate governance report for 2017	263421
23/03/2018	Announcements and resolutions of general shareholders meetings	A new price-sensitive notice is sent after a correction in a date	263269
23/03/2018	Announcements and resolutions of general shareholders meetings	Issuance of annual financial statements and call to GSM	263243
13/03/2018	Strategic plans, profit forecasts and presentations	AEDAS HOMES-PROJECTS UNDER CONSTRUCTION 2018: 2018 & 2019 DELIVERIES VISIBILITY	262847
27/02/2018	Information on P&L	AEDAS HOMES FY2017 RESULTS	262187
27/02/2018	Interim financial information	Submission of information about the company's second-half 2017 results	262186
23/02/2018	Announcements of public presentations or meetings	FY2017 RESULTS AUDIO WEBCAST ANNOUNCEMENT	261923
12/01/2018	Announcements of public presentations or meetings	CONFERENCE CALL ANNOUNCEMENT 16TH JAN 15.00 CET	260613
12/01/2018	Strategic plans, profit forecasts and presentations	DECEMBER 2017 BUSINESS UPDATE	260612

9. Events after the reporting period

9.1 Resumption of the liquidity agreement

The company's liquidity agreement was temporarily suspended on 28 December 2018 due to a mismatch between the cash and securities accounts. Once the corresponding balances were adjusted, the contract was resumed on 24 January 2019.

The following adjustments were made to bring the contract back within the fund limits and balances required in CNMV Circular 1/2017 on liquidity contracts:

- Cash withdrawal on 31 December 2018: €541,000
- Share sales on 23 January 2019: 19,529 shares at €23.10 per share Cash proceeds: €451,119.90
- Balance after the cash withdrawal of 31 December 2018: €164,190.34

The balances on the date of resumption of the liquidity agreement were as follows:

- No. of shares at the close of trading on 23 January 2019: 26,637
- Cash balance at the close of trading on 23 January 2019: €615,296.84

9.1 Financing

During January and February 2019, the AEDAS Group has arranged developer loans with mortgages in an aggregate amount of 74,478,681 euros in order to finance 5 developments in progress. The mortgage loans carried interest at Euribor plus spreads ranging between 185 and 225 basis points,

10. Corporate Governance Annual Report

AEDAS's Corporate Governance Annual Report for the year 2018 is part of the Management Report, and has been available since the date of publication of the annual accounts on the website of the National Securities Market Commission and on the AEDAS Homes website:

aedashomes.com



AEDAS
HOMES

DILIGENCIA DE FIRMAS

Diligencia que levanta el Secretario no consejero del Consejo de Administración para hacer constar que los miembros del mencionado Consejo de Administración de la sociedad AEDAS HOMES, SA han procedido a suscribir las Cuentas Anuales Consolidadas, constitutivos del Balance de Situación Consolidado, el Estado de Cambios en el Patrimonio Neto consolidado, la Cuenta de Pérdidas y Ganancias consolidadas, el Estado de Flujos de efectivo consolidado; la Memoria consolidada y el Informe de Gestión, correspondientes al ejercicio anual terminado el 31 de diciembre de 2018, firmando todos y cada uno de los señores Consejeros de la sociedad, cuyos nombres y apellidos constan a continuación, de lo que doy fe.

19 de febrero de 2019

El Secretario no Consejero

D. Alfonso Benavides Grases

D. Santiago Fernández Valbuena

SIGNATURE DILIGENCE

Diligence raised by the non-director Secretary of the Board of Directors to record that the members of the Board of Directors of the company AEDAS HOMES, SA have proceeded to subscribe the Consolidated Financial Statements, constituent of the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the consolidated income statement, the Consolidated Statement of Cashflows, the notes to the consolidated financial statements and the management report for the year ended in December 31st, 2018, signed by each and every one of the Directors of the company, whose names and surnames are listed below, That I give faith.

February 19th, 2019

Non-director Secretary

D. Alfonso Benavides Grases

Mr. Santiago Fernández Valbuena

D. David Martínez Montero

Mr. David Martínez Montero

D. Eduardo D'Alessandro Cishek

Mr. Eduardo D'Alessandro Cishek

D. Evan Andrew Carruthers

Mr. Evan Andrew Carruthers

D. Emile K. Haddad

Mr. Emile K. Haddad

D. Javier Lapastora Turpín

Mr. Javier Lapastora Turpín

D. Miguel Temboury Redondo

Mr. Miguel Temboury Redondo

Dña. Cristina Álvarez Álvarez

Ms. Cristina Álvarez Álvarez

Merlin Properties SOCIMI, SA (representado
por D. Ismael Clemente).

Merlin Properties SOCIMI, SA (represented by Mr.
Ismael Clemente)

**DECLARACIÓN DE RESPONSABILIDAD DE AEDAS
HOMES, S.A.**

Conforme a lo establecido en el artículo 8.1(b) del Real Decreto 1362/2007, de 19 de octubre, los miembros del Consejo de Administración de Aedas Homes, S.A. abajo firmantes realizan la siguiente declaración de responsabilidad:

Que, hasta donde alcanza su conocimiento, las Cuentas Anuales consolidadas de Aedas Homes, S.A. y sus sociedades dependientes, correspondientes al ejercicio finalizado el 31 de diciembre de 2018, han sido elaboradas con arreglo a los principios de contabilidad aplicables; ofrecen, tomadas en su conjunto, la imagen fiel del patrimonio, de la situación financiera y de los resultados de Aedas Homes, S.A. y sus sociedades dependientes; y el Informe de Gestión consolidado incluye un análisis fiel de la evolución y los resultados empresariales y de la posición de Aedas Homes, S.A. y sus sociedades dependientes, junto con la descripción de los principales riesgos e incertidumbres a que se enfrentan.

Los consejeros, en prueba de conformidad, firman esta hoja:

D. Santiago Fernández Valbuena
Presidente

D. David Martínez Montero
Consejero Delegado

D. Eduardo D'Alessandro Cishek
Consejero

**DECLARATION OF LIABILITY OF AEDAS
HOMES, S.A.**

In accordance with the provisions of article 8.1 (b) of Royal Decree 1362/2007, of October 19, the members of the Board of Directors of Aedas Homes, S.A. below signatories make the following declaration of liability:

That, to the best of its knowledge, the consolidated Annual Accounts of Aedas Homes, S.A. and its subsidiaries, corresponding to the year ended December 31, 2018, have been prepared in accordance with applicable accounting principles; offer, taken as a whole, the true image of the Equity, the financial situation and the results of Aedas Homes, S.A. and its subsidiaries companies; and the Consolidated Management Report includes a faithful analysis of the evolution and business results and the position of Aedas Homes, S.A. and its dependent companies, together with the description of the main risks and uncertainties that they face.

The Members of the Board, in proof of compliance, sign this sheet:

Mr. Santiago Fernández Valbuena
Chairman

Mr. David Martínez Montero
Chief Executive Officer

Mr. Eduardo D'Alessandro Cishek
Board Member

D. Evan Andrew Carruthers
Consejero

D. Evan Andrew Carruthers
Board Member

D. Javier Lapastora Turpín
Consejero

Mr. Javier Lapastora Turpín
Board Member

D. Miguel Tembory Redondo
Consejero

Mr. Miguel Tembory Redondo
Board Member

Merlin Properties SOCIMI, S.A.
Representada por D. Ismael Clemente
Consejero

Merlin Properties SOCIMI, S.A.
Represented by D. Ismael Clemente
Board Member

Dña. Cristina Álvarez Álvarez
Consejera

Mrs. Cristina Álvarez Álvarez
Board Member

D. Emile K. Haddid
Consejero

Mr. Emile K. Haddid
Board Member

19 de febrero de 2019
Madrid

February 19th, 2019
Madrid

Yo, Alfonso Benavides Grases, Secretario no consejero del Consejo de Administración, certifico la autenticidad de las firmas que anteceden de las personas cuyo nombre figura

I, Alfonso Benavides Grases, Non-Board Secretary of the Board of Directors, certify the authenticity of the foregoing signatures of the persons whose name appears in the lower

en la parte inferior de la firma correspondiente,
siendo todos ellos miembros del Consejo de
Administración de Aedas Homes, S.A.

part of the corresponding signature, all of
whom are members of the Board of Directors
of Aedas Homes, S.A.

Madrid
19 de febrero de 2019

Madrid
February 19th, 2019

D. Alfonso Benavides Grases
Secretario del Consejo de Administración

D. Alfonso Benavides Grases
Secretary of the Board of Directors

Audit Report on Financial Statements
issued by an Independent Auditor

AEDAS HOMES, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2018



Building a better
working world

EY & Young, S.L.
C/ Ramundo Ferrnandez 17/Balneario, 65
28003 Madrid

Tel.: 902 365 486
Fax: 915 777 300
ey.com

AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

To the shareholders of AEDAS HOMES, S.A.:

Report on the financial statements

Opinion

We have audited the financial statements of AEDAS HOMES, S.A. (the Company), which comprise the balance sheet as at December 31, 2018, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2.a to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards 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 related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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 judgment, 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 audit opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of non-current equity investments in and loans to group companies

Description As indicated in notes 7.a and 8.a to the accompanying explanatory notes, at December 31, 2018, the Company recognized non-current equity investments in and loans to group companies amounting to 198,645,519 euros and 793,082,789 euros, respectively. Through these investees, the Company manages the acquisition of land and sites and their exploitation by means of the construction and sale of housing developments.

At each reporting date, the Company's directors test these equity investments and loans for indications of impairment. Impairment losses are recognized when their carrying amount exceeds their recoverable amount.

The impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows from the investment.

The Company's equity is taken into consideration, corrected for any unrealized gains existing at the measurement date, unless better evidence of the recoverable amount investment is available.

To estimate the aforementioned unrealized capital gains, the Company uses valuations carried out by an independent expert on real estate assets owned by each the group companies, jointly controlled entities, and associates and contrasts them against the carrying amount of the related assets.

The risk of the incorrect initial recognition of the movements in these assets and their possible impairment, as well as the relevance of the amounts involved, cause us to consider the valuation of the investments in group companies and non-current loans to group companies as the most relevant audit issue.

Our response In this regard, our audit procedures included:

- ▶ Reviewing the incorporation deeds, non-monetary contributions, capital increases, as well as loans granted and the related drawdowns recognized under 'Non-current equity investments in group companies' and 'Non-current loans to group companies'.
- ▶ Reviewing the Company's analysis for identifying indications of impairment and calculation of recoverable amount.
- ▶ Reviewing, in collaboration with our valuation experts, of the valuation methodology used by the independent expert for a sample of the properties appraised by the latter, which review specifically encompassed a mathematical assessment of the model, an analysis of the projected cash flows and a review of the discount rates used.
- ▶ Verifying that the notes to the accompanying financial statements include the related information breakdowns mandated by the applicable financial reporting framework.

Other information: management report

Other information refers exclusively to the 2018 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements. Our audit opinion on the financial statements does not cover the management report. Our responsibility for the information contained in the management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

- a. A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the management report, and if not, disclose this fact.
- b. a general level applicable to the remaining information included in the management report, which requires us to evaluate and report on the consistency of said information in the financial statements, based on knowledge of the Group obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided in the management report, and that the remaining the information contained therein is consistent with that provided in the 2018 financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the directors and the audit and control committee for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2.a to the accompanying financial statements, and for such internal control as they 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 has no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the Company's financial reporting process.

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 prevailing audit regulations 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.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the director's use 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 audit and control committee of the Company 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 audit and control committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and control committee of the Company, 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.

Report on other legal and regulatory requirements

Additional report to the audit and control committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit and control committee on February 19, 2019.

Term of engagement

As per the minutes of the Sole Shareholder's meeting on September 11, 2017 appointed us as auditors for 3 years, commencing on December 31, 2017.

ERNST & YOUNG, S.L.
(Registered in the Official Register of
Auditors under No. S0530)

(Signed on the original version in Spanish)

Fernando González Cuervo
(Registered in the Official Register of
Auditors under No. 21268)

February 19, 2019

AEDAS HOMES S.A.

**Financial statements for the year ended
December 31, 2018**

**(Free translation from the original in Spanish. In case
of discrepancy, the Spanish-language version
prevails).**

AEDAS HOMES S.A.
BALANCE SHEETS AT DECEMBER 31, 2018 AND 2017
(Euros)

ASSETS	Note	Dec 31, 2018	Dec 31, 2017	EQUITY AND LIABILITIES	Note	Dec 31, 2018	Dec 31, 2017
NON-CURRENT ASSETS:				EQUITY:			
Intangible assets	5	416,090	315,819	Capital	10	47,966,587	47,966,587
Software		371,271	207,001	Issued capital		47,966,587	47,966,587
Other intangible assets		44,819	108,818	Share premium	10	500,076,721	500,076,721
Property, plant and equipment	6	852,165	705,771	Voluntary reserves	10	(311,281,836)	(310,857,800)
Land and buildings		273,252	72,193	(Own shares and equity holdings)	10	(1,127,936)	-
Plant and other PP&E		578,913	489,269	Retained earnings (prior-year losses)	10	(28,897,154)	(2,241,561)
Construction work in progress and prepayments		-	144,309	Other owner contributions	10	740,071,256	740,071,256
Non-current investments in group companies and associates		991,728,308	790,419,499	Profit/(loss) for the year	3	16,067,303	(26,655,593)
Equity instruments	7	198,645,519	168,991,131	Other equity instruments	10	1,123,887	-
Loans to companies	8 & 16	793,082,789	621,428,368	Total equity		963,998,828	948,359,610
Non-current financial investments		1,431,480	500,537	NON-CURRENT LIABILITIES:			
Other non-current financial assets	8	1,431,480	500,537	Non-current borrowings	12	58,744,843	137,326
Deferred tax assets	13	1,472,891	929,228	Debt with financial institutions		57,630,275	-
Total non-current assets		995,900,934	792,870,854	Derivatives		1,114,568	137,326
CURRENT ASSETS:				Total non-current liabilities		58,744,843	137,326
Trade and other receivables		28,762,878	15,021,400	CURRENT LIABILITIES:			
Trade receivables, group companies and associates	8	23,990,845	14,566,295	Current borrowings	12	34,364,912	-
Sundry receivables	8	329	815	Bonds and other marketable securities		33,953,563	-
Personnel	8	17,016	-	Debt with financial institutions		410,667	-
Current tax assets	13	1,416,648	349,603	Other financial liabilities		682	-
Other receivables from public authorities	13	3,338,040	104,687	Current borrowings from related companies and associates	16	15,955,129	-
Current investments in group companies and associates	16	23,453,078	16,950,160	Trade and other accounts payables	12	3,929,191	13,313,218
Current loans to group companies and associates		20,343,361	16,950,160	Trade payables, group companies and associates	12	-	4,230
Other financial assets		3,109,717	-	Payable for services received	12	911,065	1,133,839
Current financial assets	8	5,040,109	2,376,580	Employee benefits payable	12	2,436,994	1,500,600
Prepayments and accrued income		171,769	308,128	Current tax liabilities	12 & 13	-	8,677
Cash and cash equivalents	9	23,664,135	134,283,032	Other payables to public authorities	12 & 13	581,132	10,665,872
Total current assets		81,091,969	168,939,300	Total current liabilities		54,249,232	13,313,218
TOTAL ASSETS		1,076,992,903	961,810,154	TOTAL EQUITY AND LIABILITIES		1,076,992,903	961,810,154

The accompanying notes 1 to 20 are an integral part of the balance sheet at December 31, 2018

AEDAS HOMES S.A.

INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Euros)

	Note	Dec 31, 2018	Dec 31, 2017
CONTINUING OPERATIONS			
Revenue	14.a	41,871,443	25,692,756
Revenue from services rendered		41,871,443	25,692,756
Other operating income		1,407,336	395
Non-trading and other operating income		1,407,336	395
Employee benefits expense	14.c	(13,391,664)	(33,769,775)
Wages, salaries and similar		(11,351,960)	(32,646,184)
Employee benefits		(2,039,704)	(1,123,591)
Other operating expenses		(6,020,746)	(10,049,663)
External services	14.b	(6,019,089)	(10,045,976)
Taxes other than income tax		(842)	(2,625)
Other operating expenses		(815)	(1,062)
Depreciation and amortization	5 & 6	(349,282)	(137,371)
Impairment of and gains/(losses) on disposal of fixed assets		(19,009)	(104,211)
Impairment and write-downs		(19,009)	(104,211)
OPERATING PROFIT/(LOSS)		23,498,078	(18,367,869)
Finance income		41	333
Marketable securities and other financial instruments		41	333
Finance costs	14.d	(990,472)	(9,056,095)
Borrowings from group companies and associates		-	(9,050,754)
Third-party borrowings		(990,472)	(5,341)
Change in fair value of financial instruments		(1,050,763)	(137,326)
Held-for-trading portfolio and other securities		(1,050,763)	(137,326)
Exchange gains/(losses)		(3,504)	-
NET FINANCE INCOME/(COST)		(2,044,698)	(9,193,088)
PROFIT/(LOSS) BEFORE TAX		21,453,380	(27,560,957)
Income tax		(5,386,077)	905,364
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		16,067,303	(26,655,593)
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the period from discontinued operations		-	-
PROFIT/(LOSS) FOR THE YEAR		16,067,303	(26,655,593)

Accompanying notes 1 to 20 are an integral part of the income statement for the year ended December 31, 2018

AEDAS HOMES S.A.**STATEMENT OF CHANGES IN EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017****A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE**

(Euros)

	Note	Year ended December 31, 2018	Year ended December 31, 2017
PROFIT/(LOSS) FOR THE PERIOD (I)	3	16,067,303	(26,655,593)
Income and expense recognized directly in equity		-	-
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY (II)		-	-
TOTAL AMOUNTS TRANSFERRED TO PROFIT OR LOSS (III)		-	-
TOTAL RECOGNIZED INCOME AND EXPENSE (I+II+III)		16,067,303	(26,655,593)

The accompanying notes 1 to 20 are an integral part of the statement of changes in equity for the year ended December 31, 2018.

