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, 2019

Building a better working world

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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 (See Note 24)

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, 2019, 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, 2019 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.

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

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, 2019, the Group carried inventories at 1,275,429,563 euros, which mainly comprise land and sites, as well as various developments in progress and completed developments that are being held for the purpose of selling the homes being built. The disclosures pertaining to these assets can be found in Note 10 to the accompanying 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, related purchase costs, construction cost, and capitalized 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 a key audit matter.
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 2019 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 2019 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 25, 2020.

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 in the original version)

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

February 25, 2020

Aedas Homes, S.A. and subsidiaries

Consolidated financial statements for the year ended December 31, 2019 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, 2019

(Euros)

ASSETS	Note	December 31, 2019	December 31, 2018	EQUITY AND LIABILITIES	Note	December 31, 2019	December 31, 2018
NON-CURRENT ASSETS:				**EQUITY**:			
Intangible assets	7	1,299,506	416,090	**Capital**		47,966,587	47,966,587
Software		1,190,620	371,271	Share capital		47,966,587	47,966,587
Other intangible assets		108,886	44,819	**Share premium**		500,076,721	500,076,721
Property, plant and equipment	8	3,625,720	852,165	**Parent company reserves**		(309,868,836)	(311,281,836)
Land and buildings		2,873,109	273,252	**(Own Parent Company shares and equity holdings)**		(30,603,842)	(1,127,936)
Plant and other PP&E		752,050	578,913	**Retained earnings (Prior period losses)**		(41,470,848)	(42,319,941)
Work in progress and prepayments		561	-	**Reserves at fully-consolidated companies**		(3,546,171)	(3,542,734)
Non-current investments in Group companies and associates	9	8,935,804	-	**Other owner contributions**		740,071,256	740,071,256
Investments in associates		3,018,951	-	**Profit/(loss) for the year attributable to equity holders of the parent**		31,571,885	2,454,815
Loans to associates		5,916,853	-	**Other equity instruments**		2,179,770	1,123,888
Non-current financial Investments	9	1,656,121	1,475,922	**Non-controlling interests**		2,497,499	1,989,151
Other financial assets		1,656,121	1,475,922	**Total equity**	13	938,874,021	935,409,971
Deferred tax assets	16	21,820,439	24,628,246	**NON-CURRENT LIABILITIES:**			
Total non-current assets		37,337,590	27,372,423	**Non-current payables**	9, 14	1,682,467	58,744,843
				Debt with financial institutions		-	57,630,275
				Derivatives		-	1,114,568
				Other financial liabilities		1,682,467	-
				Total non-current liabilities		1,682,467	58,744,843
CURRENT ASSETS:				**CURRENT LIABILITIES:**			
Inventories	10	1,275,429,563	1,075,776,641	**Current provisions**		8,912,312	793,825
Trade and other receivables	9, 11	49,080,530	42,483,254	**Borrowings classified as current due in the long term**	9, 14	69,788,519	56,823,957
Trade receivables		43,741,543	36,703,959	**Current borrowings**	9, 14	239,530,130	34,784,914
Trade receivables from associates	19	160,321	-	Bonds and other marketable securities		78,009,410	33,953,563
Sundry receivables		590,401	19,779	Debt with financial institutions		159,278,397	830,669
Personnel		10,160	17,016	Derivatives		1,196,640	-
Current tax assets	16	1,418,455	1,418,585	Other financial liabilities		1,045,683	682
Other receivables from public authorities	16	3,159,650	4,323,915	**Current borrowings from related companies and associates**	9, 14	1,677,817	3,448,732
Current investments in Group companies and associates	9	182,941	-	**Trade and other payables**	9, 15	268,160,095	172,356,235
Loans to associates		182,941	-	Suppliers		82,738,943	45,070,109
Current Financial Assets	9	8,031,653	5,601,059	Payable for services received		8,760,829	2,935,546
Loans to companies		28,574	-	Employee benefits payable		2,222,749	2,436,994
Other current financial assets		8,003,079	5,601,059	Current tax liabilities	16	5,635,915	-
Prepayments and accrued income	9	9,820,467	8,144,515	Other payables to public authorities	16	13,586,969	1,540,222
Cash and cash equivalents	12	148,742,617	102,984,585	Customer prepayments		155,214,690	120,373,364
Total current assets		1,491,287,771	1,234,990,054	**Total current liabilities**		588,068,873	268,207,663
TOTAL ASSETS		1,528,625,361	1,262,362,477	**TOTAL EQUITY AND LIABILITIES**		1,528,625,361	1,262,362,477

The accompanying notes 1 to 23 are an integral part of the consolidated balance sheet at December 31, 2019.

AEDAS HOMES, S.A. and subsidiaries

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

(Euros)

	Note	Year 2019	Year 2018
CONTINUING OPERATIONS			
Revenue	**18.a**	**311,653,621**	**79,822,668**
Revenue from sales		311,483,243	79,822,668
Revenue from services rendered		170,378	-
Changes in inventories of finished goods and work in progress	**18.b**	**212,555,189**	**230,337,696**
Changes in inventories of finished goods and work in progress		212,532,018	229,828,763
Inventory impairment losses / reversals		23,171	508,933
Cost of sales	**18.b**	**(422,355,332)**	**(286,228,538)**
Consumption of goods for resale		(422,274,194)	(286,597,689)
Inventory impairment losses / reversals		(81,138)	369,151
Other operating income		**554,119**	**1,693,850**
Non-trading and other operating income		554,119	1,693,850
Employee benefits expense	**18.c**	**(17,010,076)**	**(13,391,664)**
Wages, salaries and similar		(13,877,316)	(11,351,960)
Employee benefits		(3,132,760)	(2,039,704)
Other operating expenses	**18.d**	**(29,728,644)**	**(16,697,414)**
External services		(27,323,914)	(14,545,022)
Taxes other than income tax		(2,096,456)	(2,105,557)
Other operating expenses		(308,274)	(46,835)
Depreciation and amortization	**7 & 8**	**(1,522,759)**	**(349,282)**
Impairment of and gains/(losses) on disposal of fixed assets		**(3,059)**	**(19,009)**
Impairment and write-downs		(3,059)	(19,009)
OPERATING PROFIT/(LOSS)		**54,143,059**	**(4,831,693)**
Finance income		**192,181**	**881**
Other finance income		192,181	881
Borrowing costs capitalized in inventories	**10**	**10,973,316**	**7,418,498**
Finance costs	**18.e**	**(20,463,905)**	**(9,666,170)**
Borrowings from Group companies and associates		(101,613)	(209,466)
Third-party borrowings		(20,362,292)	(9,456,704)
Change in fair value of financial instruments	**9**	**(156,467)**	**(1,050,763)**
Held-for-trading portfolio and other securities		(156,467)	(1,050,763)
Exchange gains/(losses)		**(4,250)**	**(3,669)**
Impairment of and gains/(losses) on disposal of financial instruments		**(1,125)**	**-**
Gains/(losses) on disposals		(1,125)	-
NET FINANCE INCOME/(COST)		**(9,460,250)**	**(3,301,223)**
Share of net profit (loss) of associates companies		**(170,957)**	**-**
PROFIT/(LOSS) BEFORE TAX		**44,511,852**	**(8,132,916)**
Income tax	**16**	**(10,423,615)**	11,998,161
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**34,088,237**	**3,865,245**
DISCONTINUED OPERATIONS		-	-
Profit/(loss) after tax for the period from discontinued operations		-	-
PROFIT/(LOSS) FOR THE YEAR		**34,088,237**	**3,865,245**
Attributable to:			
Non-controlling interests		2,516,352	1,410,430
Equity holders of the parent		31,571,885	2,454,815
Earnings/(loss) per share from continuing operations (in euros):			
Basic		0.66	0.05
Diluted		0.68	0.05

The accompanying notes 1 to 23 are an integral part of the consolidated income statement for the year ended December 31, 2019.

AEDAS HOMES, S.A. and subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

(Euros)

	Note	Year 2019	Year 2018
PROFIT/(LOSS) FOR THE PERIOD (I)		**34,088,237**	**3,865,245**
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)		**34,088,237**	**3,865,245**
Total recognized income and expense attributable to equity holders of the Parent		31,571,885	2,454,815
Total recognized income and expense attributable to non-controlling interests		2,516,352	1,410,430

The accompanying notes 1 to 23 are an integral part of the consolidated statement of comprehensive income for the year ended December 31, 2019.

AEDAS HOMES, S.A. and subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

(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 2018	**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)
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**
Total recognized income and expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**31,571,885**	**-**	**2,516,352**	**34,088,237**
Distribution of prior-period profit	**-**	**-**	**1,606,730**	**-**	**848,085**	**-**	**-**	**(2,454,815)**	**-**	**-**	**-**
Transactions with shareholders	**-**	**-**	**(193,731)**	**(29,475,906)**	**-**	**-**	**-**	**-**	**-**	**(2,008,004)**	**(31,677,641)**
Transactions with own shares and equity holdings (net)	-	-	(193,731)	(29,475,906)	-	-	-	-	-	-	(29,669,637)
Distribution of dividends and repayment of equity contributions	-	-	-	-	-	-	-	-	-	(2,008,004)	(2,008,004)
Consolidation scope and other changes	**-**	**-**	**1**	**-**	**1,008**	**(3,437)**	**-**	**-**	**1,055,882**	**-**	**1,053,454**
CLOSING BALANCE AT DECEMBER 31, 2019	**47,966,587**	**500,076,721**	**(309,868,836)**	**(30,603,842)**	**(41,470,848)**	**(3,546,171)**	**740,071,256**	**31,571,885**	**2,179,770**	**2,497,499**	**938,874,021**

The accompanying notes 1 to 23 are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2019.

AEDAS HOMES, S.A. and subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019
(Euros)

	Note	Year 2019	Year 2018
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**44,511,852**	**(8,132,916)**
Adjustments to profit/(loss)		**12,021,270**	**5,672,996**
Depreciation and amortization charges	**7 & 8**	1,522,759	349,282
Impairment and write-downs		57,967	(859,076)
Provisions		1,055,881	2,958,733
Proceeds from disposals of fixed assets	**10**	3,059	-
Proceeds from disposals of financial instruments		1,125	-
Finance income		(192,181)	(769)
Finance costs	**18.e**	20,463,905	9,666,169
Borrowing costs capitalized in inventories	**10**	(10,973,316)	(7,418,586)
Changes in fair value of financial instruments		82,071	977,243
Other cash flows (used in)/from operating activities		**(6,188,225)**	**(11,853,964)**
Interest received		2,086	769
Interest paid		(6,190,311)	(8,801,372)
Income tax paid		-	(3,053,361)
Changes in working capital:		**(164,320,559)**	**(142,915,925)**
Increase/(decrease) in inventories		(169,896,570)	(185,258,050)
Increase/(decrease) in trade receivables		(8,577,202)	10,109,368
Increase/(decrease) in trade payables		82,533,410	52,095,143
Increase/(decrease) in other current assets and liabilities		(68,364,475)	(18,963,994)
Increase/(decrease) in other non-current assets and liabilities		(15,722)	(898,392)
Net cash used in operating activities (1)		**(113,975,662)**	**(157,229,809)**
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments | disposals		**(12,676,641)**	**(5,935,784)**
Group companies and associates		(11,133,224)	(5,320,829)
Intangible assets	**7**	(1,150,037)	(241,240)
Property, plant and equipment	**8**	(393,380)	(373,715)
Net cash from/(used in) investing activities (2)		**(12,676,641)**	**(5,935,784)**
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments for equity instruments		**(29,669,637)**	**(1,551,973)**
Acquisition of own equity instruments		(32,747,432)	(10,593,000)
Disposal of own equity instruments		3,077,795	9,041,027
Proceeds from and repayment of financial liabilities		**202,079,972**	**95,266,689**
Issue of bonds and other marketable securities		193,578,909	78,153,563
New financing obtained from banks		221,379,314	107,344,848
Issue of debt with related parties		-	28,481
Repayment of bonds and other marketable securities		(150,000,000)	(44,200,000)
Repayment of debt with financial institutions		(61,072,107)	(41,056,849)
Repayment of debt with related parties		(1,806,144)	(5,003,354)
Net cash from financing activities (3)		**172,410,335**	**93,714,716**
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)		**45,758,032**	**(69,450,877)**
Cash and cash equivalents at beginning of year		**102,984,585**	**172,435,462**
Cash and cash equivalents, closing balance		**148,742,617**	**102,984,585**

The accompanying notes 1 to 23 are an integral part of the consolidated statement of cash flows for the year ended December 31, 2019.

Aedas Homes, S.A. and subsidiaries

Notes to the 2019 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 agreed on May 23, 2017.

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 *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.

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 "Business Combinations"*, based on 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 Majority 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 were 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 Majority 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.

1.*2 Corporate Restructuring Transactions*

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 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 restructuration 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 Chapter VII of Title VII of Spain's Corporate Income Tax Act (Legislative-Royal Decree 4/2014, of November 27, 2014).

1.3 *Changes in the Group's composition*

At December 31, 2019, 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, 2019 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, 2019, 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.

The description of the main changes, during financial year 2019, in the investments in Group companies and associates, is as follows:

- The companies MILOS ASSET DEVELOPMENT, S.L. and TURNKEY PROJECTS DEVELOPMENT, S.L. were incorporated and publicly notarized on May 13, 2019, its sole partner being SPV REOCO 1, S.L.U.

- On 11 June 2019, SPV REOCO 1, S.L.U. formalised a 20% equity acquisition of the company Winslaro ITG, S.L.

- On July 18, 2019 a 75% equity sale of Servicios Inmobiliarios Licancabur, S.L. by SPV REOCO 1, S.L.U. was formalized.

- On July 30, 2019 a 10% equity acquisition by SPV REOCO 1, S.L.U. of the companies Urbania Lamatra I, S.L. and Urbania Lamatra II was formalized.

- On December 3, 2019 the incorporation of the companies Ipala Asset Development, S.L.U. and Egon Asset Development, S.L.U. was formalized, their sole shareholder being SPV REOCO 1, S.L.U.

- The sale of all the equity interests in MILOS ASSET DEVELOPMENT, SLU by SPV REOCO 1, S.L.U. was publicly notarized on December 20, 2019.

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, 2019 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, 2019 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, 2019 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, 2019.

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 comprehensive income, consolidated statement of 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 2018 consolidated financial statements, except the following, applicable from the 2019 financial year onwards and not previously adopted, if applicable:

- 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)

- Amendments to IFRS 9 (Prepayment Features with Negative Compensation)

- Annual Improvements to IFRS Standards, 2015-2017 Cycle

The modifications introduced by IFRS 16 Leases, in force since January 1, 2019, must be highlighted.

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). Under the previous lease standard, a significant portion of these contracts were classified as operating lease, with lease payments being recognised generally on a straight-line basis over the contract term.

As of the date of its first application (January 1, 2019), the Group acted as a lessee on a total of 28 lease agreements of different assets, corresponding mainly to office leases, parking spaces and vehicles renting.

The Group decided to adopt the modified retrospective transition method; therefore, the Group recognized the cumulative effect of initial application as an adjustment to retained earnings at the date of the initial application of IFRS 16 (January 1, 2019). The impact of the application of this standard on the Group's financial statements has been the recognition on the balance sheet of right of use assets and their corresponding lease obligations for a total amount of de 2,729,508 euros at the date of its first application. Also, amortization of the right of use assets and recognition of interest costs on the lease obligation on the statements of income replace amounts recognized as lease expense under the previous lease standard. Classification of lease payments in the statement of cash flows are also affected by the requirements of this new lease standard. Additionally, the Group's Financial Statements include, in compliance of the requirements of the standard, broader disclosures with relevant information regarding lease contracts, which are detailed below.

The rights of use assets are amortized on a straight-line basis over the estimated useful life or the term of the lease, whichever is shorter.

The lease contracts of the Group do not include dismantling or restoration obligations.

The right of use assets are not presented separately in the consolidated balance sheet.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right of use assets			**Lease Liabilities**
	Buildings	**Plant and other PP&E**	**TOTAL**	
Balance at 31 January 2019	**2,556,703**	**172,805**	**2,729,508**	**2,729,508**
Additions	296,403	58,145	354,548	354,548
Depreciation expense	(938,677)	(42,494)	(981,171)	-
Interest Expense	-	-	-	123,363
Modification to lease terms – other adjustments	555,318	-	555,318	555,318
Lease Payments	-	-	-	(1,054,478)
Balance at 31 December 2019	**2,469,747**	**188,456**	**2,658,203**	**2,708,259**

For the year ended December 31, 2019, the Group has recognised leases of low-value assets and short-term lease payments, for a total amount of 129,813 euros.

For the lease liabilities recognized at December 31 2019, an amount of 1,025,792 euros is due within one year, and an amount of 1,682,467 euros is due within one to five years.

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 at the date of preparing the accompanying consolidated financial statements, when said standards, interpretations and amendments take effect, insofar as they apply to the Group.

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

Mandatory Implementation: effective for periods beginning on or after 1 January 2020

- Revised Conceptual Framework for Financial Reporting

- Amendments to IAS 1 and IAS 8 – Definition of Material

- Amendments to IFRS 3 – Definition of a Business

Mandatory Implementation: effective for periods beginning on or after 1 January 2022

- IFRS 17 Insurance Contracts

Although the Group is still in the process of analysing 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.

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, 2019 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 estimation of the net realizable value of the Group's inventories: the Group 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. The market value has been determined based on the valuation carried by independent appraisers. Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U. appraised the value of the real estate assets from the asset portfolio of the Group, as at December 31, 2019. In financial year 2018, the valuation date was 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).

- 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, 2019 regarding the facts analysed, 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, 2019 and 2018 is listed in Appendix I.

Subsidiaries

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, with the exception of Winslaro ITG, S.L., Servicios Inmobiliarios Licancabur, S.L., Urbania Lamatra I, S.L. and Urbania Lamatra II, S.L.

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.

Investments in associates and joint ventures

Investments in an associate or, where applicable, in a joint venture, are recognized under the equity method; initially the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. The investor’s share of the investee’s profit or loss is recognised in the investor’s profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor’s proportionate interest in the investee arising from changes in the investee’s other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor’s share of those changes is recognised in the investor’s other comprehensive income.