AEDAS HOMES S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

B) STATEMENT OF TOTAL CHANGES IN EQUITY

(Euros)

	Issued capital (note 10.a)	Share premium (note 10.b)	Reserves (note 10.b)	(Own shares and equity holdings) (note 10.b)	Retained earnings (prior-period losses)	Shareholder/owner contributions (note 10.c)	Profit/(loss) for the year	Other equity instruments	TOTAL
OPENING BALANCE AT JANUARY 1, 2017	3,000	-	(354)	-	-	9,372,875	(2,241,561)	-	7,133,960
Total recognized income and expense	-	-	-	-	-	-	(26,655,593)	-	(26,655,593)
Distribution of the profit from prior year	-	-	-	-	(2,241,561)	-	2,241,561	-	-
Transactions with shareholders	47,963,587	500,076,721	(310,857,446)	-	-	730,698,381	-	-	967,881,243
Capital increase by non-monetary contributions	47,963,587	500,076,721	(310,958,727)	-	-	-	-	-	237,081,581
Shareholder contribution	-	-	-	-	-	730,698,381	-	-	730,698,381
Merger reserves	-	-	101,281	-	-	-	-	-	101,281
Other changes in equity	-	-	-	-	-	-	-	-	-
CLOSING BALANCE AT DECEMBER 31, 2017	47,966,587	500,076,721	(310,857,800)	-	(2,241,561)	740,071,256	(26,655,593)	-	948,359,610
Total recognized income and expense	-	-	-	-	-	-	16,067,303	-	16,067,303
Distribution of prior-period profit	-	-	-	-	(26,655,593)	-	26,655,593	-	-
Transactions with shareholders	-	-	(424,036)	(1,127,936)	-	-	-	-	(1,551,972)
Transactions with own shares and equity holdings (net)	-	-	(424,036)	(1,127,936)	-	-	-	-	(1,551,972)
Other changes in equity	-	-	-	-	-	-	-	1,123,887	1,123,887
CLOSING BALANCE AT DECEMBER 31, 2018	47,966,587	500,076,721	(311,281,836)	(1,127,936)	(28,897,154)	740,071,256	16,067,303	1,123,887	963,998,828

The accompanying notes 1 to 20 are an integral part of the statement of changes in equity for the year ended December 31, 2018.

AEDAS HOMES S.A.

CASH FLOW STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

(Euros)

	Note	Year 2018	Year 2017
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		21,453,380	(27,560,958)
Adjustments to profit/(loss):		(18,941,562)	(16,395,077)
Depreciation and amortization charges	5 & 6	349,282	137,372
Impairment and write-downs		19,009	104,211
Change in provisions		1,123,889	-
Finance income	14.a	(22,401,456)	(25,692,756)
Finance costs	14.d	990,472	9,056,096
Change in fair value of financial instruments		977,242	-
Other cash flows from operating activities		(239,910)	25,692,756
Interest received		-	25,692,756
Interest paid		(239,910)	-
Changes in working capital:		(998,906)	(24,003,123)
Increase/(decrease) in trade receivables		(28,024,929)	(14,548,205)
Increase/(decrease) in trade payables		(9,659,725)	10,618,831
Increase/(decrease) in other current assets and liabilities		24,650,118	(19,549,462)
Increase/(decrease) in other non-current assets and liabilities		12,035,630	(524,287)
Net cash used in operating activities (1)		1,273,002	(42,266,402)
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(244,663,840)	(152,181,798)
Group companies and associates		(244,048,885)	-
Intangible assets		(241,240)	(363,596)
Property, plant and equipment		(373,715)	(899,577)
Business unit		-	(150,918,625)
Proceeds from sale of investments		42,740,077	-
Group companies and associates		42,740,077	-
Net cash from/(used in) investing activities (2)		(201,923,763)	(152,181,798)
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments for equity instruments		(1,551,973)	207,201,042
New contributions secured from shareholders		-	207,201,042
Acquisition of own equity instrument		(10,593,000)	-
Disposal of own equity instruments		9,041,027	-
Proceeds from and repayment of financial liabilities		91,583,837	121,497,890
New financing obtained from shareholders		-	121,360,563
Issue of bonds and other marketable securities		78,153,563	-
New financing obtained from banks		57,630,274	-
Other borrowings		-	137,327
Repayment of bonds and other marketable securities		(44,200,000)	-
Net cash from financing activities (3)		90,031,864	328,698,932
4. Effect of changes in exchange rates on cash and cash equivalents (4)		-	-
5. NET INCREASE IN CASH AND CASH EQUIVALENTS (1+2+3+4)		(110,618,897)	134,250,732
Cash and cash equivalents - opening balance		134,283,032	32,300
Cash and cash equivalents - ending balance		23,664,135	134,283,032

The accompanying notes 1 to 20 are an integral part of the statements of cash flows for the year ended December 31, 2018.

Aedas Homes, S.A.

Notes to the 2018 financial statements

1. **Core business**

Aedas Homes, S.A. (hereinafter, the Company) was incorporated as an open-ended sole-shareholder company on June 9, 2016 before Madrid notary public Mr. Carlos Entrena Palomero (protocol deed entry no. 955) under the name of SPV Spain 19, S.L.U. Its registered office is located in Madrid, on Paseo de la Castellana 42, postal code 28046.

The Company was incorporated as a result of the subscription and payment by Structured Finance Management (Spain), S.L. of 3,000 indivisible shares, numbered sequentially, with a unit par value of 1 euro. They were paid for in cash. In 2016, a letter of intent was signed between the then Sole Shareholder and the company domiciled in Luxembourg called Hipoteca 43 Lux, S.A.R.L. for the sale of 100% of the shares held by the former in SPV Spain 19, S.L. The sale of those shares closed on July 5, 2016.

The Company's name was changed to Aedas Homes Group, S.L.U. on July 18, 2016 (as witnessed by notary public Carlos Entrena Palomero, protocol entry no. 1228). The current name was taken in the wake of the corporate restructuring exercise.

On September 12, 2017, the Company's legal form of incorporation was changed to that of a public limited company (*sociedad anónima*) so that it took the name of AEDAS HOMES, S.A.

The Company's corporate object, pursuant to article 2 of its bylaws, is the following:

- a) The acquisition, development and refurbishment of all manner of properties, whether for holding, use, disposal or lease.
- b) The acquisition, holding, usage, sale and administration of marketable Spanish or international securities and of any titles or rights, such as the shares of limited-liability companies, that give it an equity interest in other companies, all of which as principal and not agent.

The above-mentioned activities may be performed by the Company either directly or indirectly, as well as through ownership interests in other companies with an identical or similar corporate purpose. The Company's corporate object specifically excludes those activities reserved by law to certain types of companies and those requiring a permit or license the Company does not have.

At December 31, 2018 and 2017, the Company was the parent of a group of companies (the Group). A list of the Company's subsidiaries is provided in Appendix I of these 2018 financial statements. Aedas Homes, S.A. and the subsidiaries itemized in Appendix I have drawn up consolidated financial statements, applying the International Financial Reporting Standards adopted by the European Union (IFRS-EU), authorizing their issuance on February 19, 2019.

Given the activities performed by the Company, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or performance. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

a) Corporate Restructuring Transactions

On May 23, 2017, the then Sole Shareholder of Aedas Homes Group, S.L. (the Company or the Transferee) and Aedas Homes, S.L. (the Transferor) resolved to approve the merger by absorption of the latter into the former. The Transferee's and the Transferor's balance sheets at March 31, 2017 were similarly ratified as the merger balance sheets.

This operation was concluded and ratified by public deed on June 29, 2017 and registered in the Madrid Companies Register. The name and registered address of the Transferor have both been changed to those of the Transferee, and the Board of Directors.

The merger by absorption implied: (i) the dissolution and extinguishment of the Transferor; (ii) the *en bloc* transfer of all the latter's assets and liabilities to the Transferee, which has acquired all of its rights and obligations by universal succession.

Note further that the restructuring transaction described was covered by the special tax neutrality regime for mergers, divisions, transfers of assets, exchanges of shares and changes of the registered address of a European company or a European cooperative society from one European Union member state to another provided for in Title VII of Chapter VIII of Spain's Corporate Income Tax Act (Legislative-Royal Decree 4/2014, of November 27, 2014). In compliance with the information requirements established in the mentioned Act, it is informed that the detail of the operation is included in the Financial Statements for the year ended December 31, 2017.

The above deeds also formally set down the change in the Company's registered office to Paseo de la Castellana 42, Madrid, and the changes in its Board of Directors (refer to Note 17).

On April 2, 2018, by virtue of resolutions ratified by Aedas Homes, S.A. in its capacity as sole shareholder of SPV Reoco 1, S.L.U., it was agreed to merge SPV Reoco 1, S.L.U. ("Transferee") and 41 of its subsidiaries (ESPEBE 2, S.L.U., ESPEBE 4, S.L.U., ESPEBE 7, S.L.U., ESPEBE 12, S.L.U., ESPEBE 14, S.L.U., ESPEBE 15, S.L.U., ESPEBE 16, S.L.U., ESPEBE 17, S.L.U., ESPEBE 20, S.L.U., ESPEBE 21, S.L.U., ESPEBE 22, S.L.U., ESPEBE 23, S.L.U., ESPEBE 25, S.L.U., ESPEBE 26, S.L.U., ESPEBE 27, S.L.U., ESPEBE 28, S.L.U., ESPEBE 29, S.L.U., ESPEBE 31, S.L.U., ESPEBE 32, S.L.U., ESPEBE 34, S.L.U., ESPEBE 35, S.L.U., SPV REOCO 2, S.L.U., SPV REOCO 5, S.L.U., SPV REOCO 6, S.L.U., SPV REOCO 12, S.L.U., SPV REOCO 14, S.L.U., SPV REOCO 17, S.L.U., SPV REOCO 18, S.L.U., SPV REOCO 26, S.L.U., SPV SPAIN PROJECT 1, S.L.U., SPV SPAIN 7, S.L.U., SPV SPAIN 16, S.L.U., SPV SPAIN 17, S.L.U., CORNETALA SERVICIOS Y GESTIONES, S.L.U., DANTA INVESTMENTS, S.L.U., DELANETO SERVICIOS Y GESTIONES, S.L.U., DESARROLLO EMPRESARIAL LICANCABUR, S.L.U., EPAVENA PROMOCIONES Y SERVICIOS, S.L.U., LANDATA SERVICIOS Y GESTIONES, S.L.U., MILEN INVESTMENTS, S.L.U. and SERVICIOS INMOBILIARIOS CLEGANE, S.L.U., (the "Transferors").

The merger by absorption implied: (i) the dissolution and extinguishment of the Transferors; (ii) the *en bloc* transfer of all the latter companies' assets and liabilities to the Transferee, which has acquired all of their rights and obligations by universal succession. The merger deeds were publicly notarized on May 4, 2018 and registered with the Madrid Companies Register.

As for the economic rationale for the merger, the restructuring of the group of companies aimed the simplification of its structure and administrative management in order to save in performing costs. The merger is therefore intended to simplify and speed up corporate decision-making.

The restructuring operation described above is covered by the special tax neutrality regime for mergers, divisions, transfers of assets, exchanges of shares and changes of the registered address of a European company or a European cooperative society from one European Union member state to another provided for in Title VII of Chapter VIII of Spain's Corporate Income Tax Act (Legislative-Royal Decree 4/2014, of November 27, 2014). The detail of the balances of such merger performed on 2018 is included as Appendix III of this Annual Financial Statements.

Item 4 of article 4 of Royal Decree 1159/2010 (of September 17, 2010), enacting the rules for the issuance of consolidated annual financial statements and amending the General Accounting Plan enacted by means of Royal Decree 1514/2007 (of November 16, 2007) and the General Accounting Plan for Small and Medium-Sized Enterprises enacted by means of Royal Decree 1515/2007 (of November 16, 2007) stipulates that when group companies are merged together or spun off, the date of the transaction for accounting purposes is that of the start of the year in which the transaction is approved so long as such date is subsequent to the date on which the companies in question became part of the group, regulation that has been applied by the Company in the corresponding mergers.

b) Business Contribution

During the months of March, June and August 2017, the Company's Majority Shareholder contributed, in a series of transactions, its Spanish real estate development business to AEDAS HOMES, S.A. (Note 5). The amounts at which the businesses were contributed differ from the amounts at which the former Sole Shareholder was carrying those businesses in its books. As a result, as per consultation 3 of the official journal of the ICAC (acronym in Spanish for the Spanish Audit and Accounting Institute) (# 85) and Recognition and Measurement Standard 21 of the General Accounting Plan (as per the wording introduced by means of Royal Decree 1159/2010, of September 17, 2010, in effect for annual periods beginning on or after January 1, 2010),

the difference arising between the amounts at which the contribution was carried out and the amounts at which the related assets were carried in the former Sole Shareholder's accounting records was recognized against "Voluntary reserves" (note 10.c). The carrying amounts that gave rise to the above-mentioned difference, as required pursuant to consultations 3 and 17 of the official journal of the ICAC (# 85), related to the separate amounts corresponding to the Transferee, Hipoteca 43 Lux, S.A.R.L. (parent - former Sole Shareholder) as it had been exempt from issuing consolidated annual financial statements.

Below is a summary of the difference between the amounts at which the businesses were contributed and the amounts that were used by the Company for accounting purposes:

	Euros		
	Amounts at which contributed	Carrying amount	Impact on voluntary reserves (note 10)
Contribution of March 30, 2017	314,032,337	80,889,440	(233,142,896)
Contribution of June 29, 2017	23,140,283	6,261,863	(16,878,421)
Contribution of August 16, 2017	110,596,625	49,687,116	(60,909,509)
Total	447,769,245	136,838,419	310,930,826

The Business Contribution that took place during financial year 2017 was covered by the special tax neutrality regime for mergers, divisions, transfers of assets, exchanges of shares and changes of the registered address of a European company or a European cooperative society from one European Union member state to another provided for in Title VII of Chapter VIII of Spain's Corporate Income Tax Act (Legislative-Royal Decree 4/2014, of November 27, 2014). In compliance with the information requirements established in the mentioned Act, it is informed that the detail of the operation is included in the Financial Statements for the year ended December 31, 2017.

2. **Basis of presentation of the financial statements**

a) ***Financial reporting framework applicable to the Company-***

The accompanying financial statements for the year ended December 31, 2018 were authorized for issue by the directors in keeping with the financial reporting regulatory framework applicable to Company, namely:

- Spain's Code of Commerce and other company law.
- Spain's General Accounting Plan (enacted by means of Royal Decree 1514/2007), modified by the Royal Decree 1159/2010, of September 17, and by the Royal Decree 602/2016 of December 2, and, specifically, the accounting standards adapting the Plan for the real estate sector and its companies (published via Ministerial Order on December 28, 1994). Pursuant to Transitional Provision Five of Royal Decree 1514/2007 enacting the General Accounting Plan, as a general rule, the sector adaptations and other implementing accounting regulations in force on the date of publication of the said Royal Decree continue to apply insofar as they do not contradict the terms of the Code of Commerce, Corporate Enterprises Act (approved by Royal Decree-Law 1/2010), specific provisions or the General Accounting Plan itself.
- The binding rules issued by the ICAC (acronym in Spanish for the Audit and Accounting Institute) enacting the General Accounting Plan and complementary rules and regulations.
- Other applicable Spanish accounting regulations.

b) ***Fair presentation***

The accompanying financial statements were prepared from the Company's Directors in accordance with prevailing accounting legislation to give a true and fair view of its equity, financial position and performance. The statement of cash flows has been prepared to present accurately the origin and usage of the Company's monetary assets such as cash and cash equivalents.

c) *Functional and presentation currency*

The accompanying financial statements for the year ended December 31, 2018 are presented in euros, which is the Company's functional and presentation currency.

d) *Non-mandatory accounting policies applied*

The Company has not applied any non-mandatory accounting policies. Further, the Company's directors have drawn up the accompanying financial statements for year ended December 31, 2018 in accordance with all mandatory accounting principles and rules which have a material impact thereon. All mandatory accounting policies were applied.

e) *Critical issues concerning the measurement and estimation of uncertainty*

In preparing the accompanying financial statements, the Company's management used estimates to measure certain of the assets, liabilities, income and expenses recognized and to provide the breakdown of contingent liabilities. These estimates were made on the basis of the best available information at year-end. However, the uncertainty inherent in these estimates means that future events could oblige the director to modify these estimates in the next financial year, prospectively if warranted. These estimates basically refer to:

- Assessment of the potential impairment of the Company's financial investments in Group companies and the accounts receivable from Group companies (Note 4.5).
- The probability of obtaining future taxable income when recognizing deferred tax assets (Note 4.8).

In addition to other relevant information regarding the estimation of uncertainty at the reporting date, the key assumptions regarding the future that imply a considerable risk that the carrying amounts of assets and liabilities may require material adjustment in the next financial year, are as follows:

Impairment of the Company's financial investments in Group companies

Measurement of investments in Group companies requires estimations to determine their recoverable value to assess whether they are impaired. Unless better evidence is available, the recoverable amount is estimated on the basis of the equity of the investee, adjusted by any unrealized capital gains existing on the measurement date implicit in the appraisal of the real estate assets belonging to the Company's investees (Note 4.5).

The recoverable amount of the real estate properties held by the Group companies is estimated on the basis of appraisals performed by independent experts unrelated to the Group. Those appraisals calculate fair value primarily using the discounted cash flow method or the dynamic residual method for the properties owned by its investees, in keeping with the Valuation and Appraisal Standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain, and the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC).

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, unused tax loss carryforwards and unused tax credits for which it is probable that future taxable profit of the Company and the tax group will be available against which these assets may be utilized. The directors have to make significant estimates to determine the amount of deferred tax assets that can be recognized, taking into consideration the amounts and dates on which future taxable profits will be obtained and the reversion period of taxable temporary differences. At year-end 2018, the Company has recognized deferred tax assets amounting to 1,472,891 euros (929,228 euros at December 31, 2017) corresponding to deductible temporary differences and certain of its unused tax losses (Note 13).

f) *Comparative information*

As required under Spanish company law, to facilitate the reader's comparative analysis, the Group discloses, in addition to the figures for December 31, 2018, those corresponding to December 31, 2017 for each of the items

presented in the balance sheet and those corresponding to the years 2018 and 2017 for each of the items presented in the income statement, statement of changes in equity and statement of cash flows. The items of both years are comparable and homogeneous.

A summary of the significant accounting policies applied is provided in Note 4.

g) Aggregation

Certain of the items presented on the balance sheet, income statement, statement of changes in equity and statement of cash flows are aggregated to facilitate reader comprehension. However, to the extent that the effect of so doing is significant, these items are disclosed separately in the accompanying notes.

3. Appropriation of profit (loss)

The directors propose the following appropriation of loss for 2018, a proposal expected to be ratified by the General Shareholders' Meeting:

	Euros
Basis of appropriation	
Profit/(loss) for the year	16,067,303
TOTAL	16,067,303
Appropriation to:	
Allocation to legal reserves	1,606,730
Prior-year losses offsetting	14,460,573
TOTAL	16,067,303

3.1 Limits on the distribution of dividends

As stated in the Spanish Corporate Enterprise Act (article 273), dividends may only be drawn on the year's profits or freely available reserves after meeting the requirements laid down by law and in the by-laws, and if the value of the corporate equity is not, or as result of such distribution would not be, less than the company's capital. For these purposes, any profit directly allocated to total equity may not be distributed either directly or indirectly. In the event of losses in preceding years that reduce corporate equity to less than the company's capital, profits shall be used to offset such losses.

4. Recognition and measurement standards

The main recognition and measurement rules used by the Company to draw up the accompanying financial statements in accordance with prevailing accounting principles are the following:

4.1 Intangible assets

Intangible assets are initially measured at either acquisition or production cost. The cost of intangible assets acquired in a business combination is their acquisition-date fair value.

Following initial measurement, they are stated at cost less accumulated amortization and any impairment losses.

Intangible assets are amortized on a straight-line basis on the basis of their estimated useful lives and residual values. Amortization methods and periods are reviewed at the end of each reporting period, and adjusted prospectively where applicable. Intangible assets are tested for impairment at least at each financial year-end and any impairment is recognized.

Software

'Software' includes the costs incurred by the Company to acquire software from third parties. These expenses are amortized on a straight-line basis over the useful life of the asset (five years).

Expenses for repairs that do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the statement of profit or loss in the year incurred.

4.2 Property, plant and equipment

Items of property, plant and equipment are initially recognized at either acquisition or production cost. The cost of property, plant and equipment acquired in a business combination is the fair value of the assets at the acquisition date.

Following initial recognition, they are carried at cost less accumulated depreciation and any impairment losses.

Expenses for repairs that do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the statement of profit or loss in the year incurred. Expenses incurred to upgrade, expand or improve these assets that increase their productivity or prolong their useful life are capitalized as an increase in the carrying amount of the item, while the carrying amount of any substituted assets is derecognized.

Once available for use, items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives.

The annual depreciation charges are made with a balancing entry in the consolidated income statement as a function of the assets' estimated useful lives. The average estimated useful lives of the items comprising property, plant and equipment are shown below:

	Annual depreciation rate
<i>Straight-line depreciation charge:</i>	
Buildings	14%
Other plant	20%
Furniture & fittings	10%
Computer equipment	25%
Other items of PP&E	20%

4.3 Impairment of non-financial assets

The Company assesses whether there is any indication that a non-current asset or cash-generating unit may be impaired at least at each reporting date. If there is, it proceeds to estimate the asset's recoverable amount.

The recoverable amount is the higher of fair value less costs to sell and value in use. When the carrying amount exceeds the recoverable amount, the asset is considered impaired. Value in use is the present value of expected future cash flows, discounted using risk-free market rates, adjusted for the risks specific to the asset. For those assets that do not generate cash inflows that are largely independent of the inflows of other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the assets belong, such cash-generating units being understood to mean the smallest identifiable group of assets that generates cash inflows that are largely independent of the inflows of other assets or groups of assets.

Impairment losses and any subsequent reversals are recognized in the statement of profit or loss. Impairment losses are reversed only if the circumstances giving rise to them have ceased to exist. Goodwill impairment losses are not reversed. Any such reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset.

4.4 Leases

Leases are classified as finance leases when, based on the economic terms of the arrangement, substantially all the risks and rewards incidental to ownership of the leased item are transferred to the lessee. All other lease arrangements are classified as operating leases.

Operating lease payments are expensed in the income statement as they accrue.

4.5 Financial instruments

Financial assets

Classification-

The Company's financial assets are classified into the following categories:

- a) Trade and other receivables: (i) financial assets deriving from the rendering of services in the ordinary course of business; and (ii) financial assets that are not commercial in origin, are neither equity instruments nor derivatives, carry fixed or determinable payments and are not quoted in an active market.
- b) Equity investments in group companies, jointly-controlled entities and associates: Group companies are those controlled by the Company; associates are companies over which the Company has significant influence. Jointly-controlled entities are companies where control is contractually shared with one or more venturers.

Initial recognition-

Financial assets are initially recognized at the fair value of the consideration delivered plus directly attributable transaction costs.

In the case of equity investments in Group companies that give control over the subsidiary, the fees paid to legal advisors and other professionals in connection with the acquisition are recognized directly in the income statement.

In the case of shares issued to offset credit claims, as per consultation 4 of the official journal of the ICAC (# 89), the lending company has to reclassify the loan extended to financial investments at fair value through profit or loss, recognizing any difference between the amortized cost on the date of its capitalization and its fair value in profit or loss.

Subsequent measurement-

Loans and receivables are measured at amortized cost.

Investments in Group companies, associates and jointly-controlled entities are measured at cost less any impairment loss. Impairment loss is calculated as the difference between the investment's carrying amount and recoverable amount, deemed to be the higher of fair value less costs to sell and the present value in use of the projected cash flows from the investment. Unless better evidence is available, the recoverable amount is estimated on the basis of the equity of the investee, adjusted by any unrealized capital gains existing on the measurement date (including any goodwill) implicit in the appraisal of the real estate assets belonging to the Company's investees (Note 5).

The recoverable amount of the real estate properties held by the Group companies is estimated on the basis of appraisals performed by independent experts unrelated to the Group. Those appraisals calculate fair value primarily using the discounted cash flow method or the dynamic residual method for the properties owned by its investees, in keeping with the Valuation and Appraisal Standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain, and the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC).

The Company holds majority interests in certain companies. The accompanying financial statements for the year ended December 31, 2018 are the Company's separate financial statements and are not presented on a consolidated basis with those of the entities in which it has a majority interest.

The Company tests its financial investments in Group companies for impairment at least at each year-end. If the recoverable amount of a financial asset is lower than its carrying amount this is deemed objective evidence of impairment and the corresponding impairment loss is recognized in profit and loss.

Financial liabilities

Financial liabilities are (i) trade and other accounts payable by the Company originating from the purchase of goods and services in the ordinary course of business and (ii) other liabilities that are not commercial in origin and cannot be considered derivatives.

Financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. They are subsequently measured at amortized cost.

In keeping with applicable accounting principles, the following are classified as current liabilities: obligations that fall due or will be extinguished within 12 months of the reporting date and those related with the normal operating cycle, including those the Company expects to settle in the course of that cycle regardless of their maturity. The "normal operating cycle" is the period of time between the acquisition of assets for processing and their realization in cash or cash equivalents. In the specific instance of the Company's business, it is therefore understood that all of the liabilities assumed to acquire or finance its inventories have to be recognized as current liabilities.

The Company derecognizes its financial liabilities when the related obligation is discharged or cancelled or expires.

Loans received from related parties are recognized as financial liabilities at amortized cost so long as the contractual terms of the loans enable the reliable estimation of the cash flows of the financial instrument, to which end the Company calculates the fair value at the time of grant using a market interest rate for a loan with similar characteristics; subsequent to initial recognition, the interest expense is accrued using the effective interest rate method.

Derivatives are recognized at their fair value and changes in said fair value are charted to the profit and loss account.

Own shares

Own shares acquired by the Parent during the year are recognized at the amount of consideration given in exchange and are presented as a deduction from equity. The gains and losses resulting from the purchase, sale, issuance or cancellation of own equity instruments are recognized directly in equity and are not reclassified to profit or loss under any circumstances.

4.6 Cash and cash equivalents

The Company recognizes cash, demand deposits and other highly liquid short-term investments that can be monetized within three months of their acquisition, are not subject to a risk of changes in value and are part of the Company's standard cash management strategy within "Cash and cash equivalents" on the short-form balance sheet.

For cash flow statement purposes, occasional bank overdrafts used as part of the Company's cash management strategy are recognized as a decrease in cash and cash equivalents.

4.7 Provisions and contingencies

In drawing up its annual financial statements, the Company's directors distinguish between:

- a. Provisions: liabilities recognized to cover a present obligation arising from past events, of uncertain timing and/or amount, the settlement of which is expected to result in an outflow of resources embodying economic benefits.
- b. Contingent liabilities: a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

The financial statements recognize all provisions in respect of which it is considered more likely than not that a present obligation exists. Contingent liabilities are not recognized in the financial statements, but are disclosed in

the accompanying notes, unless the possibility of an outflow of resources embodying economic benefits is considered remote.

Provisions are measured at the present value of the best estimate of the expenditure required to settle or transfer the present obligation based on information available concerning the obligating event and its consequences; changes in the provision's carrying amount arising from discounting are recognized as finance cost as accrued.

The compensation to be received from a third party when an obligation is settled is recognized as a separate asset so long as it is virtually certain that the reimbursement will be received, unless the risk has been contractually externalized so that the Company is legally exempt from having to settle, in which case the reimbursement is taken into consideration in estimating the amount of the provision, if any.

There were no contingent liabilities or assets at either December 31, 2018 or December 31, 2017.

4.8 Income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

Current tax is the amount of income taxes payable (recoverable) by the Company in respect of the taxable profit (tax loss) for the year. In addition to withholdings and payments on account, current tax is reduced by the application of unused tax credits and unused tax losses.

Deferred tax expense or income corresponds to the recognition and derecognition of deferred tax assets and liabilities. These include taxable and deductible temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, and the carryforward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability settled.

Deferred tax liabilities are recognized for all taxable temporary differences, except to the extent that they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affect neither accounting profit nor taxable profit.

Deferred tax assets are only recognized when the Company considers it probable that future taxable profit will be available against which these assets may be utilized within the foreseeable future, even if the legally-stipulated deadline for utilizing them is longer.

Deferred tax assets and liabilities relating to transactions charged or credited directly to equity are also recognized in equity.

At each year-end, management reassesses the deferred tax assets recognized and their carrying amount is reduced if there are any doubts about their recoverability. Similarly, at the end of each reporting period, management reassesses unrecognized deferred tax assets, recognizing a previously unrecognized deferred tax asset to the extent that it has become probable that taxable profit will be available against which the asset can be utilized.

At December 27, 2017, the Board of Directors resolved to avail of the consolidated tax regime (contemplated in article 55 et seq. of the Spanish Corporate Income Tax - Law 27/2014) in 2018 and thereafter, Aedas Homes, S.A. being the parent of the tax group.

4.9 Distinction between current and non-current

The following assets are classified as current assets: assets associated with the normal operating cycle (which is generally considered one year); other assets that are expected to mature, be sold or realized within twelve months of the reporting date; financial assets held for trading other than financial derivatives due for settlement more than 12 months from the reporting date; and cash and cash equivalents. Any assets that do not meet these criteria are classified as non-current assets.

Likewise, the following liabilities are classified as current liabilities: those related with the normal operating cycle; financial liabilities held for trading other than financial derivatives due for settlement more than 12 months from the reporting date; and, in general, all liabilities that fall due or will be extinguished within 12 months of the reporting date. All other liabilities are presented as non-current.

4.10 Income and expenses

Income and expenses are recognized on an accrual basis, i.e., when earned or incurred, respectively, regardless of when actual collection or payment occurs. Revenue is measured at the fair value of the consideration received, less discounts and taxes.

Revenue from the rendering of services is recognized by reference to the stage of completion of the transaction at the reporting date, whenever the outcome of the transaction can be estimated reliably.

Interest income on financial assets is recognized using the effective interest rate method; dividends are recognized when the shareholder's right to receive them is established. Interest and dividend income accrued on financial assets after their date of acquisition is recognized as revenue in the income statement.

4.11 Foreign currency transactions

The Company's functional currency is the euro. As a result, transactions denominated in currencies other than the euro are considered foreign currency transactions and are recognized at the exchange rate prevailing on the transaction date.

At year-end, monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date. Any resulting gains or losses are recognized directly in profit or loss in the year incurred.

The Company did not transact in foreign currency during the year ended December 31, 2018; nor did it have any resulting foreign currency balances at the reporting date (nor in the prior year), that are significant.

4.12 Business combinations

The Group companies must account for the business combinations to which they are party. Business combinations are transactions in which an entity acquires control of one or more businesses.

In business combinations involving either the merger or division of several companies, or the acquisition of all of the assets and liabilities of a company or a part of a company constituting one or more businesses, the acquisition method outlined in item 2 of measurement standard 19 of the General Accounting Plan is applied. This method stipulates that the acquiror recognize, at the acquisition date, the assets acquired and liabilities assumed in the business combination at their fair values, additionally recognizing any difference between the value of said assets and liabilities and the cost of the business combination. That difference is calculated as the sum of: i) the acquisition-date fair values of the assets received, liabilities incurred or assumed and the equity instruments issued in exchange for the business or businesses acquired; ii) the fair value of any additional consideration that depends on future events or delivery of certain conditions, so long as it is deemed probable that such contingent consideration will become payable; and iii) any costs directly attributable to the combination, such as fees paid to legal advisors or other professional involved in the transaction.

Elsewhere, transactions involving mergers, divisions or non-monetary business contributions between group companies, as defined in the standard governing the measurement of intra-group transactions, are accounted for in accordance with that standard. Specifically, in transactions between group companies involving the parent, either directly or indirectly, the assets and liabilities constituting the business acquired are measured at the amount at which they would be recorded, *pro forma* for the transaction, in the consolidated annual financial statements of the group in accordance with the rules for drawing up such statements stipulated in Spain's Code of Commerce. In the case of transactions between other group companies, the assets and liabilities of the business are measured at the amounts at which they were carried in the separate annual financial statements prior to the transaction. Any difference arising from application of the above criteria is recognized within one of the Company's reserve headings.