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, 2019 is presented alongside the information at December 31, 2018 in respect of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows. As pointed out in section a) of this note, and with the effects described in said section, IFRS 16 Leases is effective for periods beginning on or after January 1, 2019, which must be considered for comparative purposes.

Any comparison should consider the changes in the Group's capital structure outlined in Notes 1.1, 1.2 and 1.3.

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

3. ***Distribution of profit/(loss)***

The distribution of profit proposed by the Parent's directors for the year ended December 31, 2019, pending ratification at the Annual General Meeting, is as follows:

	Euros
	Dec 31, 2019
Basis of distribution:	
Profit for the year	15,027,995
Distribution:	
Allocation to legal reserves (art. 273 LSC)	1,502,799
Prior-year losses offsetting	13,115,628
Capitalization reserve (art. 25 LIS)	409,568

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, 2019:

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 Group recognizes computer software at the amount of costs incurred to acquire and develop it; 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 consolidated 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 labour 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
Straight-line depreciation charge:	
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 Parent Company 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 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 Group reviews its inventories for indications of impairment periodically, recognizing the required impairment provisions as warranted in keeping with the criteria described below. 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 fair value of the Group's inventories is estimated based on appraisals performed by independent experts not related to the Group (Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U.). 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 analysed. 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, 2019, 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 term 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 11.4% (11.8% as of December 31, 2018). The decrease is attributable to the progress made on executing the works and off-plan sales percentages as of December 31, 2019.

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 2,817 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 2019, the Group applies 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 to the consolidated financial statements, 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, 2019 and 2018.

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 consolidated equity, in which case the related tax is likewise recognized in consolidated 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 the consolidated income statement.

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

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 Redundancy payments

Under prevailing labour law, the Group is obliged to pay severance to employees who are discontinued under certain circumstances. Redundancy payments 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, 2019 or December 31, 2018 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 Aedas Homes 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 Leases

The assets and liabilities arising from all leases (except for the short-term leases and leases of low-value assets) in which the Group acts as the lessee, under a contract, or part of a contract, which conveys the right to control the use of an identified asset for a period of time in exchange for consideration are recognized in the consolidated balance sheets. Refer to Note 2.a.

4.21 Segment information

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

4.21 Investments in associates

Investments in an associate or, where applicable, in a joint venture, are recognized under the equity method; initially the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. The investor’s share of the investee’s profit or loss is recognised in the investor’s profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor’s proportionate interest in the investee arising from changes in the investee’s other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor’s share of those changes is recognised in the investor’s other comprehensive income.

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	
	2019	2018
Profit/(loss) for the period attributable to equity holders of the Parent	31,571,885	2,454,815
Number of shares outstanding (Note 13)	47,966,587	47,966,587
Basic earnings/(loss) per share	**0.66**	**0.05**

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.

As of December 31, 2019, the Parent held 1,485,057 own shares (46,166 at the end of year 2018), not holding any other dilutive equity instrument, so the diluted earnings per share amounts to 0.68 euros (the diluted earnings per share was 0.05 euros at the end of year 2018).

6. *Changes in the Group's composition*

Changes in the group´s composition are described in Notes 1.1, 1.2 and 1.3.

7. *Intangible assets*

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

	Euros		
	Software	Advances for intangible assets	Total
Cost:			
Balance at January 1, 2019	560,017	44,819	604,836
Additions	342,055	807,981	1,150,036
Reclassifications	743,914	(743,914)	-
Balance at December 31, 2019	**1,645,986**	**108,886**	**1,754,872**
Accumulated amortization:			
Balance at January 1, 2019	(188,746)	-	(188,746)
Charges	(266,620)	-	(266,620)
Derecognitions	-	-	-
Total accumulated depreciation	**(455,366)**	**-**	**(455,366)**
Carrying amount at Dec 31, 2019	**1,190,620**	**108,886**	**1,299,506**

	Euros		
	Software	Advances for intangible assets	Total
Cost:			
Balance at January 1, 2018	254,778	108,818	363,596
Additions	95,974	145,266	241,240
Reclassifications	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	-	-	-
Total accumulated depreciation	**(188,746)**	**-**	**(188,746)**
Carrying amount at Dec 31, 2018	**371,271**	**44,819**	**416,090**

The main additions recognized in the financial year 2019 are related to the development of computer applications in order to accelerate and increase the efficiency and improvement of administrative and business processes. 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.

No items of intangible assets had been pledged as collateral at either December 31, 2019 or December 31, 2018.

As of December 31, 2019 there are fully amortized intangible assets and still in use for a total amount of 43,825 euros (as of December 31, 2018 there were no intangible assets fully amortized and still in use).

8. ***Property, plant and equipment***

The reconciliation of the movements under this heading during the year ended December 31, 2019 and 2018 is as follows:

	Euros						
	Buildings	Other plant	Furniture & fittings	Computer equipment	Other items of PP&E	Prepayments for PP&E	Total
Cost:							
Balance at January 1, 2019	344,453	41,860	223,462	466,944	68,542	-	1,145,261
Additions	55,502	21,322	61,370	64,602	10,970	179,614	393,380
Derecognitions	(16,194)	-	-	-	-	-	(16,194)
Reclassifications	175,139	-	-	3,914	-	(179,053)	-
Balance at December 31, 2019	**558,900**	**63,182**	**284,832**	**535,460**	**79,512**	**561**	**1,522,447**
Accumulated depreciation:							
Balance at January 1, 2019	(71,201)	(15,557)	(35,399)	(155,693)	(15,246)	-	(293,096)
Charges	(97,472)	(9,836)	(26,771)	(126,111)	(14,779)	-	(274,969)
Derecognitions	13,135	-	-	-	-	-	13,135
Total accumulated depreciation	**(155,538)**	**(25,393)**	**(62,170)**	**(281,804)**	**(30,025)**	**-**	**(554,930)**
Carrying amount at Dec. 31, 2019	**403,362**	**37,789**	**222,662**	**253,656**	**49,487**	**561**	**967,517**

Additionally, right of use assets are recognised under "Property, plant and equipment" heading for a total amount of 2,658,203 euros at December 31, 2019, as disclosed in Note 2.b.a.

	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	146,329	3,430	78,368	126,983	18,606	-	373,716
Derecognitions	(26,082)	-	-	-	-	-	(26,082)
Reclassifications	143,134	-	1,175	-	-	(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**

The main additions recognized in the year ended December 31, 2019 relate to capital expenditure on the new office facilities. The main additions recognized in the year ended December 31, 2018 related to capital expenditure on the new office facilities and computer equipment. The derecognitions in year 2019 and 2018 relate to old office facilities.

As of December 31, 2019, there are items of property, plant and equipment that are fully depreciated and still in use for a total amount of 30,720 euros (there were none as of December 31, 2018).

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, 2019 or 2018.

The Group had no contractual commitments for the purchase of property, plant and equipment at December 31, 2019 or 2018.

9. ***Current and non-current financial assets and liabilities***

The breakdown of the Group's financial assets and liabilities at December 31, 2019 and 2018 is provided in the table below:

	Euros			
	Dec. 31, 2019		Dec. 31, 2018	
	Non-current	Current	Non-current	Current
Investments in associates	3,018,951	-	-	-
Loans to associates	5,916,853	182,941	-	-
Guarantees and deposits extended	1,656,121	-	1,475,922	-
Trade and other receivables (Note 11)	-	49,080,530	-	42,483,254
Current financial assets	-	8,031,653	-	5,601,059
Current provisions	-	(8,912,312)	-	(793,825)
Borrowings from related parties (Note 14)	-	(1,677,817)	-	(3,448,732)
Financial debts (Note 14)	(1,682,467)	(239,530,130)	(58,744,843)	(34,784,914)
Bank borrowings classified as current due in the long term (Note 14)	-	(69,788,519)	-	(56,823,957)
Trade and other payables (Note 15)	-	(268,160,095)	-	(172,356,235)
Prepayments and accrued income	-	9,820,467	-	8,144,515
Total	**8,909,458**	**(520,953,282)**	**(57,268,921)**	**(211,978,835)**

- "Current financial assets" on the accompanying consolidated balance sheet includes fixed-term deposits that mature less than one year after the reporting date. A total amount of 5,787,864 euros of those fixed-term deposits have been pledged to secure sureties and surety insurance extended to house buyers at year-end 2019 (5,348,067 euros at year-end 2018).

- “Investments in associates” on the accompanying consolidated balance sheet includes investments in associates and joint ventures, accounted for using the equity method. Summarised financial information of the associates, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	Euros			
	Financial year 2019			
	WINSLARO ITG, S.L.	SERV. INMOBILIARIOS LICANCABUR, S.L.	URBANIA LAMATRA I, S.L.	URBANIA LAMATRA II, S.L.
Summarised statement of financial position of associates				
Non-current assets	103,048	66,713	159,672	190,449
Current assets	18,028,307	17,775,258	7,902,232	51,940,157
Non-current liabilities	(6,415,447)	(11,540,750)	(5,616,551)	(25,718,046)
Current liabilities	(8,718,813)	(284,094)	(87,755)	(20,049,768)
Equity	**2,997,095**	**6,017,127**	**2,357,598**	**6,362,792**
Ownership interest attributable to the Parent	*20%*	*25%*	*10%*	*10%*
Group’s share in equity	599,419	1,504,282	235,760	636,279
Goodwill	332	-	32,845	10,034
Group’s carrying amount of the investment	**599,751**	**1,504,282**	**268,605**	**646,313**
Revenue	-	957,726	-	-
Cost of sales	-	(957,726)	-	-
Other operating income	-	22	-	-
Other operating expenses	(106,159)	(109,218)	(257,598)	(59,712)
Finance costs	(305,447)	(157,555)	(344,933)	(681,236)
Profit/(loss) before tax	**(411,606)**	**(266,751)**	**(602,531)**	(740,948)
Income tax	102,902	66,688	150,633	185,237
Profit/(loss) for the year from continuing operations	**(308,704)**	**(200,063)**	**(451,898)**	**(555,711)**
Group’s share of profit for the period	**(58,849)**	**(49,991)**	**(15,055)**	**(47,062)**

- "Loans to associates" on the accompanying consolidated balance sheet includes loans to associates and joint ventures. The breakdown at December 31, 2019 is as follows:

	Limit	Principal	Maturity date	Interest
SERV. INMOBILIARIOS LICANCABUR, S.L.	5,300,000	2,885,188	July 29, 2025	Euribor + 3,5%
URBANIA LAMATRA I, S.L.	1,000,000	526,240	December 14, 2023	Euribor + 9%
URBANIA LAMATRA II, S.L.	3,140,000	1,283,425	July 26, 2025	Euribor + 9%
WINSLARO ITG, S.L.	4,520,000	1,222,000	June 11, 2025	Euribor + 9%
Total	**13,960,000**	**5,916,853**		

- "Prepayments and accrued income" on the accompanying consolidated balance sheet includes the marketing fees for the promotions, which are transferred to income once the sale of the property happens. 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 the consolidated income statement.

10. ***Inventories***

The breakdown of the Group’s inventories as of December 31, 2019 and December 31, 2018 is as follows:

	Euros	
	Dec. 31, 2019	Dec. 31, 2018
Land and sites	619,610,481	650,205,822
Developments in progress (*)	542,290,101	393,456,468
Completed buildings	95,192,155	20,485,689
Prepayments to suppliers	18,336,826	11,628,662
Total	**1,275,429,563**	**1,075,776,641**

(*) At December 31, 2019, "Developments in progress" includes the cost of the land on which the developments are being carried out in the amount of 282,982,597 euros (251,382,359 euros at year ended December 31, 2018).

The reconciliation of the opening and year-end 2019 inventory balances:

Euros	Dec. 31, 2018	Prepayments	Land purchases	Cost of sales	Derecognitions (Note 18.b)	Capitalized borrowing costs	Impairment (Note 18.b)	Dec. 31, 2019
Inventories	**1,075,776,641**	**6,708,164**	**84,076,217**	**307,695,368**	**(209,742,176)**	**10,973,316**	**(57,967)**	**1,275,429,563**

During 2019 the Group completed the works at 21 housing developments developed by subsidiaries, which implied the transfer of a balance of 276,443,966 euros from "Developments in progress" to "Completed buildings".

During 2019, The Group has agreed the following land purchases:

Euros				
2019				
Company	Transaction date	Transaction	Purchase price	Deferred price
SPV REOCO 1, S.L.U.	January 17, 2019	Land Purchase	12,000,000	-
SPV REOCO 1, S.L.U.	January 21, 2019	Land Purchase	600,000	-
SPV REOCO 1, S.L.U.	March 12, 2019	Land Purchase	1,433,333	-
SPV REOCO 1, S.L.U.	April 04, 2019	Land Purchase	106,305	-
SPV REOCO 1, S.L.U.	April 10, 2019	Land Purchase	2,233,029	-
SPV REOCO 1, S.L.U.	April 29, 2019	Land Purchase	2,000,000	36,949
SPV REOCO 1, S.L.U,	June 27, 2019	Land Purchase	2,253,275	-
SPV REOCO 1, S.L.U,	July 04, 2019	Land Purchase	4,903,414	-
SPV REOCO 1, S.L.U,	July 9, 2019	Land Purchase	5,648,742	-
SPV REOCO 1, S.L.U,	July 11, 2019	Land Purchase	15,972,060	-
SPV REOCO 1, S.L.U,	July 20, 2019	Land Purchase	175,206	-
SPV REOCO 1, S.L.U,	July 30, 2019	Land Purchase	14,417,444	-
SPV REOCO 1, S.L.U,	August 29, 2019	Land Purchase	745,115	-
SPV REOCO 1, S.L.U,	September 18, 2019	Land Purchase	5,970,419	112,787
SPV REOCO 1, S.L.U,	October 2, 2019	Land Purchase	3,858,400	-
SPV REOCO 1, S.L.U,	November 22, 2019	Land Purchase	3,900,000	-
SPV REOCO 1, S.L.U,	November 27, 2019	Land Purchase	4,100,000	3,690,000
SPV REOCO 1, S.L.U,	November 28, 2019	Land Purchase	2,459,475	-
SPV REOCO 1, S.L.U,	December 19, 2019	Land Purchase	1,300,000	-
		TOTAL	**84,076,217**	**3,839,736**

During 2019, The Group has agreed the following land sales:

Euros				
2019				
Company	Transaction date	Transaction	Sale price (Note 18.a)	Deferred price
SPV REOCO 1, S.L.U.	December 19, 2019	Land Sale	11,500,000	5,750,000
SPV REOCO 1, S.L.U.	December 30, 2019	Land Sale	4,440,000	3,552,000
		TOTAL	**15,940,000**	**9,302,000**

The outstanding amount of land acquired by the Group amounted to 3,904,736 euros at December 31, 2019 and 9,338,292 euros at December 31, 2018 (refer to Note 15).

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

Euros	Dec. 31, 2017	Prepayments	Land purchases	Cost of sales	Derecognitions (Note 18.b)	Capitalized borrowing costs	Impairment (Note 18.b)	Dec. 31, 2018
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 was developed by Facornata Servicios y Gestiones, S.L., 'Hacienda del Mar', developed by Espebe 11, S.L. and “Nou Eixample Mar”, 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 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.)(*)	8 February 2018	Land purchase	8,500,000	-
SPV REOCO 1, S.L.U. (formerly SPV Reoco 26, S.L.U.)(*)	15 March 2018	Land purchase	11,350,000	-
SPV REOCO 1, S.L.U. (formerly Espebe 27, S.L.U.)(*)	27 March 2018	Land purchase	1,000,000	-
SPV REOCO 1, S.L.U. (formerly SPV Reoco 6, S.L.U.)(*)	27 March 2018	Land purchase	9,189,338	-
SPV REOCO 1, S.L.U. (formerly Espebe 27, S.L.U.)(*)	4 April 2018	Land purchase	850,000	-
SPV REOCO 1, S.L.U. (formerly Espebe 27, S.L.U.)(*)	13 April 2018	Land purchase	475,989	-
SPV REOCO 1, S.L.U. (formerly Espebe 35, S.L.U.)(*)	24 April 2018	Land purchase	6,915,600	-
SPV REOCO 1, S.L.U.	26 April 218	Land purchase	5,800,000	-
SPV REOCO 1, S.L.U.	11 May 2018	Land purchase	20,159,464	3,382,258
SPV REOCO 1, S.L.U.	17 May 2018	Land purchase	3,678,414	1,751,274
SPV REOCO 1, S.L.U.	30 May 2018	Land purchase	8,750,000	-
SPV REOCO 1, S.L.U.	31 Mayo 2018	Land purchase	7,000,000	-
SPV REOCO 1, S.L.U.	7 June 2018	Land purchase	3,620,267	-
SPV REOCO 1, S.L.U,	15 November 2018	Land purchase	886,500	-
SPV REOCO 1, S.L.U,	4 December 2018	Land purchase	2,600,000	-
SPV REOCO 1, S.L.U,	21 December 2018	Land purchase	2,100,793	-

SPV REOCO 1, S.L.U,	26 December 2018	Land purchase	8,600,000	-
SPV REOCO 1, S.L.U,	27 December 2018	Land purchase	1,968,000	-
SPV REOCO 1, S.L.U,	28 December 2018	Land purchase	13,300,000	-
		Total Land Purchase	**116,744,365**	**5,133,532**

(*) Companies absorbed by SPV Reoco 1, S.L.U. (see Note 1.2)

During 2018, The Group 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.)(*)	15 January 2018	Land Sale	3,494,000	-
SPV REOCO 1, S.L.U. (formerly Espebe 34, S.L.U.)(*)	14 March 2018	Land Sale	3,993,500	-
SPV REOCO 1, S.L.U.	4 December 2018	Land Sale	2,410,000	-
SPV REOCO 1, S.L.U.	27 December 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 1.2)

In 2019, the Group capitalized 10,973,316 euros (7,418,498 euros in year 2018) of borrowing costs in inventories (Note 4.3). The average cost of the borrowings capitalized was approximately 2.10% (2.12% in year 2018).