In business combinations involving the acquisition of the shares of a company, including those received by virtue of a non-monetary contribution upon the incorporation of the company or subsequently in the course of a rights issue, or other transactions or developments the result of which is that a company obtains control over another company, whether or not it already held an equity interest in that company, the investing company must account for the investment in the equity of other group companies in its separate annual financial statements in accordance with the rules established in section 2.5 of the General Accounting Plan measurement standard addressing financial instruments (Note 1.a).

4.13 Director and key management personnel remuneration

The remuneration earned by the Company's key management personnel (refer to Note 17) is recognized on an accrual basis such that the Company recognizes the corresponding provision at each reporting date in respect of any amounts that have not yet been paid.

4.14 Environmental assets and liabilities

Environmental assets are long-lived assets used in the ordinary course of the Company's business whose ultimate purpose is to minimize the Company's environmental impact and to improve its environmental record and include assets designed to reduce or eliminate future contamination.

Given the activities performed by the Company, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or performance. Environmental disclosures are accordingly not provided in these annual financial statements.

4.15 Related-party transactions

The Company carries out all transactions with related parties (whether financial, commercial or other in nature) at transfer prices that meet the OECD's rules governing transactions with Group companies and associates. The Company has duly met its documentation requirements in respect of these transfer prices so that its directors believe there is no significant risk of related liabilities of material amount. Nevertheless, the accompanying financial statements for the year ended December 31, 2018, should be interpreted in the context of the Group to which the Company belongs (Note 1).

In the event of a significant difference between the price so established and the fair value of a transaction between related parties, the difference would be considered a distribution of profits or contribution of funds between the Company and the related party in question and as such would be recognized with a charge or credit to a reserves account, as warranted.

Related-party transactions are governed by Measurement Standard No. 13 of Spain's General Accounting Plan. Specifically:

- A company is deemed part of the group when both entities are bound by a direct or indirect controlling relationship, equivalent to that defined in article 42 of Spain's Code of Commerce, or when the entities are controlled by any means by one or more legal persons acting jointly or under shared management by contractual or bylaw-stipulated agreement.
- An entity is considered an associate when, without qualifying as a group company in the sense outlined above, the parent company or parent natural persons exercise significant influence over the entity.
- One party is considered related to the other when one of them exercises or has the power to exercise, directly or indirectly or by virtue of shareholder agreements, control over the other or can significantly influence the financial and operating decision-making of the other.

The Company conducts all related-party transactions on an arm's length basis.

4.16 Classification of certain items of income at holding companies

In preparing the accompanying income statement, the directors of Aedas Homes, S.A., whose business activities include those of a holding company (note 1), have considered the response provided by Spanish Institute of Auditors (ICJCE for its acronym in Spanish) to the consultation published in the official journal of the ICAC (# 79, November 2009) regarding how to account for the revenue and expenses of a holding company in separate financial statements and how to determine revenue for this class of entity.

As outlined in the above consultation, all of the revenue obtained by a company as a result of its 'financial' activity, insofar as that activity is considered 'ordinary', must be included within "Revenue". As a result, in keeping with the foregoing, both the dividends and any gains obtained from the sale of shares, their derecognition or a change in their fair values are deemed part of "Revenue".

Below is an explanation of the headings that have accordingly been included within "Revenue":

- Income from equity investments: including the dividends accrued from holding shares in other companies.
- Changes in the fair value of financial instruments, other than investments constituting investments in subsidiaries, jointly controlled entities or associates.
- Gains on the disposal of financial instruments, other than those deriving from the derecognition of investments in subsidiaries, jointly controlled entities or associates.
- Finance income from loans granted to subsidiaries.

In addition, any impairment losses on financial instruments and any losses realized on the sale of such instruments, other than those deriving from the derecognition of investments in subsidiaries, jointly controlled entities or associates, are included within the Company's operating profit or loss.

The gains or losses deriving from the disposal of financial instruments that do constitute investments in subsidiaries and associates are included within operating profit or loss.

4.17 Termination benefits

Under prevailing company law, the Company is obliged to pay severance to employees who are discontinued under certain circumstances. Termination benefits that can be reasonably estimated are recognized as an expense in the year in which the Company creates a valid expectation on the part of those affected by the redundancy decision.

4.18 Share-based payments

The Company recognizes, on the one hand, the goods and services received as an asset or expense, depending on their nature, at the time they are received and, the corresponding increase in equity, if the transaction is settled using equity instruments, or the corresponding liability, if it is settled in an amount that is based on the value of the equity instruments, on the other.

In the case of equity-settled share-based transactions, both the services provided to the Group companies and the related increase in equity are measured at the fair value of the equity instruments granted with reference to the date of their grant. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognized at the fair value of the latter, with reference to the date on which the vesting conditions are met.

5. Intangible assets

The reconciliation of the carrying amount of intangible assets at the beginning and end of the financial year 2018 are:

Year 2018	Euros		
	Software	Advances for intangible assets	Total
Cost:			
Balance at January 1, 2018	254,778	108,818	363,596
Additions	305,239	145,266	450,505
Derecognitions	-	(209,265)	(209,265)
Balance at December 31, 2018	560,017	44,819	604,836
Accumulated amortization:			
Balance at January 1, 2018	(47,777)	-	(47,777)
Charges	(140,969)	-	(140,969)
Derecognitions	-	-	-
Balance at December 31, 2018	(188,746)	-	(188,746)
Carrying amount at December 31, 2018	371,271	44,819	416,090

The reconciliation of the carrying amount of intangible assets at the beginning and end of the financial year 2017 are:

Year 2017	Euros		
	Software	Advances for intangible assets	Total
Cost:			
Balance at January 1, 2017	-	-	-
Additions due to business combinations (Note 1.a)	48,775	-	48,775
Additions	206,003	108,818	314,821
Derecognitions	-	-	-
Balance at December 31, 2017	254,778	108,818	363,596
Accumulated amortization:			
Balance at January 1, 2017	-	-	-
Charges	(47,777)	-	(47,777)
Derecognitions	-	-	-
Balance at December 31, 2017	(47,777)	-	(47,777)
Carrying amount at December 31, 2017	207,001	108,818	315,819

The main additions recognized in the financial year 2018 are related to the development of computer applications for the management of the Group's financial reporting and cost management systems.

The amounts stated under "Advances for intangible assets" correspond to investments in the development of applications currently being carried out.

The main additions recognized in 2017 were related to the development of computer applications for the management of the Group's financial reporting and cost management systems, as well as additions derived from the business combinations completed in 2017 (Note 1.a).

No items of intangible assets had been pledged as collateral as of either December 31, 2018 or December 31, 2017.

Nor were there any intangible assets fully amortized and still in use at December 31, 2018 or 2017.

6. Property, plant and equipment

The reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the financial year 2018 is:

2018	Euros						Total
	Buildings	Other plant	Furniture & fittings	Computer equipment	Other items of PP&E	Prepayments for PP&E	
Cost:							
Balance at January 1, 2018	81,072	38,430	143,919	339,961	49,936	144,309	797,627
Additions	289,463	3,430	79,543	126,983	18,606	-	518,025
Derecognitions	(26,082)	-	-	-	-	-	(26,082)
Reclassifications	-	-	-	-	-	(144,309)	(144,309)
Balance at December 31, 2018	344,453	41,860	223,462	466,944	68,542	-	1,145,261
Accumulated depreciation:							
Balance at January 1, 2018	(8,880)	(7,629)	(15,016)	(56,056)	(4,274)	-	(91,855)
Charges	(69,393)	(7,928)	(20,383)	(99,637)	(10,972)	-	(208,313)
Derecognitions	7,072	-	-	-	-	-	7,072
Balance at December 31, 2018	(71,201)	(15,557)	(35,399)	(155,693)	(15,246)	-	(293,096)
Carrying amount at December 31, 2018	273,252	26,303	188,063	311,251	53,296	-	852,165

The reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the financial year 2017 is:

2017	Euros						Total
	Buildings	Other plant	Furniture & fittings	Computer equipment	Other items of PP&E	Prepayments for PP&E	
Cost:							
Balance at January 1, 2017	-	-	-	-	-	-	-
Additions due to business combination (note 1.a)	133,308	28,390	93,165	136,328	971	-	392,162
Additions	60,489	10,039	50,753	203,633	48,964	144,309	518,187
Derecognitions	(112,725)	-	-	-	-	-	(112,725)
Balance at December 31, 2017	81,072	38,429	143,918	339,961	49,935	144,308	797,624
Accumulated depreciation:							
Balance at January 1, 2017	-	-	-	-	-	-	-
Additions due to business combination (note 1.a)	(4,218)	(963)	(3,067)	(2,494)	(32)	-	(10,774)
Charges	(13,176)	(6,666)	(11,948)	(53,562)	(4,242)	-	(89,594)
Derecognitions	8,515	-	-	-	-	-	8,515
Balance at December 31, 2017	(8,879)	(7,629)	(15,015)	(56,056)	(4,274)	-	(91,853)
Carrying amount at December 31, 2017	72,193	30,800	128,903	283,905	45,661	144,309	705,771

The additions recognized in the financial year 2018 relate mainly to investments in new offices and computer equipment. The assets derecognized correspond to old offices facilities.

The additions recognized in financial year 2017 related mainly to investments in the new offices, as well as additions derived from the business combinations completed in 2017 (Note 1.a). The assets derecognized correspond to all the assets that had been capitalized at the former head offices, none of which were sold.

The Company has taken out insurance policies to cover the carrying amount of its property, plant and equipment.

None of the items of the Company's property, plant and equipment was fully depreciated and is still in use at December 31, 2018 and 2017.

Operating leases

The future minimum payments under the Company's non-cancelable operating lease, of offices and vehicles, at year-end break down as follows:

	Euros	
	2018	2017
Within one year	895,592	832,593
Between one and five years	1,939,588	2,070,526
More than five years	-	-
	2,835,180	2,903,119

7. Equity investments in group companies, jointly-controlled entities and associates

The table below reconciles the carrying amounts of these investments at the beginning and end of the reporting period:

2018	Euros			Balance at Dec. 31, 2018
	Balance at Dec. 31, 2017	Additions	(Derecognitions)	
Non-current investments in Group companies and associates	168,991,131	29,654,388	-	198,645,519
Total	168,991,131	29,654,388	-	198,645,519

2017	Euros			
	Balance at Dec. 31, 2016	Additions	(Derecognitions)	Balance at Dec. 31, 2017
Non-current investments in Group companies and associates	8,846,375	160,172,756	(28,000)	168,991,131
Total	8,846,375	160,172,756	(28,000)	168,991,131

a) Significant movements

The breakdown of the Company's "Non-current investments in Group companies and associates" is provided in the table below:

	Euros	
	2018	2017
Equity interest in SPV REOCO 1, S.L.U.	198,645,519	168.991.131
	198,645,519	168.991.131

On July 20, 2016, the Company acquired all of the shares of SPV REOCO 1, S.L.U. for the price of 3,000 euros. Subsequently, in the course of 2016, the Company made contributions to SPV REOCO 1, S.L.U. totaling 8,815,375 euros.

Also on July 20, 2016, the Company acquired all of the shares of the company formerly called Aedas Homes, S.L.U. from its Sole Shareholder at the time, Hipoteca 43 Lux S.a.r.l., for 3,000 euros. That entity has since been merged into the Company (Note 1.a). Subsequently, in the course of 2016, the Company made contributions to the merged transferor totaling 25,000 euros. In 2017, as a result of the corporate restructuring transaction outlined in Note 1.a, the above financial investment was derecognized as part of the process of merging the transferor's assets and liabilities.

On March 23, 2017, April 18, 2017 and May 19 2017, the Company injected a total amount of 103,000 euros into SPV REOCO 1, S.L.U.

On March 30, 2017, the Company's formerly Sole Shareholder made a non-monetary equity injection into the Company in the amount of 314,032,337 euros, a transaction that materialized in the creation of 31,403,231 shares with a unit par value of one euro and an increase in the share premium account of 282,629,106 euros. The consideration for the above-mentioned increase was the contribution of 65% of the shares of SPV Spain 2, S.L., as well as all of the shares in the following companies:

ESPEBE 12, S.L.U., ESPEBE 14, S.L.U., ESPEBE 16, S.L.U., ESPEBE 17, S.L.U., ESPEBE 18, S.L.U., ESPEBE 20, S.L.U., ESPEBE 22, S.L.U., ESPEBE 23, S.L.U., ESPEBE 25, S.L.U., SPV SPAIN 7, S.L.U., SPV SPAIN 17, S.L.U., ESPEBE 26, S.L.U., ESPEBE 27, S.L.U., ESPEBE 29, S.L.U., ESPEBE 28, S.L.U., ESPEBE 32, S.L.U., ESPEBE 34, S.L.U., ESPEBE 2, S.L.U., ESPEBE 4, S.L.U., ESPEBE 7, S.L.U., ESPEBE 35, S.L.U., ESPEBE 15, S.L.U., SPV SPAIN 16, S.L.U., SPV SPAIN PROJECT 1, S.L.U., DAMALANA SERVICIOS Y GESTIONES, S.L.U., MILEN INVESTMENT, S.L.U. and CORNETALA SERVICIOS Y GESTIONES, S.L.U.

Subsequently, on that same date, i.e., March 30, 2017, the Company contributed the above-listed shares to SPV REOCO 1, S.L. for 314,032,337 euros.

On May 9, 2017 and June 1, 2017, the Company contributed its credit rights over: (i) SPV REOCO 2, S.L.U. in the amount of 8,085,000 euros and (ii) SPV REOCO 12 in the amount of 1,400,000 euros to SPV REOCO 1, S.L.U.

On June 29, 2017, the Company's then Sole Shareholder injected 23,140,283 euros of equity into the Company by means of the following non-monetary contributions:

- 100% of the shares of the following companies:
 - DELANETO SERVICIOS Y GESTIONES, S.L.U.
 - ESPEBE 21, S.L.U.
 - ESPEBE 31, S.L.U.
- 80% of the share capital of ESPEBE 11, S.L.
- 94.68% of FACORNATA SERVICIOS Y GESTIONES, S.L.

Subsequently, on that same date, i.e., June 29, 2017, the Company contributed the above-listed shares to SPV REOCO 1, S.L. for 23,140,283 euros.

Given that the above non-monetary contributions constituted a business, and even though the contributions were made at fair value, the contributions were accounted for at the amount at which the business was carried in the financial statements of the Sole Shareholder at the time, Hipoteca 43 Lux, S.A.R.L., namely 80,889,440 euros in respect of the contribution made on March 30, 2017 and 6,261,863 euros in respect of that made on June 30, 2017 (Note 1.b).

On July 8, 2017, Danta Investments, S.L.U. was contributed to the Company at the amount of 52,458,200 euros.

On February 7, 2018, March 14, 2018, April 13, 2018 and May 25, 2018, the Company agreed to provide monetary contributions to the equity of the company SPV REOCO 1, S.L.U. amounting to 2,225,000, 7,471,837 and 2,162,500 euros, respectively, being fully paid during the year.

On February 28, 2018 the Company agreed to provide a non-monetary contribution to the equity of the company SPV REOCO 1, S.L.U. in a sum of 121,251 euros, converting the company's debt with the Company in virtue of a transfer of rights contract subscribed among group companies. Furthermore, on November 22, 2018, the Company agreed to provide a non-monetary contribution to the equity of the company SPV REOCO 1, S.L.U., in a sum of 14,283,450 euros, consisting in the credit rights that the Company held with said subsidiary. Additionally, on December 27, 2018, the Company agreed to make a non-monetary contribution of a purchase option on a plot, amounting to 496,100 euros.

The most significant information regarding the Company's subsidiaries, jointly-controlled entities and associates at December 31, 2018 and 2017 is as follows:

Dec. 31, 2018

		Euros							
		Figures for subsidiaries as per their separate statements					Carrying amount		
Name	Ownership interest, %	Share capital	Share premium and reserves	Profit/(loss) for the period from continuing operations	Shareholder contributions	Equity	Cost	Impairment	Net carrying amount
SPV REOCO 1, S.L.U.	100%	44,807,030	80,309,755	(17,827,809)	61,533,015	168,821,991	198,645,519	-	198,645,519
							198,645,519	-	198,645,519

Dec. 31, 2017

		Euros							
		Figures for subsidiaries as per their separate statements					Carrying amount		
Name	Ownership interest, %	Share capital	Share premium and reserves	Profit/(loss) for the period from continuing operations	Shareholder contributions	Equity	Cost	Impairment	Net carrying amount
SPV REOCO 1, S.L.U.	100%	44,807,030	92,212,995	8,107,472	31,878,627	177,006,124	168,991,131	-	168,991,131
							168,991,131	-	168,991,131

The data pertaining to this company's equity position was taken from its unaudited annual and interim financial statements. These annual statements will be issued in accordance with local regulations. The Company transacts with its subsidiaries and associates, as itemized in this Note and in Note 16.

The corporate object of SPV Reoco 1, S.L.U. is the acquisition, development and refurbishment of real estate assets and the acquisition, holding, sale and administration of marketable securities and any titles or rights that give it an equity interest in other companies, all of which as principal and not agent.

This company was not publicly listed at December 31, 2018 and 2017.

In light of the property appraisals performed by third parties and the Company's internal valuations, the existence of unrealized capital gains suggests that none of its investments were impaired at December 31, 2018. Specifically, the valuation of the inventories carried out by Savills, reflects a Gross Asset Value amounting to 1,768 million euros, which implies a capital gain of 704 million euros at year-end 2018 (at the end of the previous year, the valuation made on inventories to said date was 1,436 million euros, implying a capital gain of 588 million euros).

The accompanying 2018 financial statements are the separate financial statements of Aedas Homes, S.A. and therefore do not reflect the effects of consolidation at the Group level. The table below summarizes those statements:

Year 2018

	Euros	
	Aedas Homes, S.A.	Group IFRS-EU
Non-current assets	995,900,934	27,372,423
Current assets	81,091,969	1,234,990,054
Total assets	1,076,992,903	1,262,362,477
Capital, reserves, owner contributions and other equity instruments	947,931,525	930,966,005
Profit/(loss)	16,067,303	2,454,815
Equity attributable to equity holders of the parent	963,998,828	933,420,820
Non-controlling interests	-	1,989,151
Total equity	963,998,828	935,409,971
Non-current liabilities	58,744,843	58,744,843
Current liabilities	54,249,232	268,207,663
Total equity and liabilities	1,076,992,903	1,262,362,477

Year 2017

	Euros	
	Aedas Homes, S.A.	Group IFRS-EU
Non-current assets	792,870,854	14,203,309
Current assets	168,939,300	1,114,816,591
Total assets	961,810,154	1,129,019,900
Capital, reserves and owner contributions	975,015,203	975,127,469
Profit/(loss)	(26,655,593)	(40,078,380)
Equity attributable to equity holders of the parent	948,359,610	935,049,089
Non-controlling interests	-	2,245,802
Total equity	948,359,610	937,294,891
Non-current liabilities	137,326	137,326
Current liabilities	13,313,218	191,587,683
Total equity and liabilities	961,810,154	1,129,019,900

8. Financial assets

The breakdown of financial assets, excluding investments in group companies, jointly controlled entities and associates, which are informed of in Note 7, at year-end, is as follows:

	Euros	
	Year-end 2018	Year-end 2017
Non-current financial assets		
Investments in group companies and associates		
Loans to companies	793,082,789	621,428,368
Non-current financial investments	1,431,480	500,537
Total non-current financial assets	794,514,269	621,928,905
Current financial assets		
Trade receivables, group companies and associates	23,990,845	14,566,295
Sundry receivables	329	815
Personnel		
Current investments in group companies and associates	17,016	-
Current loans to group companies and associates	20,343,361	16,950,160
Other financial assets	3,109,717	-
Current financial assets	5,040,109	2,376,580
Total current financial assets	52,501,377	33,893,850

These amounts are presented as follows on the balance sheet:

a) Loans and receivables

Loans to group companies

The breakdown of the loans to group companies by when they fall due is as follows:

	Euros	
	Year-end 2018	Year-end 2017
2018	-	3,780,445
2019	1,377,890	62,724,660
2020	748,664,256	111,663,399
2021	-	207,359,288
2022	43,040,643	108,889,407
Subsequent years	-	127,011,169
Total	793,082,789	621,428,368

During the year 2018 and as a result of the merger (Note 1.a), the Company signed a credit agreement with SPV Reoco 1, S.L.U. whereby SPV Reoco 1 was subrogated in all the loans granted by Aedas Homes, S.A. to the incorporated companies, setting the due date on December 31, 2020.

The fair value of these loans, calculated using discounted cash flow methodology, is similar to their carrying amount.

All of the credit facilities extended accrue interest at 1-month Euribor plus 350 basis points.

Trade and other receivables

This heading breaks down as follows at year-end:

	Euros	
	Year-end 2018	Year-end 2017
Trade receivables, group companies and associates (Note 16.a)	23,990,845	14,566,295
Sundry receivables	329	815
Personnel	17,016	-
Total	24,008,190	14,567,110

The fair value of these financial assets, calculated using discounted cash flow methodology, is not materially different from their carrying amount.

As shown in Note 7.a, on November 22, 2018, the Company agreed to provide a non-monetary contribution to the equity of the company SPV REOCO 1, S.L.U., in an amount of 14,283,450 euros, consisting on the credit rights that the Company held against this subsidiary, a sum that was previously recognized in the section "Trade receivables, group companies and associates".

9. Cash and cash equivalents

This heading breaks down as follows at year-end:

	Euros	
	Year-end 2018	Year-end 2017
Demand deposits in current accounts	23,664,135	134,283,032
Total	23,664,135	134,283,032

Current accounts earn market interest rates.

The amount pledged at December 31, 2018 to guarantee corporate financing costs amounts to 1,831,352 euros.

There are no restrictions on the availability of these balances except as indicated in the previous paragraph.

10. Equity – capital and reserves

a) *Issued capital*

The Company was incorporated on June 9, 2016 with initial share capital of 3,000 euros, represented by 3,000 indivisible, sequentially-numbered equity interests (*participaciones sociales*) with a unit par value of 1 euro, all of which were subscribed and paid for by Structured Finance Management (Spain), S.L.

On July 5, 2016, Structured Finance Management sold its equity interests in the Company to Hipoteca 43 Lux, S.A.R.L., a company domiciled in Luxembourg with registered office at 534 Rue de Neudorf L2220, Luxembourg and tax ID number N0184886J. Accordingly, as at July 5, 2016, Hipoteca 43 Lux, S.A.R.L. was the Company's Sole Shareholder.

On March 30, 2017, the Company received a non-monetary equity contribution from its Majority Shareholder in the amount of 314,032,337 euros. In exchange, the Company issued 31,403,231 equity interests with a unit par value of one euro, with the remainder of the contribution deemed a share premium (Note 1.b).

On June 29, 2017, the Company received another non-monetary equity contribution from its Majority Shareholder in the amount of 23,140,283 euros. In exchange, the Company issued 2,314,028 equity interests with a unit par value of one euro, with the remainder of the contribution recognized as a share premium (Note 1.b).

On August 16, 2017, the Company received another non-monetary equity contribution from its Majority Shareholder in the amount of 110,867,709 euros. In exchange, the Company issued 11,086,771 equity interests with a unit par value of one euro, with the remainder of the contribution recognized as a share premium (Note 1.b).

On September 12, 2017, the Company officially converted from a limited liability company to a public limited company and its share capital was thus represented by 44,807,030 ordinary shares (rather than 'equity interests') with a unit par value of one euro.

On October 19, 2017, it formalized a deed of capital increase through a cash contribution amounting to 99,999,979.05 euros, with waiver of the right of preferred subscription of the Majority Shareholder, through an Offer of Subscription of shares of the company. As a result of the foregoing, the Company issued 3,159,557 shares with a nominal value of one euro and the rest was an issue premium. These shares were admitted to trading on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia on October 20, 2017. The issuance costs of this capital increase amounted to 31,301 euros.

At December 31, 2018, and 2017, the Company's share capital accordingly consisted of 47,966,587 shares with a par value of one euro each. The shares are fully subscribed and paid-up.

None of the Company's shares was pledged as of either December 31, 2018 or December 31, 2017.

The breakdown of the Company's significant shareholders (those with equity interests of 3% or more) at December 31, 2018, as gleaned from the information reported to Spain's securities market regulator, the CNMV, by the shareholders themselves:

	Total shareholding %	% Voting rights attached to shares		% Voting rights through financial instruments	
		Direct shareholding %	Indirect shareholding %	Direct shareholding %	Indirect shareholding %
HIPOTECA 43 LUX S.A.R.L. (*)	54,35	54,35	-	-	-
T. ROWE PRICE ASSOCIATES, INC	5,08	-	5,08	-	-
T. ROWE PRICE INTERNATIONAL FUNDS, INC.	4,09	-	4,09	-	-
RYE BAY EUROPEAN MASTER FUND LIMITED	4,08	-	-	4,08	-
CANYON CAPITAL ADVISORS LLC	3,86	-	3,86	-	-

(*) Percentage interests according to the shareholder register managed by Computershare (IBERCLEAR)

The Company's main shareholders at December 31, 2017:

	Total shareholding, %	Direct shareholding, %	Indirect shareholding, %
HIPOTECA 43 LUX S.A.R.L.	55.46	55.46	-
T. ROWE PRICE ASSOCIATES, INC	5.08	-	5.08
CANYON CAPITAL ADVISORS LLC	3.86	-	3.86
FMR LLC	3.64	-	3.64
T. ROWE PRICE INTERNATIONAL FUNDS, INC.	3.02	-	3.02

b) Share premium

The movements in the share premium account during year 2017 were as follows:

	Euros
Opening balance at January 1, 2017	-
Shares issued on March 31, 2017	282,629,106
Shares issued on June 29, 2017	20,826,255
Shares issued on August 16, 2017	99,780,938
Shares issued on October 19, 2017	96,840,422
Balance at December 31, 2017	500,076,721

During year 2018, no movements on the share premium took place.

The balance of the share premium account can be freely distributed.

c) Legal reserve

In accordance with article 274 of the consolidated text of the Spanish Corporate Enterprises Act, 10% of profits must be earmarked to endowment of the legal reserve each year until it represents at least 20% of share capital.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase.

Except for this purpose, until the legal reserve exceeds the limit of 20% of capital, it can only be used to offset losses, if there are no other reserves available.

This legal reserve was not fully endowed at either year-end.

d) Voluntary reserves

The voluntary reserve came about as a result of the difference between the fair value at which the real estate development business was contributed and the amounts at which that business was carried in the then Sole Shareholder's financial statements (Note 1.2). The movement recorded during the financial year 2018 corresponds to the result of purchases and sales of its own shares, as shown in the following c) section.

e) Distribution of dividends

No dividends were paid out in 2017 and 2018. There were no restrictions on the payment of dividends at year-end 2017 and 2018, except those indicated in Note 3.1.

f) Own shares

The Company arranged a liquidity agreement with BANCO DE SABADELL, S.A. (the "Financial Broker") on March 20, 2018 with the sole object of fostering the frequency and regularity with which the Company's shares are traded, within the limits established at the Company's Annual General Meeting and, specifically, CNMV Circular 1/2017 on liquidity agreements.

The term of the contract is 12 months from its date of effectiveness, which is April 5, 2018.

On 28 December 2018 the Company put on hold the liquidity agreement as a result of having exceeding the limit of Funds as established in Circular 1/2017, of 26 April of the Spanish National Securities Market Commission (CNMV), on liquidity contracts. Once the securities and the corresponding cash accounts are reconciled again, the liquidity contact will be resumed.

At December 31, 2018, the Company held 46,166 own shares, carried at 1,127,936 euros (0 euros at year-end 2017).

During the financial year 2018, it purchased 369,699 shares at an average price of 28.43 euros per share and sold 323,533 at an average price of 27.60 euros per share.

g) Owner contributions

On July 29, 2016, the Company's former Sole Shareholder decided to contribute all of the credit claims it held over the Company by virtue of a 3,000 euros loan extended to it.

Subsequently, between September 13 and December 29, 2016, the former Sole Shareholder, Hipoteca 43 Lux, S.A.R.L., injected equity into the Company in the form of cash on several occasions. Those owner contributions were made to fund the Company's business activities, in a total amount of 8,837,875 euros. On December 29, 2016, the former Sole Shareholder resolved to contribute 7,000 euros to the Company's equity in the form of a loan.

On January 24, 2017, the Sole Shareholder at the time officially registered the contribution of 525,000 euros that had been made in two payments of 25,000 and 500,000 euros on July 17 and 19, 2016, respectively. That resolution had been reflected by the former Sole Shareholder at the close of December 31, 2016.

In 2017, the former Sole Shareholder officially made the following injections into the Company:

- Monetary contributions in a sum of 8,085,000, 1,400,000, 635,000 and 70,900,000 euros, made respectively, on May 9, May 31, June 22 and September 20, 2017.
- On October 3, 2017, it contributed credit claims held by the then Sole Shareholder against the Company in the amount of 623,497,318 euros.
- In November 2017, the Majority Shareholder settled the management incentive plan (MIP), paying its beneficiaries a mix of cash and Company shares in an aggregate amount of 26,181,063 euros. This payment, which was paid for in full by the Majority Shareholder, is reflected in the Company's income statement as an employee benefits expense, recognizing an additional shareholder contribution in equity in the same amount as the balancing entry.

Cumulative contributions by the Majority Shareholder stood at 740,071,256 euros at December 31, 2018 and 2017.

h) Other equity instruments

On September 26, 2017, the Majority Shareholder approved a long-term incentive plan payable entirely in shares for the CEO and members of its key management personnel, structured into three overlapping three-year periods or cycles (from the IPO, i.e., October 20, 2017, to December 31, 2020; from January 1, 2019 to December 31, 2021; and from January 1, 2020 to December 31, 2022). The metrics to be used to measure delivery of the targets for the first cycle are, in equal parts: (i) EBITDA; (ii) the development margin; and (iii) the shareholder return. For each there are minimum thresholds below which the bonuses do not accrue; there is also scope for outperformance. The number of shares to be received by each participant will be determined by the price of the shares in each three-year cycle (the IPO price for the first cycle and the average trading price during the 20 trading sessions prior to the start of the second and third cycles) and the level of target delivery. All of the shares received by the CEO and 50% of those received by the key management personnel are subject to a one-year lock-up from when they are received. In the case of the CEO and members of the Management Committee, this bonus is subject to repayment under certain circumstances. The cost of this incentive plan will be assumed by the Group. The maximum amount receivable by the plan beneficiaries is 11 million euros. The plan was endorsed by the Appointments and Remuneration Committee on February 27, 2018 and was executed with the beneficiaries between March and April 2018.

The amount recognized under "Other equity instruments" in respect of the commitment assumed under the long-term incentive plan by the Parent vis-a-vis its key management personnel stood at 1,123,887 euros. (0 euros at year-end 2017).

11. Provisions and contingencies

The Company did not recognize any provisions or contingencies at either December 31, 2018 and 2017.

12. Financial liabilities

The breakdown of financial liabilities at year-end is as follows:

	Euros			
	Derivatives and other		Total	
	2018	2017	2018	2017
Non-current financial liabilities				
Non-current liabilities				
Debt with financial institutions	57,630,275	-	57,630,275	-
Derivatives	1,114,568	137,326	1,114,568	137,326
	58,744,843	137,326	58,744,843	137,326
Current financial liabilities				
Current borrowings				
Bonds and other marketable securities	33,953,563	-	33,953,563	-
Debt with financial institutions	410,667	-	410,667	-
Other financial liabilities	682	-	682	-
Current borrowings from group companies and associates	15,955,129	-	15,955,129	-
Trade and other payables				
Trade payables, group companies and associates	-	4,230	-	4,230
Sundry payables	911,065	1,133,839	911,065	1,133,839
Employee benefits payable	2,436,994	1,500,600	2,436,994	1,500,600
Current tax liabilities	-	8,677	-	8,677
Other payables to public authorities	581,132	10,665,872	581,132	10,665,872
	54,249,232	13,313,218	54,249,232	13,313,218
Total	112,994,075	13,450,544	112,994,075	13,450,544

The amounts recognized under the heading of Derivatives as of December 31, 2018 and 2017 correspond to an equity swap arranged to hedge exposure to fluctuations in the Company's share price, formalized on October 17, 2017 with Goldman Sachs to hedge the exposure arising from its obligation to deliver a certain number of shares to employees of AEDAS Homes under the long-term incentive plan (LTIP) approved by the Board of Directors on September 26, 2017.

1. Debt from financial entities

On August 6, 2018, the Company arranged a 150,000,000 euros corporate syndicated loan which it will use to finance future land purchases; it has six months to draw the loan down. On December 13, 2018, said availability period was extended two months until April 6, 2019. It has a maturity of 24 months and carries interest of 3.5% in year one and of 4.25% in year two. At December 31, 2018, the withdrawn balance is 60 million euros.

2. Debt from Group Companies

It recognizes the tax payment obligation (VAT and Corporate Tax) to Group Companies, as a consequence of the applicable fiscal consolidation regime with effect from January 1, 2018.

3. Obligation and other marketable securities

On June 12, 2018, the Company arranged the AEDAS HOMES Commercial Paper Programme 2018 on Spain's alternative fixed income market (MARF for its acronym in Spanish). It can issue up to 75,000,000 euros of paper under the program with terms of up to 24 months. The idea is to diversify the Group's sources of financing.

During 2018, the Company has closed several issues under the program, issuing a total amount of 78.2 million euros; of which an amount of 44.2 million euros has been amortized at maturity, remaining an amount of 34.4 million euros that falls due on several terms, until May 2019. The effective annual cost of those issues is 0.70%.