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, are as follows:

	Euros	
	Dec 31, 2019	Dec 31, 2018
Madrid	453,797,774	391,892,792
Catalonia	179,782,593	140,525,270
Costa del Sol	269,240,266	218,816,381
Rest of Andalusia	141,271,614	118,755,695
Balearic Islands and Spanish east coast	213,000,490	194,157,841
Total	**1,257,092,737**	**1,064,147,979**

No inventories were derecognized or transferred in 2019 other than the inventories sold in the amount of 311,483,243 euros (79,822,668 euros in 2018) (Note 18.a), triggering the derecognition of inventories carried at 209,742,176 euros (56,768,927 euros in 2018).

As of December 31, 2019, there are contractual commitments to the purchase of plots for an amount of 45,749,145 euros (46,451,714 in 2018), of which an amount of 11,100,000 euros have been paid, as advances (11,410,000 in 2018), and which are included as Prepayments to Suppliers under the Current Assets on the Balance Sheet. Of the total amount recognized under “Trade and other accounts payable - Customer prepayments” within Current Liabilities on the consolidated balance sheet at December 31, 2019, an amount of 155,214,690 euros (120.373.364 euros at year-end 2018) corresponds to down payments from customers for house unit reservations and private house contracts.

At December 31, 2019, and 2018, there are no sales commitments.

At December 31, 2019, "Inventories" includes assets with a gross carrying amount of 500 million euros (304.6 million euros at the end of the year 2018) that have been pledged as collateral to secure the developer loans obtained by the Group (Note 14).

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

The net realizable value assigned by Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U. to the portfolio of inventories amounts to 1,962 million euros (1,768 million euros in 2018). Said amount does not include supplier prepayments (18.336.826 euros at the end of 2019, and 11,628,662 euros at the end of 2018) or assets subject to a sale option, if any (none at the end of 2019 and 2018), as the directors have assumed that there is no indication that these assets are impaired. In light of the appraiser methodology described in Note 4.3, the key valuation hypotheses are the discount rate and sales prices modelled. As a result of the above, the Group recognized an impairment charge of 1,542,943 euros at December 31, 2019 (1,484,975 euros at the end of the year 2018), and the valuation implies an unrealized capital gains amounting to 683 million euros (704 million euros at year-end 2018).

The inventory impairment charge breaks down as follows by region:

	Euros	
	Dec 31, 2019	Dec. 31, 2018
Madrid	(815,039)	(922,804)
Costa del Sol	(474,983)	(562,171)
Rest of Andalusia	(252,921)	(562,171)
Total	**(1,542,943)**	**(1,484,975)**

The breakdown of the inventory impairment charge by inventory category:

	Euros	
	Dec 31, 2019	Dec. 31, 2018
Land and sites	(1,542,943)	(1,461,805)
Developments in progress	-	-
Completed buildings	-	(23,170)
Total	**(1,542,943)**	**(1,484,975)**

The Company's directors have run sensitivity analysis with respect to the measurement if 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 modelling 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:

	Thousands of euros	
Assumption	Discount rate	
	+1%	-1%
	Increase/(decrease)	
Change in carrying amount (*)	**(551)**	**449**

	Thousands of euros					
	Sale price					
Assumption	-1%	+1%	-5%	+5%	-10%	+10%
	Increase/(decrease)					
Change in carrying amount (*)	**(551)**	**307**	**(8.283)**	**629**	**(42.985)**	**780**

(*) 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 45 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 36 million euros.
- A 5% decrease in sales prices would decrease the expert's valuation by 180 million euros, while a 5% increase would increase it by 177 million euros.
- A 10% decrease in sales prices would decrease the expert's valuation by 359 million euros, while a 10% increase would increase it by 355 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, 2019	Dec. 31, 2018
Inventories (long production cycle) before impairment	815,907,230	864,839,937
Inventories (short production cycle) before impairment	442,728,450	199,308,042
Total current assets	**1,491,287,771**	**1,234,990,054**
Borrowings secured to finance inventories (long cycle) – note 14	71,415,219	58,409,956
Total current liabilities	**588,068,873**	**268,207,663**

As of 31 December 2019, the Group has recognized current provisions for a total amount of 8,912,312 euros, corresponding to provisions for the completion of construction projects (793,825 euros at year-end 2018).

11. ***Trade and other receivables***

"Trade and other receivables" broke down as follows at year-end 2019 and 2018:

	Euros	
	Dec. 31, 2109	Dec. 31, 2018
Trade receivables	43,741,543	36,703,959
Trade receivables from associates	160,321	-
Sundry receivables	590,401	19,779
Personnel	10,160	17,016
Current tax asset (note 16.b)	1,418,455	1,418,585
Taxes payable (note 16.b)	3,159,650	4,323,915
Total	**49,080,530**	**42,483,254**

The Group regularly analyses 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” a balance of 29,848,979 euros (32,098,138 euros at year-end 2018) has been recognized for trade bills, which includes customer remittances not due until 2020 in the amount of 29,150,403 euros (29,505,898 euros at year-end 2018).

In order to calculate the impairment of accounts receivable at December 31, 2019 and 2018, the Group has applied the simplified approach under IFRS 9 Financial Instruments (loss allowance at an amount equal to lifetime expected credit losses). However, this has no impact on the consolidated financial statements, mainly due to the fact that the agreements signed with customers can be terminated 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.

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, 2019	Dec. 31, 2018
Demand deposits in current accounts	148,742,617	102,984,585
Total	**148,742,617**	**102,984,585**

The amount pledged to cover the interest on mortgage loans amounted to 0 euros at December 31, 2019 (154,564 euros at December 31, 2018), for guarantees delivered to customers 771,364 euros (348,067 euros at December 31, 2018), for corporate financing costs a total of 6,249,756 euros (1,831,358 euros in 2018) and to cover sureties a total of 731,598 euros.

There were no restrictions on the use of the Group's cash at December 31, 2019 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 46,322,219 euros at year-end 2019 (40,123,161 at year-end 2018). The amount of cash that was restricted at year-end 2019 accordingly totalled 53,303,574 euros (42,457,149 euros at year-end 2018).

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 1.1).

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 1.1).

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 1.1).

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 euros, with waiver of the right of preferred subscription by 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 par value of one euro and the rest was an issue premium.

At December 31, 2019, and 2018, 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, 2019 or December 31, 2018.

The breakdown of the Parent's significant shareholders (those with equity interests of 3% or more) at December 31, 2019, according to the information reported to Spain's securities market regulator, the CNMV, by the shareholders themselves was as follows:

		% Voting rights attached to shares		% Voting rights through financial instruments	
	Total shareholding %	Direct shareholding %	Indirect shareholding %	Direct shareholding %	Indirect shareholding %
HIPOTECA 43 LUX S.A.R.L. *(*)*	58.91	58.91	-	-	-
UBS GROUP AG	5.12	-	4.88	0.24	-
T. ROWE PRICE ASSOCIATES, INC	5.08	-	5.08	-	-
RYE BAY EUROPEAN MASTER FUND LIMITED	5.08	-	-	5.08	-
T. ROWE PRICE INTERNATIONAL FUNDS, INC.	4.09	-	4.09	-	-

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

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

		% Voting rights attached to shares		% Voting rights through financial instruments	
	Total shareholding %	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)

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 share premium amounts to 500,076,721 euros at 31 December 2019 and 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 nor, 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 2019 and 2018. However, there are no restrictions on the payment of dividends at December 31, 2019, other than those provided for by the commercial legislation.

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 was 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 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, resuming it on January 24, 2019 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. Although, effective March 20, 2019, the Parent terminated the liquidity agreement, as its objectives were achieved. During this period, 94,178 shares were purchased at an average price of € 22.7610 / per share and 92,784 shares were sold at an average price of € 22,9339 / per share, leaving a remaining balance of 28,031 shares that were sold as a block trade on 29 March at a price of € 22.80 / per share.

The Board of Directors of the Parent, in the meeting held on 25 July 2019, agreed to buy back shares, initially in the form of a discretionary program. Subsequently, in the meeting held on 25 September 2019, passed a resolution to purchase Company shares (Buy-Back Program) for a maximum net investment of 50,000,000 euros and until reaching 2,500,000 shares in treasury stock. Said Buy Back Program will remain in effect for a maximum period of 36 months and will be implemented by JB Capital Markets, S.V., S.A.U.

Within the framework of operations with Parent own shares (discretionary management, Buy-Back Program and block trades), which began on August 7, 2019, a total of 1,485,057 shares had been purchased until December 31, 2019, at an average price of 20.6079 euros, without having made any sales in this period.

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.

f) Owner contributions

The Parent did not receive any new owner contributions during financial year 2019.

At December 31, 2019 and December 31, 2018, the Parent's Majority Shareholder had contributed a total of 740.1 million euros, 623.4 million euros of which consisted of the credit claims contributed by the Parent's Majority Shareholder on October 3, 2017.

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 2019 is as follows:

	Ownership interest attributable to the Parent	Euros			
		Dec 31, 2018	Profit/(loss) attributable to non-controlling interests	Other changes	Dec 31, 2019
SPV REOCO 15, S.L.U.	80%	390,995	(43,574)	-	347,421
SPV SPAIN 2, S.L.	87.5%	408,908	2,500,817	(1,250,000)	1,659,725
ESPEBE 11, S.L.	80%	931,232	34,382	(600,000)	365,614
FACORNATA SERVICIOS Y GESTIONES, S.L.	94.68%	258,016	24,727	(158,004)	124,739
Total		**1,989,151**	**2,516,352**	**(2,008,004)**	**2,497,499**

During the financial year 2019, the company SPV Spain 2, S.L. paid interim dividends to minority shareholders for an amount of 1,250,000 euros, the company Espebe 11, S.L. distributed dividends to minority shareholders for an amount of 600,000 euros, and the company Facornata Servicios y Gestiones, S.L. returned minority partner contributions in an amount of 158,004 euros.

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

	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	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)	921,232
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 an 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.

h) Other equity instruments

On September 26, 2017, the Majority Shareholder approved a long-term incentive plan payable entirely in shares for the CEO, Senior Management and certain key 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 net 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 Senior Management cannot be sold for a year after 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 2,179,770 euros (1,123,888 euros at year-end 2018).

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 Majority Shareholder's financial statements (Note 1.1).

The movement recorded during the financial year 2019 and 2018 corresponds to the result of purchases and sales of its own shares, as shown previously in the section e).

Reserves of fully-consolidated companies

Movements during financial year 2019 relate mainly to changes in the composition of the Group (sale of Milos Asset Development, S.L.U. and Servicios Inmobiliarios Licancabur, S.L.) and the recognition of companies' incorporation expenses (Egon Asset Development, S.L.U., Ipala Asset Development, S.L.U., Milos Asset Development, S.L.U. and Turnkey Projects Development, S.L.U.).

Movements during financial year 2018 relate mainly to changes in the composition of the Group because of the purchase of SPV Spain 2, S.L. shares, as well as the recognition of merger expenses.

14. _Borrowings and other financial liabilities_

The Group had the following borrowings at December 31, 2019:

	Euros				
	Dec 31, 2019				
	Limit	Current liabilities		Non-current liabilities	Total
		Due in the long term	Due in the short-term		
Shareholder Loan Agreement with External Shareholders	-	-	-	-	
Shareholder Credit Facility Agreement with External Shareholders	6,675,000	1,626,701	-	-	1,626,701
Interest on Group company borrowings	-	-	51,116	-	51,116
All borrowings from non-controlling shareholders	**6,675,000**	**1,626,701**	**51,116**	**-**	**1,677,817**
Mortgage loans secured by inventories	627,728,934	69,788,519	33,351	-	69,821,870
Interest on developer loans	-	-	200,320	-	200,320
Total developer loans	**627,728,934**	**69,788,519**	**233,671**		**70,022,190**
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**	**-**	**9,502,878**	**-**	**9,502,878**
Commercial paper issued	-	-	78,009,410	-	78,009,410
Syndicated loan	150,000,000	-	149,541,848	-	149,541,848
Derivatives	-	-	1,196,640	-	1,196,640
Interest on collateral provided	-	-	1,074	-	1,074
Lease liabilities	-	-	1,025,792	1,682,467	2,708,259
Other assets	-	-	18,817	-	18,817
Total other borrowings	**150,000,000**	**-**	**229,793,581**	**1,682,467**	**231,476,048**
Total	**793,901,015**	**71,415,220**	**239,581,246**	**1,682,467**	**312,678,933**

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**

Loans from non-controlling shareholders

As of December 31, 2019, the breakdown of the loans granted by non-controlling shareholders is the following:

- 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. for the amount of 6,675,000 euros; this facility is due December 31, 2022. This facility carries interest at an annual rate of 1M Euribor plus 3.5%. The amount drawn down at December 31, 2019 stood at 1,626,701 euros (1,585,999 euros at year-end 2018).

- 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 was due December 31, 2019 This facility carried interest at an annual rate of 1M Euribor plus 3.5%. The debt had been fully paid during financial year 2019.

- 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. Subsequently, on April 4, 2017, a novation of this loan was formalized, increasing the amount to 3,006,172 euros, and the amount drawn under that loan at December 31, 2017 amounted to 3,006,172 euros. This facility carried interest at an annual rate of 1M 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 against SPV Spain 2, S.L. for 3,178,444 euros (3,130,013 euros of which related to the loan’s principal and 48,431 euros to interest accrued as of the date of execution of the agreement). The debt had been fully repaid during financial year 2019.

Developer loans

At December 31, 2019, the AEDAS Group had arranged developer loans in an aggregate amount of 627,728,934 euros in order to finance 48 developments in progress. These loans, measured at amortised cost, amounts to 69,821,870 euros at December 31, 2019, which is equivalent to 11.12% of the maximum available. The developer loans carried interest at Euribor plus spreads ranging between 100 and 250 basis points.

Loans taken on to purchase land

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%.

The above loan agreement does not entail any covenants. The loan agreement does not contain any change of control clauses.

Short-term loans classified as long term

The breakdown of the due dates of the loans classified as short-term but falling due in the long term is as follows:

	Euros	
	Non-current	
Year	Dec. 31, 2019	Dec. 31, 2018
2020	-	10,242,006
2021	1,214,956	1,267,113
2022	3,617,833	3,116,303
2023	1,747,225	1,285,925
2024 and subsequent	64,835,205	42,498,609
	71,415,219	**58,409,956**

Bonds and other marketable securities

On June 14, 2019, the Parent issued a new "AEDAS HOMES 2019 Commercial Paper Notes Program" on Spain's alternative fixed income market (MARF in its Spanish acronym), to replace the commercial paper issued on June 12, 2018. It can issue up to 150,000,000 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 2019, the Parent closed several issues under the program, issuing a total amount of 194.3 million euros, of which 150 million euros have been repaid on maturity, an amount of 78.3 million euros remaining, which falls due in several tranches, until November 2020. The effective annual cost of these issues is 0.99%.

During 2018, the Parent closed several issues under the previous program on Spain's alternative fixed income market, issuing a total amount of 78.2 million euros; of which an amount of 44.2 million euros was repaid at maturity, an amount of 34.4 million euros remaining, which fell due in several tranches, until May 2019. The effective annual cost of those issues was 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 78,009,410 euros at December 31, 2019, recognized by using the effective interest rate method (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 was used to finance land purchases; it had six months to draw the loan down. Said availability period was extended until August 8, 2020 with a 0.25% extension fee. It has a maturity of 24 months and carried interest of 3.5% in year one and 4.25% in year two. At December 31, 2019, the nominal balance drawn down is 150 million euros (60 million euros at December 31, 2018). The amount recognized by using the amortized cost method at December 31, 2019 is 148,407,984 euros (57,630,275 euros at December 31, 2018).

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, 2019, the fair value of the derivative is 1,196,640 euros (1,114,568 euros at year-end 2018), 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 on observable market data (unobservable inputs).

YEAR 2019	Euros		
	LEVEL 1	LEVEL 2	LEVEL 3
Derivatives	1,196,640	-	-
Total	**1,196,640**	**-**	**-**

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

Changes in liabilities arising from financing activities

Information is given below on the changes in liabilities derived from financing activities during the years 2019 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, 2018,	**-**	**-**	**137,326**	**61,536,138**	**8,309,370**	**-**	**500**	**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 interest accrued	-	-	-	434,933	114,235	-	183	549,351
Subrogation of development loans	-	-	-	(12,974,169)	-	-	-	-12,974,169
Changes in fair values	-	-	977,243	-	-	-	-	977,243
Other changes	-	-	-	-	-	-	-	-
Balance at December 31, 2018,	**57,630,275**	**-**	**1,114,569**	**57,654,625**	**3,448,732**	**33,953,563**	**683**	**153,802,447**
Changes from financing cash flows	89,288,750	-	-	71,019,139	(1,806,144)	43,578,909	(683)	202,079,971
Changes arising from obtaining or losing control of subsidiaries or other businesses	-	-	82,071	-	-	-	-	82,071
Effect of changes in foreign exchange rates	-	-	-	(48,845,250)	-	-	-	(48,845,250)
Unpaid interest accrued	683,243	-	-	1,636,135	35,228	476,938	1,074	2,832,618
Subrogation of development loans	-	-	-	-	-	-	18,817	18,817
Changes in fair values	-	-	1,682,467	-	-	-	1,025,792	2,708,259
Other changes	(147,602,268)	-	(1,196,640)	147,602,268	-	-	1,196,640	-
Balance at December 31, 2019,	**-**	**-**	**1,682,467**	**229,066,917**	**1,677,816**	**78,009,410**	**2,242,323**	**312,678,933**

15, *Trade and other payables*

The following table provides the breakdown of this heading at year-end 2019 and 2018:

	Euros	
	Dec 31, 2019	Dec 31, 2018
Suppliers	82,738,943	45,070,109
Accrued for services received	8,760,829	2,935,546
Employee benefits payable	2,222,749	2,436,994
Current tax liabilities (Note 16)	5,635,915	-
Other accounts payable to public authorities (Note 16)	13,586,969	1,540,222
Customer advances (Note 10)	155,214,690	120,373,364
Total	**268,160,095**	**172,356,235**

"Trade and other payables" as of December 31, 2019, includes payments due for the land contributed and/or acquired during the reporting period in the amount of 3,904,736 euros (9,338,292 euros at the end of year 2018) (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 Institute of Accountants and Auditors (ICAC) on January 29, 2016, regarding the information to be disclosed in the notes to the financial statements in relation to the average term of payment to trade suppliers,

	2019	**2018**
	Days	Days
Average supplier payment term	56.01	43.77
Ratio of paid transactions	58.64	46.38
Ratio of outstanding transactions	39.06	22.04
	Euros	Euros
Total payments made	285,351,041	19,516,646
Total payments outstanding	44,249,412	2,340,387

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

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

"Average supplier payment term" is the period between 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 transitional 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 situation*

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, 2019, the Parent and other Group companies had all their tax returns open to inspection.