The commercial paper is initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently, the implicit interest on the paper is accrued using the effective interest rate on the transaction so that the carrying amount of these borrowings is adjusted for the interest accrued. The commercial paper issued by the Company was carried at 33,953,563 euros at December 31, 2018.

4. Derivatives

On October 17, 2017, AEDAS Homes arranged an equity swap with Goldman Sachs to hedge the exposure arising from its obligation to deliver a certain number of shares to employees of AEDAS Homes under the long-term incentive plan (LTIP) approved by the Board of Directors on September 26, 2017. As of December 31, 2018, the fair value of the derivative is 1,114,568 euros (137,326 euros at year-end 2017), recognized as a liability.

13. Tax matters

a) *Applicable legislation and years open to inspection*

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period has elapsed. At December 31, 2018, the Company had all its tax returns since incorporation (Note 1) open to inspection as the authorities have no time limit for checking and investigating the tax credits and tax losses used in the returns open to inspection.

The Group applied to have the tax authorities allow it to file its taxes under the consolidated tax regime from January 1, 2018.

b) *Taxes payable and receivable*

The breakdown of balances relating to tax assets and tax liabilities at year-end is as follows:

	Euros			
	Dec. 31, 2018		Dec. 31, 2017	
	Taxes receivable	Taxes payable	Taxes receivable	Taxes payable
VAT receivable from the tax authorities	3,338,040	-	104,687	
Input VAT receivable	-	-	-	(3,679)
Current tax assets (1)	1,416,648	-	349,603	-
Current tax liabilities	-	-	-	(8,677)
Payable in respect of withholdings	-	(377,654)	-	(10,517,560)
Social Security payable	-	(203,478)	-	(144,633)
Deferred tax assets	1,472,891	-	929,228	-
Total	6,227,579	(581,132)	1,383,518	(10,674,549)

(1) As of December 31, 2018, the amount of Current Tax Assets corresponds to the corporation tax generated by companies under the consolidated tax regime.

c) *Reconciliation of accounting profit/(loss) and tax income/(expense)*

The reconciliation of the Company's accounting profit/(loss) and tax income/(expense) is as follows:

	Euros	
	Dec. 31, 2018	Dec. 31, 2017
Profit/(loss) before tax	21,453,380	(27,560,958)
Permanent differences	90,927	26,086,080
Temporary differences	2,174,652	-
Taxable income/(tax loss) before utilization of tax losses/credits	23,718,959	(1,474,878)
Unrecognized tax credits utilized	-	-
Taxable income/(tax loss)	23,718,959	(1,474,878)
Tax rate	25%	25%
Tax accrued (expense)	(5,929,740)	368,720
Tax credits generated during the reporting period not recognized	-	-
Certain tax assets recognised	-	536,644
Current income tax (expense)/income	(5,929,740)	-
Deferred tax (expense)/income	543,663	905,364

d) Deferred taxes

The breakdown and reconciliation of the items comprising deferred tax assets and deferred tax liabilities:

	Euros			
	Opening balance	Income statement	Equity	Closing balance
2018				
Deferred tax assets				
Unused tax losses	929,228	-	-	929,228
Temporary differences	-	543,663	-	543,663
	929,228	543,663	-	1,472,891
Deferred tax liabilities	-	-	-	-
2017				
Deferred tax assets	-	-	-	-
Unused tax losses	118	929,110	-	929,228
	118	929,110	-	929,228
Deferred tax liabilities	-	-	-	-
Total	118	929,110	-	929,228

The breakdown of unused tax losses carried forward at year-end, after deducting the amounts utilized during the year, if applicable, is as follows:

Year generated	Euros
	Amount
2016	118
2017	929,110
Total	929,228

The Company has recognized deferred tax assets amounting to 929,228 euros (year-end 2017: 929,228 euros) in connection with unused tax losses.

The Company has estimated taxable income for the next five years (the projection period considered to be sufficiently credible) on the basis of its budgets. It has also analyzed the periods in which its taxable temporary differences are expected to revert, identifying those expected to revert in years in which the unused tax losses can be utilized. Based on this analysis, the Company has recognized deferred tax assets for the unused tax losses and the deductible temporary differences based on what it considers likely to generate sufficient taxable profit.

14. Income and expenses

a) *Revenue*

Analysis of revenue from continuing operations by business line and geographic segment:

	Euros	
	Year ended December 31, 2018	Year ended Dec. 31, 2017
By business segment		
Management services provided to the Group	19,470,028	12,169,949
Finance income	22,401,415	13,522,807
Total	41,871,443	25,692,756
By geographical market segment		
Spain	41,871,443	25,692,756
Total	41,871,443	25,692,756

b) *Other operating expenses*

	Euros	
	Year ended December 31, 2018	Year ended December 31, 2017
Leases	(1,081,160)	(667,221)
Repairs and upkeep	(506,899)	(206,775)
Independent professional services	(2,336,756)	(5,091,673)
Insurance premiums	(70,951)	(36,283)
Banking services	(5,256)	(2,076,758)
Advertising, publicity and public relations	(684,790)	(934,080)
Utilities	(13,753)	(6,588)
Other services	(1,319,524)	(1,026,598)
Total	(6,019,089)	(10,045,976)

In 2017, "Independent professional services" and "Banking and similar services" in the table above includes 4,9 million euros corresponding to IPO-related expenses, part of which was funded by the Majority Shareholder before the IPO. In 2018, the Company passed the corresponding share of the IPO expenses, namely 1.4 million euros, on to CastleLake L.P. The corresponding invoice was settled on July 1, 2018.

c) *Employee benefits expense*

Employee benefits expense breaks down as follows:

	Euros	
	Year 2018	Year 2017
Wages, salaries and similar		
Salaries and wages	(10,196,457)	(19,577,016)
Share-based payments (Note 15)	(1,123,889)	(12,940,532)
Termination benefits	(31,614)	(128,636)
Total	(11,351,960)	(32,646,184)
Employee benefits		
Social security	(1,744,649)	(962,095)
Other benefit expense	(295,055)	(161,496)
Total	(2,039,704)	(1,123,591)
Total	(13,391,664)	(33,769,775)

The average number of people employed by the Co Company was 154 (85 people in year 2017). The breakdown, by job category, of the year-end 2018 and 2017 headcount is shown below:

	Year-end 2018			Year-end 2017		
	Women	Men	Total	Women	Men	Total
Graduates	62	55	117	35	45	80
Diploma holders	17	12	29	10	13	23
Other	13	17	30	11	12	23
Total	92	84	176	56	70	126

d) Finance costs

Finance costs break down as follows:

	Euros	
	Year ended December 31, 2018	Year ended December 31, 2017
Interest on borrowings from group companies (note 16)	-	(9,050,754)
Interest expense on loans from third parties		
Other finance costs	(990,472)	(5,341)
	(990,472)	(9,056,095)

The table above shows the interest accrued on the credit facility extended to the Company by its Majority Shareholder up until its capitalization during 2017. During 2018, the financial expenses correspond mainly to the interest and opening commission of the corporate financing.

15. Share-based payment transactions

The share-based payment transactions included within "Employee benefits expense" (Note 14.c) are reconciled below:

	Euros	
	Year 2018	Year 2017
Key management personnel	1,123,887	12,940,532
	1,123,887	12,940,532

In November 2017, the Majority Shareholder settled the management incentive plan (MIP), paying its beneficiaries a mix of cash and Company shares in an aggregate amount of 26,181,063 euros (12,940,532 euros in shares and 13,240,531 euros in cash, included under "Wages and salaries"; refer to Note 14.c). This payment, which was paid for in full by the Majority Shareholder, is reflected in the Company's income statement as an employee benefits expense, recognizing an additional shareholder contribution in equity in the same amount as the balancing entry.

At December 31, 2018, the amount recorded in Other Equity Instruments heading to meet said commitment assumed by the Company with its key employees under the long-term incentive plan, described in the Note 10.e, amounts to 1,123,887 euros (0 euros at year-end 2017).

16. Related-party transactions

The Company's related parties include, in addition to its subsidiaries, jointly controlled companies and associates, its shareholders, key management personnel (the members of its Board of Directors and its executives, along with their close family members) and the entities over which its key management personnel have control or significant influence. Specifically, related-party transactions are those performed with non-Group agents with whom there is a relationship in accordance with the definitions and criteria derived from Spain's Ministry of Finance Order EHA

3050/2004 (of September 15, 2004) and CNMV Circular 1/2005 (of April 1, 2005). Pursuant to those criteria, the following are considered related parties:

Merlin Properties SOCIMI, S.A., by virtue of the existing relationship between a senior executive of that entity and a member of the Company's Board of Directors.

FAB MAY, due to the provision of services by the Company to the former. Note that FAB MAY is owned by entities related to the Company.

CastleLake L.P., as CastleLake Funds manager and 100% indirect shareholder of Hipoteca 43 Lux, S.A.R.L. (Majority Shareholder of Aedas Homes, S.A.).

The main transactions with related parties in the year ended December 31, 2018 were the following:

- The administration, management and delegated development services provided to group companies.
- Loans to group companies (Note 8).
- Re-invoicing of a portion of the IPO transaction costs, according to the IPO Prospectus (Note 14.b).

The main transactions with related parties in the year ended December 31, 2017 were the following:

- The assets contributed to the Company by the Majority Shareholder (Note 1.b).
- The financing extended to the Company by the Majority Shareholder (Note 10).
- The services provided by Merlin Properties SOCIMI, S.A. amounted to 250,000 euros plus VAT during the year ended December 31, 2017.
- The lease over the Company's offices at Castellana 83-85, Madrid with Merlin Properties SOCIMI, S.A. (dated June 15, 2016) implying expenditure of 70,426 euros. That contract was terminated early on May 3, 2017.
- On April 25, 2017, the Company transferred the lease over the offices located at Castellana 42 in Madrid. It was transferred from Merlin Properties SOCIMI, S.A. to RREEF Investment GMBH, Sucursal en España. As a result, the Company paid Merlin a security deposit of 74,745 euros and received from Merlin the sum of 81,822 euros corresponding to two months' rent as grace. The agreement with RREEF Investment GMBH, Sucursal en España terminates on December 1, 2023; it is mandatory for the first five years, until December 1, 2020.
- The lease over the Company's offices in Barcelona with Merlin Properties SOCIMI, S.A. (dated October 15, 2016) implying expenditure of 37,331 euros in 2017. That lease terminates on September 30, 2021.
- The sum of 54,325 euros invoiced to FAB MAY for the administration and management of the assets of Fondo de Activos Bancarios May pursuant to the agreement entered into on November 1, 2016.
- One member of the Company's senior management team received remuneration in cash from Merlin Properties SOCIMI, S.A. for work performed for the latter until September 15, 2017, when that relationship was terminated. However, the economic rights accrued until the date of termination of his employment contract remain valid.
- The Majority Shareholder approved a management incentive plan (MIP) to be settled in a mix of cash and shares. The amount payable under the MIP was tied to the internal rate of the return obtained as a result of the IPO. The total paid out under the MIP was 26 million euros. Fifty per cent was paid in cash and the remaining 50% in Company shares.

a) Related parties

The breakdown of the balances payable to and receivable from related parties at year-end is as follows:

	Euros		
	Direct parent company	Other group companies	Total
2018			
Non-current loans (Note 8)	-	793,082,789	793,082,789
Trade receivables (Note 8)	-	23,990,845	23,990,845
Current loans interests	-	20,343,361	20,343,361
Current account with group companies (assets)	-	3,109,717	3,109,717
Current account with group companies (liabilities)	-	(15,955,129)	(15,955,129)
2017			
Non-current loans (Note 8)	-	621,428,368	621,428,368
Trade receivables (Note 8)	-	14,566,295	14,566,295
Current loans interests	-	16,950,160	16,950,160

The breakdown of the transactions undertaken with related parties in is the following:

	Euros		
	Direct parent company	Other group companies	Total
2018			
Revenue from sales	-	19,470,028	19,470,028
Finance income - interest (Note 14.a)	-	22,401,415	22,401,415
Other operating income	-	1,407,336	1,407,336
2017			
Revenue from sales	-	12,169,949	12,169,949
Finance income - interest (Note 14.a)	-	13,522,806	13,522,806
Finance costs (Note 14.d)	(9,050,754)	-	(9,050,754)

In 2018, the Company passed the corresponding share of the IPO expenses, namely 1.4 million euros, on to CastleLake L.P. The corresponding invoice was settled on July 1, 2018.

Non-current loans to Group companies and associates

The movements under this heading of the accompanying balance sheet during the years ended December 31, 2018 and 2017 were the following:

	Euros			
	Balance at December 31, 2017	Additions	Derecognitions	Balance at December 31, 2018
Non-current loans to Group companies and associates	621,428,368	214,375,615	(42,721,194)	793,082,789
Total	621,428,368	214,375,615	(42,721,194)	793,082,789

	Euros			
	Balance at December 31, 2016	Additions	Derecognitions	Balance at December 31, 2017
Non-current loans to Group companies and associates	28,681,125	621,153,933	(28,406,690)	621,428,368
Total	28,681,125	621,153,933	(28,406,690)	621,428,368

The breakdown of "Non-current loans to Group companies and associates" at December 31, 2018 is as follows:

Company	Euros		Maturity date
	Limit	Principal	
Loan to SPV Reoco 1, S.L.U.	965,171,294	748,664,257	December 31, 2020
Loan to Damalana Servicios y Gestiones, S.L.	42,300,000	24,364,300	January 31, 2022
Loan to Espebe 18, S.L.	18,800,000	1,377,889	December 31, 2019
Loan to SPV Reoco 15, S.L.	26,700,000	6,382,439	December 31, 2022
Loan to SPV Spain 2, S.L.	17,200,000	12,293,904	January 31, 2022
Total	1,070,171,294	793,082,789	

During the year 2018 and as a result of the merger (Note 1.a), the Company signed a credit agreement with SPV Reoco 1, S.L.U. whereby SPV Reoco 1 was subrogated in all the loans granted by Aedas Homes, S.A. to the incorporated companies, setting the due date on December 31, 2020.

The breakdown of "Non-current loans to Group companies and associates" at December 31, 2017 is as follows:

Company	Euros		Maturity date
	Limit	Principal	
Loan to Cornetala Servicios y Gestiones, S.L.	32,800,000	5,574,513	January 31, 2019
Loan to Damalana Servicios y Gestiones, S.L.	42,300,000	21,426,268	January 31, 2022
Loan to Danta Investments, S.L.U.	7,500,000	7,500,000	September 18, 2019
Loan to Delaneto Servicios y Gestiones, S.L.	15,000,000	120,000	January 1, 2020
Loan to Espebe 11, S.L.	10,800,000	6,202,820	August 31, 2019
Loan to Espebe 12, S.L.	54,700,000	27,267,697	July 31, 2021
Loan to Espebe 14, S.L.	44,000,000	37,992,876	July 31, 2021
Loan to Espebe 15, S.L.	11,800,000	7,568,633	July 31, 2020
Loan to Espebe 16, S.L.	13,000,000	7,895,222	September 31, 2019
Loan to Espebe 17, S.L.	28,000,000	22,043,150	August 31, 2021
Loan to Espebe 18, S.L.	18,800,000	3,742,445	July 31, 2018
Loan to Espebe 2, S.L.	20,300,000	13,304,966	March 31, 2019
Loan to Espebe 20, S.L.	25,500,000	17,288,657	October 31, 2020
Loan to Espebe 21, S.L.	5,800,000	3,692,600	November 30, 2019
Loan to Espebe 22, S.L.	25,000,000	29,818,767	November 30, 2020
Loan to Espebe 23, S.L.	20,500,000	3,009,000	November 30, 2020
Loan to Espebe 25, S.L.	35,500,000	25,239,725	January 1, 2021
Loan to Espebe 26, S.L.	15,000,000	7,712,464	January 31, 2022
Loan to Espebe 27, S.L.	25,300,000	18,430,671	February 28, 2022
Loan to Espebe 28, S.L.	32,200,000	20,369,458	February 28, 2022
Loan to Espebe 29, S.L.	9,000,000	7,280,572	March 31, 2021
Loan to Espebe 31, S.L.	8,000,000	4,698,000	June 30, 2021
Loan to Espebe 31, S.L.	8,750,000	8,750,000	June 30, 2021
Loan to Espebe 32, S.L.	13,000,000	11,628,635	May 31, 2020
Loan to Espebe 34, S.L.	6,500,000	1,126,940	May 31, 2021
Loan to Espebe 35, S.L.	25,000,000	24,780,580	September 30, 2020
Loan to Espebe 4, S.L.	15,000,000	9,446,825	April 30, 2019
Loan to Espebe 7, S.L.	8,400,000	3,931,511	May 31, 2019
Loan to Facornata Servicios y Gestiones, S.L.	12,500,000	5,176,203	January 31, 2019

Loan to Landata Servicios y Gestiones, S.L.	63,000	38,000	July 17, 2018
Loan to Milen Investments, S.L.	46,200,000	25,525,314	January 1, 2021
Loan to SPV Project 1, S.L.	10,000,000	12,150,437	February 28, 2021
Loan to SPV Reoco 12, S.L.	7,500,000	4,200,000	June 30, 2021
Loan to SPV Reoco 14, S.L.	10,000,000	2,268,031	December 31, 2020
Loan to SPV Reoco 15, S.L.	26,700,000	6,177,500	December 31, 2022
Loan to SPV Reoco 17, S.L.	21,900,000	9,843,125	December 31, 2021
Loan to SPV Reoco 18, S.L.	12,500,000	5,580,000	January 1, 2021
Loan to SPV Reoco 2, S.L.	55,300,000	35,821,000	May 31, 2024
Loan to SPV Reoco 5, S.L.	16,500,000	6,421,000	November 30, 2021
Loan to SPV Reoco 6, S.L.	10,000,000	8,187,304	September 30, 2020
Loan to SPV Spain 16, S.L.	13,300,000	6,993,791	July 31, 2020
Loan to SPV Spain 17, S.L.	123,800,000	91,190,170	August 30, 2023
Loan to SPV Spain 2, S.L.	17,200,000	8,806,073	January 31, 2022
Loan to SPV Spain 7, S.L.	52,300,000	25,966,972	February 28, 2022
Loans to SPV Reoco 26, S.L.	8,250,000	9,240,453	January 31, 2021
Total	1,012,713,000	621,428,368	

The main movements during the year 2017 corresponded to the transfer of loans on March 30, 2017 and June 29, 2017, specifically the long-term credit claims held by the Sole Shareholder at the time against the majority of Group companies, in the amounts of 470,173,454 euros and 22,714,509 euros, respectively (note 7.c).

In addition, during the year 2017, the Company extended loans to various Group companies in an aggregate amount of 32,947,269 euros; the biggest sums were extended to SPV Reoco 2 (24,255,000 euros) and SPV Reoco 12 (4,200,000 euros). In parallel, loans totaling 4,948,366 euros were canceled, the most significant being the loan between the Company and Aedas Homes S.L.U., which was derecognized as a result of the merger; that loan amounted to 2,340,000 euros at the date of the merger for accounting purposes.

All of the credit facilities extended accrue interest at 1-month Euribor plus 350 basis points.

The main changes for the year 2018 correspond to loan provisions to finance the purchase of land and non-financeable project expenses. The amount of the derecognitions corresponds mainly to the repayment of loans of the companies that have made home deliveries during 2018.

17. **Remuneration and other benefits provided to the directors, key management personnel and the Group auditor**

a) Changes to the governing bodies

On September 27, 2017 and October 4, 2017, the Majority Shareholder decided to modify the Company's governance structure, implementing a Board of Directors made up of nine members. Consequently, the Board of Directors consist of the following members:

- David Martinez Montero
- Eduardo Edmundo D'Alessandro Cishek
- Evan Andrew Carruthers
- Santiago Fernandez Valbuena
- Emile K. Haddad
- Javier Lapastora Turpín
- Miguel Temboury Redondo
- Merlin Properties SOCIMI, S.A.
- Cristina Álvarez Álvarez

b) Disclosures regarding director conflicts of interest

Neither the current nor former directors of the Parent transacted with the Company or any of its Group companies other than in the ordinary course of business or other than on an arm's length basis during the year ended December 31, 2018.

Nor did the members of the Parent's Board of Directors or their related parties, as defined in Spain's Corporate Enterprises Act, relate with other companies whose business activities could represent a conflict of interest for them or the Company during the year ended December 31, 2018 on the basis that none of the notices required under article 229 of that Act have been filed with the competent authorities. Accordingly, there are no related disclosures in these financial statements.

c) Director remuneration and other benefits

The compensation accrued by the members of the Company's Board of Directors amounted to 1,300,246 euros in 2018 and 7,119,700 euros in 2017 (including CEO MIP), respectively.

d) KMP remuneration and other benefits

The remuneration paid to the Company's key management personnel and professionals performing similar executive duties during the years ended December 31, 2018 and 2017:

No. of individuals	Euros			Advances	
	Year-end 2018			No.	Amount
	Fixed and variable remuneration	Other remuneration	Total		
11	1,555,800	416,810	1,972,610	2	9,500

No. of individuals	Euros		
	Year-end 2017		
	Fixed and variable remuneration	Other remuneration	Total
9	969,020	13,975,774	14,944,794

The Company has no pension obligations to its key management personnel nor has it extended these professionals any advances, loans or guarantees, except for 9,500 euros of advances granted on December 31, 2018. There were no special incentive plans over shares of Aedas Homes, S.A. at December 31, 2018, except for the one informed as follows:

On September 26, 2017, the former Sole Shareholder approved a long-term incentive plan payable entirely in shares for around 50 key employees, including the CEO and key management personnel, among others, structured into three overlapping three-year periods or cycles (from the IPO to December 31, 2020; from January 1, 2019 to December 31, 2021; and from January 1, 2020 to December 31, 2022). The metrics to be used to measure delivery of the targets for the first cycle are, in equal parts: (i) EBITDA; (ii) the development margin; and (iii) the shareholder return. For each there are minimum thresholds below which the bonuses do not accrue; there is also scope for outperformance. The number of shares to be received by each participant will be determined by the price of the shares in each three-year cycle (the IPO price for the first cycle and the average trading price during the 20 trading sessions prior to the start of the second and third cycle) and the level of target delivery. All of the shares received by the CEO and 50% of those received by the key management personnel are subject to a one-year lock-up from

when they are received. In the case of the CEO and members of the Management Committee, this bonus is subject to repayment under certain circumstances. The cost of this incentive plan will be assumed by the Group. The maximum amount payable to the plan beneficiaries is 11 million euros. The plan was endorsed by the Appointments and Remuneration Committee on February 27, 2018 and was executed with the beneficiaries between March and April 2018.

In 2018, the Company paid 33,384 euros of civil liability insurance premiums on behalf of its directors to cover potential damages caused in the course of carrying out their duties (23,264 euros in year 2017).

For the purposes of article 229 of Spain's Corporate Enterprises Act, the directors have stated that they are not parties to conflict with respect to the Parent's interests.

18. Risk management

The Group, of which Aedas Homes is the Parent (note 1), manages its capital so as to ensure that the Group companies will be able to continue as profitable concerns while maximizing shareholder returns by balancing its debt versus equity structure.

Financial risk management is centralized in the Corporate Finance Department, which has established the mechanisms necessary for controlling exposure to credit and liquidity risk and, to a lesser extent, interest rate risk.

Qualitative disclosures-

Credit risk:

The Company is not significantly exposed to credit risk since its clients are group companies under the service provision contract subscribed with the subsidiaries, and as collection of the proceeds from the sale of its developments to customers is guaranteed by the properties sold; in addition, it places its cash surpluses with highly solvent banks in respect of which counterparty risk is not material.

Liquidity risk:

The Company determines its liquidity requirements by means of cash forecasts. These forecasts pinpoint when the Group will need funds and how much and new funding initiatives are planned accordingly.

In order to ensure ongoing liquidity and the ability to service all the payment commitments arising from its business operations, the Company holds the cash balances shown on the balance sheet as well as the credit lines and financing agreements detailed in Note 12.

The Company's directors believe that these arrangements will be sufficient to cover its cash requirements and those of its subsidiaries going forward. The liquidity function is managed at the Group level, so that the operating companies do not face liquidity shortfalls and can concentrate on pursuing their real estate developments, which are financed using external borrowings.

Market risk: interest rate risk

Although the Group's cash balances and borrowings both expose it to interest rate risk, and this could have an adverse impact on its net finance costs and cash flows, the Company's directors have not deemed it necessary to write interest rate hedges.

Quantitative disclosures-

Credit risk:

No accounts receivable from Group companies, related parties or third parties were past due at December 31, 2018.

Liquidity risk:

On June 12, 2018, the Company arranged the AEDAS HOMES Commercial Paper Programme 2018 on Spain's alternative fixed income market (MARF for its acronym in Spanish). It can issue up to 75,000,000 euros of paper under the program with terms of up to 24 months. The idea is to diversify the Group's sources of financing. As of December 31, 2018, the Company has closed seven issues under the program for a total amount of 78,200,000 euros (Note 12).

On August 6, 2018, the Company arranged a 150,000,000 euros corporate loan which it will use to finance future land purchases; it has eight months to draw the loan down. The loan has a maturity of 24 months and carries interest of 3.5% in year one and of 4.25% in year two. As of December 31, 2018 the withdrawn balance amounts to 60 million euros.

The borrowings from Group companies were capitalized on October 3, 2017 (Note 6), thus improving the Group's capital structure.

Note that the business plan targets a leverage ratio at the Group level of 30-35%.

Interest-rate risk:

A 100 basis point movement in interest rates would have increased finance costs by 40,000 euros in the year ended December 31, 2018 (2,896,964 euros in the year ended 31 December, 2017).

19. Other information

a) *Headcount disclosures*

One employee with a disability of a severity of 33% or higher is employed by the Company at year-end 2018 and 2017.

The Board of Directors was made up of 9 directors at December 31, 2018, and 2017, eight of whom men.

b) *Audit fees*

Audit fees accrued during the year for services rendered by the statutory auditor:

	Euros	
	2018	2017
Audit and related services		
Audit services and limited review	154,539	215,400
Other assurance services	15,000	240,000
Total	169,539	455,400

c) *Environmental disclosures*

The Company's business activities do not have a significant environmental impact so that it does not hold any fixed assets for the purpose of minimizing its environmental impact and/or enhancing environmental protection.

d) *Disclosures regarding average supplier payment terms. Additional Provision Three "Disclosure requirements" of Law 15/2010*

The disclosures regarding the average supplier payment term:

	2018	2017
	Days	
Average supplier payment term	30.05	22.55
Paid transactions ratio	28.81	22.90
Outstanding transactions ratio	61.03	14.20
	Euros	
Total payments made	10,148,733	14,760,844
Total payments outstanding	403,559	617,282

20. Events after the reporting period

No events have taken place since the end of the reporting period that could have a material impact on the information presented in the financial statements authorized for issue by the directors, other than that disclosed below:

- On January 22, 2019, the Company completed an additional issue of commercial paper under the current program, issuing a total amount of 12,500,000 euros, of which 5,000,000 euros falls due on February, 22 2019, 3,500,000 euros falls due on May, 24 2019, and the remaining 4,000,000 million falls due on June, 21 2019.
- On January 23, 2019, the liquidity contract between the Company and Banco Sabadell, with the object of fostering the frequency and regularity with which the Company's shares are traded, was resumed. This occurred once the adjustments to place the contract within the limit of resources with adjusted balances were made, as stated in Circular 1/2017 on liquidity agreements.

MANAGEMENT REPORT

Aedas Homes, S.A.

For the year ended December 31, 2018

1. Organizational and operating structure

The Company was incorporated as a result of the subscription and payment of 3,000 indivisible equity interests (*participaciones sociales*), numbered sequentially, with a unit par value of 1 euro. They were paid for in cash. Hipoteca 43 Lux, S.A.R.L. purchased 100% of these interests on July 5, 2016. The Company's name was changed to Aedas Homes Group, S.L.U. on July 18, 2016. It assumed its current name in the wake of the restructuring transaction outlined in note 1.a. of the attached notes to the 2018 financial statements.

On July 18, 2016, the Company's name was changed to Aedas Homes Group, S.A. On September 12, 2017, the Company's legal form of incorporation was changed to that of a public limited company and its name was again changed to Aedas Homes, S.A.

During the year ended December 31, 2017, the Company's Majority Shareholder contributed, in a series of transactions, its Spanish real estate development business to Aedas Homes, S.A.:

- On March 30, 2017, the Majority Shareholder made a non-monetary equity injection into the Company in the amount of 314,032,337 euros, a transaction that materialized in the creation of 31,403,231 shares with a unit par value of one euro and an increase in the share premium account of 282,629,106 euros. That contribution primarily implied the first-time recognition of inventories with a net carrying amount of 596,293,156 euros (stated at the Group's ownership interest therein) that were financed by a loan extended by the Majority Shareholder.
- On June 29, 2017, the Company's Majority Shareholder made another non-monetary equity injection into the Company in the amount of 23,140,283 euros, a transaction that materialized in the creation of 2,314,028 shares with a unit par value of one euro and an increase in the share premium account of 20,826,255 euros. That contribution primarily implied the first-time recognition of inventories with a net carrying amount of 43,691,035 euros (stated at the Group's ownership interest therein) that were financed by a loan extended by the Majority Shareholder.
- On August 16, 2017, the Parent's Majority Shareholder made a non-monetary equity contribution to the Company, specifically contributing its interest in Danta Investment, S.L.U.; the contribution had the effect of increasing the Company's share capital by 11,086,771 euros (issuing the same number of shares with a unit par value of one euro) and the share premium account by 99,780,938 euros. The purpose of the above contribution was to contribute a business, described in Note 1.2 of the attached notes to the 2018 financial statements, consisting of the Majority Shareholder's interest in FAB MAY, a company that had inventories at various stages of development, tax credits and cash. The balancing entry for that contribution consisted of the transfer of 95% of the shares of Danta Investment S.L.U. and a credit claim against FAB related to a loan that was cancelled on August 21, 2017. FAB MAY was subsequently liquidated on September 15, 2017, all of its liabilities were cancelled and 100% of its assets were allocated to Danta Investments, S.L.U. In a single act, Danta Investments, S.L.U. paid the SAREB (the acronym in Spanish for the management company for assets arising from bank restructuring, more popularly known as the bad bank) consideration totaling 4,800,000 euros plus VAT.

The merger between Aedas Homes Group (Transferee) and Aedas Homes (Transferor) closed on June 29, 2017 and the name and registered office of the Transferee were changed to those of the Transferor, so that the Company's name was changed from Aedas Homes Group to Aedas Homes. The merger by absorption implied: (i) the dissolution and extinguishment of the Transferor; (ii) the *en bloc* transfer of all the latter's assets and liabilities to the Transferee, which acquired all of its rights and obligations by universal succession.

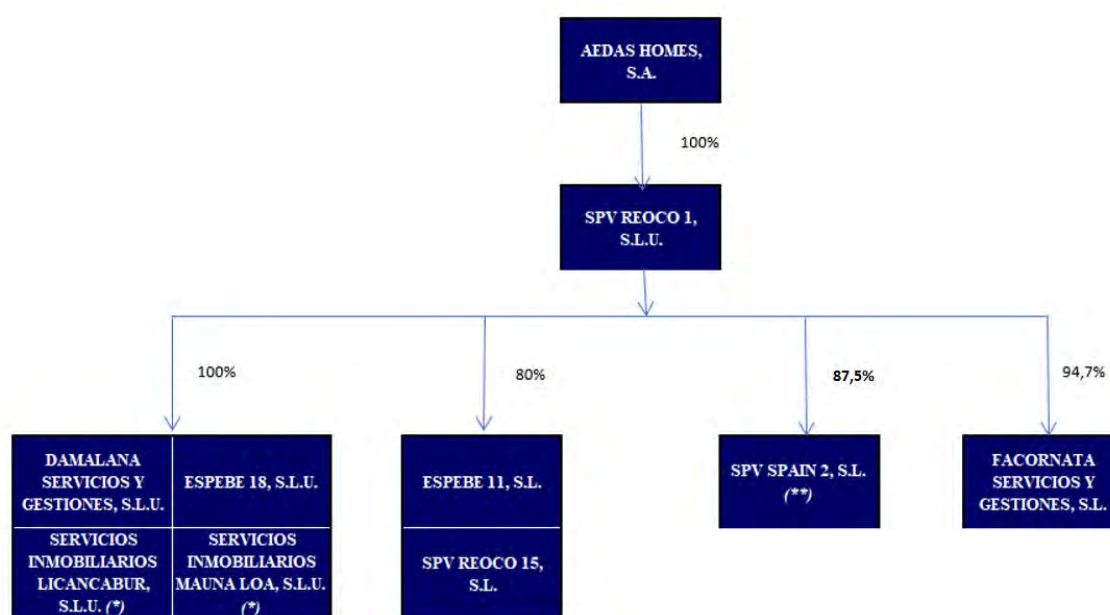
The shares representing the share capital of Aedas Homes S.A. have been trading on the continuous stock markets of Madrid, Barcelona, Bilbao and Valencia since October 20, 2017, at a price of 31.65 euros per share, increasing the Group's share capital as outlined in Note 10 of the attached notes to the 2018 financial statements.

On April 2, 2018, by virtue of resolutions ratified by Aedas Homes, S.A. in its capacity as sole shareholder of SPV Reoco 1, S.L.U., it was agreed to merge SPV Reoco 1, S.L.U. ("Transferee") and 41 of its subsidiaries (ESPEBE 2, S.L.U., ESPEBE 4, S.L.U., ESPEBE 7, S.L.U., ESPEBE 12, S.L.U., ESPEBE 14, S.L.U., ESPEBE 15, S.L.U., ESPEBE 16, S.L.U., ESPEBE 17, S.L.U., ESPEBE 20, S.L.U., ESPEBE 21, S.L.U., ESPEBE 22, S.L.U., ESPEBE 23, S.L.U., ESPEBE 25, S.L.U., ESPEBE 26, S.L.U., ESPEBE 27, S.L.U., ESPEBE 28, S.L.U., ESPEBE 29, S.L.U.,

ESPEBE 31, S.L.U., ESPEBE 32, S.L.U., ESPEBE 34, S.L.U., ESPEBE 35, S.L.U., SPV REOCO 2, S.L.U., SPV REOCO 5, S.L.U., SPV REOCO 6, S.L.U., SPV REOCO 12, S.L.U., SPV REOCO 14, S.L.U., SPV REOCO 17, S.L.U., SPV REOCO 18, S.L.U., SPV REOCO 26, S.L.U., SPV SPAIN PROJECT 1, S.L.U., SPV SPAIN 7, S.L.U., SPV SPAIN 16, S.L.U., SPV SPAIN 17, S.L.U., CORNETALA SERVICIOS Y GESTIONES, S.L.U., DANTA INVESTMENTS, S.L.U., DELANETO SERVICIOS Y GESTIONES, S.L.U., DESARROLLO EMPRESARIAL LICANCABUR, S.L.U., EPAVENA PROMOCIONES Y SERVICIOS, S.L.U., LANDATA SERVICIOS Y GESTIONES, S.L.U., MILEN INVESTMENTS, S.L.U. and SERVICIOS INMOBILIARIOS CLEGANE, S.L.U., the "Transferors"). The merger by absorption implied: (i) the dissolution and extinguishment of the Transferors; (ii) the *en bloc* transfer of all the latter companies' assets and liabilities to the Transferee, which has acquired all of their rights and obligations by universal succession. The merger deeds were publicly notarized on May 4, 2018 and registered with the Madrid Companies Register.

At present, Aedas Homes, S.A. heads up a group of enterprises that carries out its business activities either directly or through investments in other companies with an identical or similar corporate object.

The corporate structure of the group comprising Aedas Homes, S.A. and its subsidiaries (the Group) at December 31, 2018 is presented below:



(*) *Sociedades inactivas*

The Group conducts its business exclusively in Spain. Its core business, as outlined in article 2 of the Company's bylaws, consists of:

- a) The acquisition, development and refurbishment of all manner of properties, whether for holding, use, disposal or lease.
- b) The acquisition, holding, usage, sale and administration of marketable Spanish or international securities and of any titles or rights, such as the shares of limited-liability companies, that give it an equity interest in other companies, all of which as principal and not agent.

2. Business performance and financial results - key measures

At December 31, 2018, the Group's assets totaled 1,076,992,903 euros, liabilities (current and non-current) amounted to 112,994,075 euros and equity stood at 963,998,828 euros, 623,497,318 euros of which corresponded to loans extended to the Parent by the Majority Shareholder and then capitalized on October 3, 2017.

Revenue

In 2018, the revenue sums an amount of 41,871,443 euros, of which 19,470,028 euros correspond to services rendered under the administration, management and delegated development services provision agreements entered into with the various Group companies and 22,401,415 euros correspond to financial income from loans granted to Group companies.

EBITDA

EBITDA amounted to a positive 23,866,369 euros in 2018.

Profit/(loss)

The Group reported a profit of 16,067,303 euros in 2018.

That profit includes income of 1.4 million euros corresponding to the passing on of a portion of the IPO transaction costs to CastleLake, L.P. (1.1 million euros after tax)

Financial situation

At December 31, 2018, current and non-current liabilities amounted to 112,994,075 euros, compared to 13,450,544 euros at December 31, 2017 (a year-on-year increase of 99,543,531 euros), mainly due to the provision of the syndicated loan amounting to 60 million euros, and the issuance of commercial paper described in Note 12 of the attached notes to the financial statement.

3. Environmental and staff matters

As disclosed in note 1 of the financial statements, given the business activities it performs, Aedas Homes has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or performance. Nor does it have any obligations related with greenhouse gas emission allowances.

The number of people employed by the Company at December 31, 2018 was 176 (126 at December 31, 2017). The breakdown of the reporting-date headcount by region, department and job category is provided below:

Region	31.12.18
Madrid	116
Cataluña	15
Este e Islas Baleares	17
Costa del Sol	14
Resto de Andalucía	14
Total	176

Department	31.12.18
Business	108
Investment	7
Finance	20
Corporate	41
Total	176

Employee category	31.12.18
Senior management	30
Middle management	40
Technical and administrative staff	106
Total	176

4. Liquidity and capital resources

Note 18 of the financial statements outlines the Group's capital and liquidity risk management policies.

The Group determines its liquidity requirements by means of cash forecasts. These forecasts pinpoint when the Group will need funds and how much and new funding initiatives are planned accordingly.

In order to ensure ongoing liquidity and the ability to service all the payment commitments arising from its business operations, the Group holds the cash balances shown on the balance sheet as well as the credit lines and financing agreements detailed in Note 14 of the attached notes to the 2018 financial statements.

The Company's directors believe that these arrangements will be sufficient to cover its cash requirements and those of its subsidiaries going forward. The liquidity function is managed at the Group level, so that the operating companies do not face liquidity shortfalls and can concentrate on pursuing their real estate developments, which are financed using external borrowings.

5. Key risks and sources of uncertainty

The Parent has drawn up a risk map. To this end, it has analyzed the organization's procedures, identifying the potential sources of risk, quantifying the related exposures and taking the opportune measures to prevent their materialization.

The most significant financial risks to which the Group is exposed are:

Market risk

Exposure to share price risk

On October 17, 2017, AEDAS Homes arranged an equity swap with Goldman Sachs to hedge the exposure arising from its obligation to deliver a certain number of shares to employees of AEDAS Homes under the long-term incentive plan (LTIP) approved by the Board of Directors on September 26, 2017.

Exposure to credit risk

The Group is not significantly exposed to third-party credit risk as a result of its property development business as it collects virtually all sales made at the time the deeds are exchanged, at which time the buyer either assumes the commensurate part of the corresponding developer loan or opts to use a different payment arrangement. Credit risk as a result of the deferral of payments in land or finished building sale transactions is mitigated by obtaining collateral from the buyer or stipulating termination clauses in the event of default that would lead to the recovery by the Group of title to the asset sold and collection of a penalty payment.

In general, the Group holds its cash and cash equivalents at financial entities with high credit ratings.

Exposure to solvency risk

The Company regularly analyzes its credit risk in respect of its accounts receivable, updating the corresponding provision for impairment accordingly. The Company's directors believe that the carrying amounts of the Group's trade and other receivables approximate their fair value.

Exposure to exchange-rate risk

Given the Company's scant exposure to markets outside the eurozone, exposure to foreign exchange risk is considered immaterial.

6. R&D activities

Given Aedas Homes S.A.'s business lines, it does not have any a significant research and development effort.

7. Own shares

The Company arranged a liquidity agreement with BANCO DE SABADELL, S.A. (the "Financial Broker") on March 20, 2018 with the sole object of fostering the frequency and regularity with which the Company's shares are traded, within the limits established at the Company's Annual General Meeting and, specifically, CNMV Circular 1/2017 on liquidity agreements.

The term of the contract is 12 months from its date of effectiveness, which is April 5, 2018.

On 28 December 2018 the Company put on hold the liquidity agreement as a result of having exceeded the limit of Funds as established in Circular 1/2017, of 26 April of the Spanish National Securities Market Commission (CNMV), on liquidity contracts. Once the securities and the corresponding cash accounts are reconciled again, the liquidity contact will be resumed.

At December 31, 2018, the Company held 46,166 own shares, carried at 1,127,936 euros (0 euros at year-end 2017).

During the financial year 2018, it purchased 369,699 shares at an average price of 28.43 euros per share and sold 323,533 at an average price of 27.60 euros per share.

8. Significant events after the reporting date

As outlined in Note 20 of the financial statements for the year ended December 31, 2018, no events have taken place since the end of the reporting period that could have a material impact on the information presented in the financial statements authorized for issue by the directors, or that should be highlighted because they have significant impact, except for those that are described in said note.

9. Payments to Suppliers

The information regarding the Additional Provision Three "Disclosure requirements" of Act 15/2010 of July 5, which modifies the Act 3/2004, of December 29, by which the measures for the fighting against arrear in commercial operations are established, is presented in the Note 19.d of the attached notes to the 2018 financial statements, in compliance with the requirements of such Act.

10. Information regarding the entity's performance in 2018

At present, Aedas Homes, S.A. is the parent of a group of enterprises. It carries out its business activities either directly or through investments in other companies.

With the aim of simplifying the group's organizational and management structure, on 2 April 2018, pursuant to resolutions ratified by Aedas Homes, S.A., in its capacity as sole shareholder of SPV Reoco 1, S.L.U., agreed the merger between SPV Reoco 1, S.L.U. ("Transferee") and 41 of its subsidiaries. This merger has simplified and sped up corporate decision-making.

As a result of that group restructuring, Aedas Homes, S.A. owns 100% of SPV Reoco 1 S.L.U., which in turns owns 100% of ESPEBE 18, S.L.U., DAMALANA SERVICIOS Y GESTIONES S.L.U., SERVICIOS INMOBILIARIOS LICANCABUR, S.L.U. and SERVICIOS INMOBILIARIOS MAUNA LOA, S.L.U.; it owns 80% of ESPEBE 11, S.L. and SPV Reoco 15, S.L.; 87.5% of SPV Spain 2, S.L. and 94.7% of FACORNATA SERVICIOS Y GESTIONES, S.L.

At December 31, 2018, the Group's assets totaled 1,076,992,903 euros, liabilities (current and non-current) amounted to 112,994,075 euros and equity stood at 963,998,828 euros, 623,497,318 euros of which corresponded to loans extended by the Majority Shareholder and capitalized on October 3, 2017.

At December 31, 2018, liabilities - current and non-current - stood at 112,994,075 euros, compared to 13,450,544 euros at December 31, 2017 (implying an increase of 99,543,531 euros), due mainly to the drawdown of 60 million euros under the syndicated loan and the issuance of the commercial paper notes described in note 12 of the accompanying financial statements.

In 2018, the Company recognized 19,470,028 euros of revenue from services rendered under the administration, management and delegated development services provision agreements entered into with the various group companies and finance income on loans to group companies in the amount of 22,401,415 euros.

EBITDA totaled 23,866,369 euros in 2018.

Aedas Homes, S.A. recorded a profit for the year of 16,067,303 euros. That income includes a gain of 1.4 million euros corresponding to the passing on of a portion of the IPO expenses to CastleLake, L.P. (1.1 million euros after tax). In keeping with article 273 of Spain's Corporate Enterprises Act, that profit will be appropriated as follows: 1,606,730 euros to the legal reserve and the remaining 14,460,573 euros to retained earnings, offsetting prior-year losses.

11. Corporate Governance Annual Report

Aedas Homes, S.A.'s Corporate Governance Annual Report for the year 2018 is part of the Management Report, and has been available since the date of publication of the annual accounts on the website of the National Securities Market Commission and on the Aedas Homes, S.A. website (www.aedashomes.com).

DILIGENCIA DE FIRMAS

Diligencia que levanta el Secretario no consejero del Consejo de Administración para hacer constar que los miembros del mencionado Consejo de Administración de la sociedad AEDAS HOMES, SA han procedido a suscribir las Cuentas Anuales, constitutivas del Balance de Situación, el Estado de Cambios en el Patrimonio Neto, la Cuenta de Pérdidas y Ganancias, el Estado de Flujos de Efectivo, la Memoria y el Informe de Gestión, correspondientes al ejercicio anual terminado el 31 de diciembre de 2018, firmando todos y cada uno de los señores Consejeros de la sociedad, cuyos nombres y apellidos constan a continuación, de lo que doy fe.

19 de febrero de 2019

El Secretario no Consejero

D. Alfonso Benavides Grases

D. Santiago Fernández Valbuena

SIGNATURE DILIGENCE

Diligence raised by the non-director Secretary of the Board of Directors to record that the members of the Board of Directors of the company AEDAS HOMES, SA have proceeded to subscribe the annual accounts, constituent of the Balance Sheet, the Statement of Changes in Equity, the income statement, the Statement of Cashflows, the notes to the financial statements and the management report for the year ended in December 31st, 2018, signed by each and every one of the Directors of the company, whose names and surnames are listed below, That I give faith.

February 19th, 2019

Non-director Secretary

D. Alfonso Benavides Grases

Mr. Santiago Fernández Valbuena

D. David Martínez Montero

Mr. David Martínez Montero

D. Eduardo D'Alessandro Cishek

Mr. Eduardo D'Alessandro Cishek

D. Evan Andrew Carruthers

Mr. Evan Andrew Carruthers

D. Emile K. Haddad

Mr. Emile K. Haddad

D. Javier Lapastora Turpín

Mr. Javier Lapastora Turpín

D. Miguel Temboury Redondo

Mr. Miguel Temboury Redondo

Dña. Cristina Álvarez Álvarez

Ms. Cristina Álvarez Álvarez

Merlin Properties SOCIMI, SA (representado
por D. Ismael Clemente).

Merlin Properties SOCIMI, SA (represented by Mr.
Ismael Clemente)

**DECLARACIÓN DE RESPONSABILIDAD DE
AEDAS HOMES, S.A.**

Conforme a lo establecido en el artículo 8.1(b) del Real Decreto 1362/2007, de 19 de octubre, los miembros del Consejo de Administración de Aedas Homes, S.A. abajo firmantes realizan la siguiente declaración de responsabilidad:

Que, hasta donde alcanza su conocimiento, las Cuentas Anuales individuales de Aedas Homes, S.A. correspondientes al ejercicio finalizado el 31 de diciembre de 2018 han sido elaboradas con arreglo a los principios de contabilidad aplicables; ofrecen, tomadas en su conjunto, la imagen fiel del patrimonio, de la situación financiera y de los resultados de Aedas Homes, S.A.; y el Informe de Gestión individual incluye un análisis fiel de la evolución y los resultados empresariales y de la posición de Aedas Homes, S.A., junto con la descripción de los principales riesgos e incertidumbres a que se enfrentan.

Los consejeros, en prueba de conformidad, firman esta hoja:

D. Santiago Fernández Valbuena
Presidente

D. David Martínez Montero
Consejero Delegado

D. Eduardo D'Alessandro Cishek
Consejero

**DECLARATION OF LIABILITY OF AEDAS
HOMES, S.A.**

In accordance with the provisions of article 8.1 (b) of Royal Decree 1362/2007, of October 19, the members of the Board of Directors of Aedas Homes, S.A. below signatories make the following declaration of liability:

That, as far as it is known, the individual Annual Accounts of Aedas Homes, S.A. for the year ended December 31, 2018 have been prepared in accordance with applicable accounting principles; They offer, taken as a whole, the true image of the Equity, the financial situation and the results of Aedas Homes, S.A.; and the Individual Management Report includes a faithful analysis of the evolution and business results and of the position of Aedas Homes, S.A., together with the description of the main risks and uncertainties that they face.

The Members of the Board, in proof of compliance, sign this sheet:

Mr. Santiago Fernández Valbuena
Chairman

Mr. David Martínez Montero
Chief Executive Officer

Mr. Eduardo D'Alessandro Cishek
Board Member

D. Evan Andrew Carruthers
Consejero

D. Evan Andrew Carruthers
Board Member

D. Javier Lapastora Turpín
Consejero

Mr. Javier Lapastora Turpín
Board Member

D. Miguel Temboury Redondo
Consejero

Mr. Miguel Temboury Redondo
Board Member

Merlin Properties SOCIMI, S.A.
Representada por D. Ismael Clemente
Consejero

Merlin Properties SOCIMI, S.A.
Represented by D. Ismael Clemente
Board Member

Dña. Cristina Álvarez Álvarez
Consejera

Mrs. Cristina Álvarez Álvarez
Board Member

D. Emile K. Haddid
Consejero

Mr. Emile K. Haddid
Board Member

Madrid, 19 de febrero de 2019

Madrid, February 19th, 2019

Yo, Alfonso Benavides Grases, Secretario no consejero del Consejo de Administración, certifico la autenticidad de las firmas que anteceden de las personas cuyo nombre figura en la parte inferior de la firma correspondiente, siendo todos ellos miembros del Consejo de Administración de Aedas Homes, S.A.

Madrid, 19 de febrero de 2019

D. Alfonso Benavides Grases
Secretario del Consejo de Administración

I, Alfonso Benavides Grases, Non-Board Secretary of the Board of Directors, certify the authenticity of the foregoing signatures of the persons whose name appears in the lower part of the corresponding signature, all of whom are members of the Board of Directors of Aedas Homes, S.A.

Madrid, February 19th, 2019

D. Alfonso Benavides Grases
Secretary of the Board of Directors