The Parent's directors do not 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			
	2019		2018	
	Current	Non-current	Current	Non-current
Taxes payable:				
VAT payable	(11,390,379)	-	(317,138)	-
Payable in respect of withholdings	(490,397)	-	(403,009)	-
Other taxes payable to the tax authorities	(1,436,084)	-	(616,597)	-
Social security contributions payable	(270,109)	-	(203,478)	-
Taxes payable (Note 15)	**(13,586,969)**	**-**	**(1,540,222)**	**-**
Current tax liabilities	**(5,635,915)**	**-**	**-**	
Taxes receivable:				
Tax rebates receivable from the tax authorities - VAT	2,359,650	-	3,523,915	-
Social security contributions receivable	800,000	-	800,000	-
Taxes receivable (Note 11)	**3,159,650**	**-**	**4,323,915**	**-**
Current tax assets (1)	**1,418,455**	**-**	**1,418,585**	**-**
Deferred tax assets	-	21,820,439	-	24,628,246
Deferred tax liabilities	-	-	-	-
Net deferred tax assets	**(14.644.779)**	**21,820,439**	**4,202,278**	**24,628,246**

(1) As of December 31, 2019 and 2018, the amount of Current Tax Assets corresponds to the corporation tax generated by companies under the consolidated tax regime. The Spanish Tax Agency has paid this amount on January 23, 2020.

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

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

	Euros	
	2019	2018
Profit/(loss) before tax	44,511,852	(8,132,916)
Permanent differences	(46,855)	(44,260)
Temporary differences	(3,847,177)	2,026,349
Taxable income/(tax loss) before utilization of tax losses/credits	**40,617,820**	**(6,150,827)**
Non-capitalised tax credits applied	425,802	-
Capitalised tax credits applied	9,728,653	-
Taxable income/(tax loss)	**30,463,365**	**(6,150,827)**
Tax rate	25%	25%
Tax accrued (expense)	(7,615,841)	1,537,707
Capitalised tax credits applied	(2,432,164)	-
Capitalisation (reduction) of tax credits generated in previous years	(3,805,609)	4,391,931
Capitalisation of deductible temporary differences generated in previous years	3,485,703	5,552,008
Capitalisation (application) of deductible temporary differences generated in the financial year	(961,794)	543,663
Capitalisation of outstanding financial expenses prior to 2018	912,778	-
Previous year income tax adjustment	(13,172)	(27,148)
Other adjustments	6,484	-
Current income tax (expense)/income	**(7,615,841)**	**(27,148)**
Deferred tax (expense)/income	**(2,807,774)**	**12,025,309**

The settlement of the Income Tax is as follows:

	Euros	
	2019	2018
Profit/(loss) before tax	44,511,852	(8,132,916)
Permanent differences	(46,855)	(44,260)
Temporary differences	(3,847,177)	2,026,349
Taxable income/(tax loss) before utilization of tax losses/credits	**40,617,820**	**(6,150,827)**
Tax credits applied (generated before the incorporation to the tax group)	(5,632,091)	-
Tax credits applied (tax group)	(4,522,364)	-
Taxable income/(tax loss)	**30,463,365**	**(6,150,827)**
Tax rate	25%	25%
Tax at 25 % on the Taxable Base	**7,615,841**	**-**
Deductions	-	-
Tax credits	-	-
Tax charge	**7,615,841**	**-**
Withholdings	768	51,732
Payments on account	1,979,158	1,364,915
Tax payable (+) / refundable (-)	**5,635,915**	**(1,416,648)**

d) Unrecognized deferred taxes

The breakdown of tax losses not capitalised as tax assets at December 31, 2019 and 2018 is:

	Euros	
	Dec. 31, 2019	Dec. 31, 2018
AEDAS HOMES S,A,	-	-
Other Group companies	3,966,071	4.392.620
TOTAL	**3,966,071**	**4.392.620**

The Group has analysed the scope for applying its tax credits as a function of its business plan taking into account its application 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, 2019 and 2018 is as follows:

	Euros	
	Dec. 31, 2019	Dec. 31, 2018
AEDAS HOMES S,A,	859,514	1,472,891
Other Group companies	20,960,925	23,155,355
TOTAL	**21,820,439**	**24,628,246**

The reconciliation of deferred tax assets at the beginning and end of 2019 is shown below:

	Euros			
	Dec. 31, 2018	Changes recognized in		Dec. 31, 2019
	Opening balance	Income statement	Equity	Closing balance
Deferred tax assets				
Tax loss carryforwards	18,532,575	(6,250,937)	(33)	12,281,605
Deductible temporary differences	6,095,671	3,443,163	-	9,538,834
Total	**24,628,246**	**(2,807,774)**	**(33)**	**21,820,439**

The variation of tax credits during 2019 corresponded mainly to an application of tax loss carryforwards corresponding to previous years amounting to 2,432,164 euros, the reduction of tax loss carryforwards corresponding to previous years previously activated for 3,805,609 euros, a decrease due to adjustment of the corporate tax of 2018 for an amount of 13,172 euros, a decrease due to the of the exit of the company Servicios Inmobiliarios Licancabur, S.L. from the tax group perimeter, for an amount of 33 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 3,485,703 euros, a decrease by the application and reversal of deductible temporary differences amounting to 955,318 euros, and the activation of tax credits corresponding to financial expenses pending deduction in the amount of 912,778 euros.

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					
Tax loss carryforwards	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 corresponded mainly to the activation of 2018 tax loss carryforwards of 1,537,707 euros (of which 220,831 euros relate to the company SPV Spain 2, S,L,, which does not belong to the tax group), to the activation of tax loss carryforwards 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.

At December 27, 2017, the Board of Directors resolved to opt for the consolidated tax regime (provided for 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. Their opinion is based on:

- The projections drawn up by the Group for 2020-2023; and

- The appraisal of its inventories provided by Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U. which indicates a gross asset value (GAV) of 1,956 million euros (1,962 million euros assuming a 100% ownership interest) (Note 10),

On the basis of the foregoing, the Parent 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 161,341,937 euros (88,314,947 euros at the end of 2018). The total limit on surety lines extended stood at 392,788,940 at December 31, 2019 (196,611,019 euros as of December 31, 2018). In addition, surety insurance has been taken out for the same reason, the amount of which was 27,574,044 euros as of December 31, 2019 (14,244,457 euros as of December 31, 2018). The total limit of the insurance line formalized is 55,796,000 euros as of December 31, 2019 (30,527,080 euros as of December 31, 2018),

Performance bonds amounted to 12,311,494 euros at the closing date (5,916,537 euros at the end of the year 2018).

There were no contingent guarantees or liabilities at December 31, 2019 and 2018.

18. ***Income and expenses***

a) Revenue

The breakdown of revenue in 2019 and, 2018 is provided below:

	Euros	
	2019	2018
By business segment		
Land sales	15,940,000	14,222,579
Development sales	295,543,243	65,600,089
Services rendered	170,378	-
Total	**311,653,621**	**79,822,668**

Sales of developments in 2019 amounted to 295,543,243 euros, corresponding to the delivery of homes of the 22 developments (in 2018, they corresponded 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 2019, the Group companies sold land for 15,940,000 euros (14,222,579 million euros in the previous 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, 2019 and December 31, 2018 is shown below:

	Euros	
	Group total	
	2019	2018
Changes in inventories of finished products and work in progress	212,532,018	229,828,763
Consumption of inventories	(391,771,585)	(242,027,066)
Changes in land inventories	(30,502,609)	(44,570,623)
Inventory impairment losses / reversals (Note 10)	(57,967)	878,084
Total	**(209,800,143)**	**(55,890,842)**

c) Employee expenses and average workforce

The breakdown of "Employee expenses" is provided below:

	Euros	
	2019	2018
Wages, salaries and other		
Salaries and wages	(12,724,658)	(10,196,456)
Share-based payment transactions	(1,055,881)	(1,123,889)
Severance payments	(96,777)	(31,615)
	(13,877,316)	(11,351,960)
Employee benefits		
Social security	(2,530,721)	(1,744,649)
Other welfare expenses	(602,039)	(295,055)
	(3,132,760)	(2,039,704)
Total	**(17,010,076)**	**(13,391,664)**

The average number of people employed by the various Group companies in 2019 was 204 (2018: an average of 154). The breakdown, by job category, of the year-end 2019 and 2018 headcounts is shown below:

	2019			2018		
	Women	Men	Total	Women	Men	Total
Graduates	70	73	143	62	55	117
Diploma holders	16	25	41	17	12	29
Other	18	15	33	13	17	30
Total	**104**	**113**	**217**	**92**	**84**	**176**

One employee with a disability of a severity of 33% or higher is employed by the Group at year-end 2019 and 2018.

d) Other operating expenses

The breakdown of "Other operating expenses" in the income statements for the years ended December 31, 2019 and December 31, 2018 is shown below:

	Euros	
	2019	**2018**
Independent professional services	(3,725,996)	(2,488,719)
Insurance premiums	(93,780)	(70,951)
Banking and similar services	(123,430)	(53,240)
Rent and fees	(129,813)	(1,081,160)
Repairs and upkeep	(2,044,018)	(874,994)
Advertising, marketing, publicity and public relations	(20,150,693)	(8,640,310)
Utilities	(17,869)	(13,753)
Other services	(1,346,589)	(1,368,731)
Other taxes	(2,096,456)	(2,105,557)
Total	**(29,728,644)**	**(16,697,415)**

Sales and marketing expenses for developments amounted to 18,185,214 euros in 2019 (7,955,503 euros in 2018).

e) Finance costs

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

	Euros	
	2019	2018
Finance costs, borrowings from minority shareholder	(101,613)	(209,466)
Finance costs, other borrowings	(20,362,292)	(9,456,704)
Total	**(20,463,905)**	**(9,666,170)**

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 these criteria, the following are considered related parties:

- Minority shareholders.
- Reoco Miradola, S.L., whose major investor is a fund managed by CastleLake L.P, which is the CastleLake Funds manager and 100% indirect shareholder of Hipoteca Lux 43, S.A.R.L. (Majority Shareholder of Aedas Homes, S.A.).
- Urbania Lamatra Holding, S.L., whose major investor is a fund managed by CastleLake L.P., which is the CastleLake Funds manager and 100% indirect shareholder of Hipoteca Lux 43, S.A.R.L. (Majority Shareholder of Aedas Homes, S.A.).
- CastleLake L.P, as manager of CastleLake Funds and 100% indirect shareholder of Hipoteca Lux 43, S.A.R.L. (Majority Shareholder of Aedas Homes, S.A.).

The main transactions with related parties in the year ended December 31, 2019 were the following:

- Contracts granted by minority shareholders: loans and management and commercialization services.
- Agreement to purchase shares from Reoco Miradola, S.L., representing 20% of the equity of Winslaro ITG, S.L., and sale of shares to Reoco Miradola, S.L., representing 75% of the equity of Servicios Inmobiliarios Licancabur, S.L.
- Agreement to purchase shares from Urbania Lamatra Holding, S.L., representing 10% of the equity of Urbania Lamatra I, S.L. and Urbania Lamatra II, S.L.
- Shareholders contributions and credits granted to Winslaro ITG, S.L., Servicios Inmobiliarios Licancabur, S.L., Urbania Lamatra I, S.L. and Urbania Lamatra II, S.L.
- Monitoring and management contract granted by SPV Reoco 1, S.L. with Urbania Lamatra I, S.L., Urbania Lamatra II, S.L., Winslaro ITG, S.L. and Servicios Inmobiliarios Licancabur, S.L.

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

- Contracts granted by minority shareholders: Loans and management and commercialization services.
- Re-invoicing of a portion of the IPO transaction costs, according to the IPO Prospectus.

The transactions in 2019 with parties related and the balances outstanding with parties related to the Group at December 31, 2019 are shown in the tables below:

Year ended December 31, 2019	Euros					
	Income			Expenses		
	Revenue					
	Revenue from sales	Services rendered	Finance income	Cost of sales – Supplies	External services	Finance costs
Minority shareholders	-	-	-	(451,285)	(5,770,709)	(101,614)
Winslaro ITG, S.L.	-	56,388	61,089	-	-	-
Serv. Inmobiliario Licancabur, S.L.	-	43,056	40,328	-	-	-
Urbania Lamatra I, S.L.	-	35,467	15,365	-	-	-
Urbania Lamatra II, S.L.	-	35,467	45,991	-	-	-
	-	**170,378**	**162,773**	**(451,285)**	**(5,770,709)**	**(101,614)**

December 31, 2019	Euros					
	Trade and other receivables	Loans	Prepaid Expenses	Liabilities with Shareholders (Note 14)	Trade and other current accounts payable	Customer prepayments
Minority Shareholders	-	-	158,828	1,677,817	-	-
Winslaro ITG, S.L.	56,388	1,283,089	-	-	-	-
Serv. Inmobiliarios Licancabur, S.L.	43,056	2,924,264	-	-	-	-
Urbania Lamatra I, S.L.	25,410	561,526	-	-	-	
Urbania Lamatra II, S.L.	35,467	1,330,915	-	-	-	
	160,321	**6,099,794**	**158,828**	**1,677,817**	**-**	**-**

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

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

December 31, 2018	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**	**-**

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

Changes to the governing bodies

The Ordinary General Shareholders' Meeting of the Parent, held on May 9, 2019, approved the appointment of Mrs. Milagros Méndez Ureña as independent director for the statutory period of three years, filling the vacancy left by the previous director Merlin Properties SOCIMI, S.A.

The Board of Directors of the Parent consists of the following members:

- Cristina Álvarez.
- Evan Andrew Carruthers
- Eduardo Edmundo D'Alessandro Cishek
- Santiago Fernandez Valbuena
- Emile K. Haddad
- Javier Lapastora Turpín
- David Martinez Montero
- Milagros Méndez Ureña
- Miguel Temboury Redondo

Disclosures regarding director conflicts of interest

Neither the current nor former directors of the Parent carried out transactions 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, 2019.

Nor did the members of the Parent's Board of Directors or their related parties, as defined in Spain's Corporate Enterprises Act, engage in relations with other companies whose business activities could represent a conflict of interest for them or the Parent during the year ended December 31, 2019 or the reporting period 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 consolidated financial statements.

Director remuneration and other benefits

The remuneration accrued by the members of the Company's Board of Directors amounted to 1,454,325 euros in 2019 and 1,300,246 euros in 2018.

Key management personnel 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, 2019 and 2018 was as follows:

	Euros				
	2019			Advances	
No, of individuals 2019	Fixed and variable remuneration	Other remuneration	Total	No.	Amount
8	1,279,179	519,089	1,798,268	-	-

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

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, 2019 and 2018 (except for 9,500 euros advances granted at 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 net 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 2019 and 2018 is as follows:

	Euros	
	2019	2018
Audit and related services		
Audit services and limited review	179,069	154,539
Other assurance services	19,003	15,000
Total	**198,072**	**169,539**

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, 2019.

Liquidity risk:

On June 14, 2019, the Parent issued the new “AEDAS HOMES 2019 Commercial Paper Notes Program” on Spain's alternative fixed income market (MARF in its Spanish acronym), in substitution of the commercial paper notes program arranged on June 12, 2018. It can issue up to 150,000,000 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 the financial year 2019, the Parent closed several issues under the program, issuing a total nominal amount of 194.3 million euros; an amount of 150 million euros have been amortized at maturity, remaining a nominal amount of 78.3 million euros that falls due on several terms, until November 2020.

On August 6, 2018, the Parent arranged a 150,000,000 euros corporate syndicated loan which was used to finance land purchases; it had six months to draw the loan down. Said availability period was extended until August 8, 2020 with a 0.25% extension fee. It has a maturity of 24 months and carried interest of 3.5% in year one and 4.25% in year two. At December 31, 2019, the nominal balance drawn down is 150 million euros (60 million euros at December 31, 2018). The amount recognized by using the amortized cost method at December 31, 2019 is 148,407,984 euros (57,630,275 euros at December 31, 2018).

The business plan includes a maximum 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 1,490,584 euros in 2019 (and by 759,606 euros in FY18).

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 8, 2020, AEDAS Homes arranged an equity swap agreement with Goldman Sachs International (GSI) for a maximum notional amount of 50 million euros and a maximum number of shares of 2,400,000. Its settlement date is January 8, 2021. On said date, the first sale of shares to GSI under this agreement was made, for an amount of 4,999,987 euros (236,406 shares).

- On January 24, 2020, the Parent completed an additional issue of commercial paper under the current program, “AEDAS HOMES 2019 Commercial Paper Notes Program” on Spain's alternative fixed income market (MARF for its acronym in Spanish), issuing a total nominal amount of 12 million euros, of which 5.9 million euros falls due in March 2020, 4 million euros falls due in June 2020 and 2.1 million euros falls due in November 2020.

- On January 29, 2020, the Board of Directors of the Parent Company agreed to propose to the Shareholders' Meeting the change of the fiscal year of the Company to the twelve-month period beginning from April 1 to March 31 of the following year, except for the first fiscal year, which will be from January 1, 2020 until March 31, 2020.

- On February 11, 2020, SPV Reoco 1, S.L.U. agreed to buy some land for an amount of 3.561.355 euros, plus IVA, being retained an amount of 36,865 euros in case deviations from the development costs of the plot arise.

- On February 13, 2020, SPV Reoco 1, S.L.U. agreed to buy some land for an amount of 8,716,477 euros. The buyer paid for this land in full upon purchase.

- On February 18, 2020, the Parent completed an additional issue of commercial paper under the current program, “AEDAS HOMES 2019 Commercial Paper Notes Program” on Spain's alternative fixed income market (MARF for its acronym in Spanish), issuing a total nominal amount of 2 million euros, which falls due in July 2021.

- During 2020, the AEDAS Group has arranged developer loans with mortgages in an aggregate amount of 24,468,126 euros in order to finance 2 developments in progress. The mortgage loans carried interest at Euribor plus spreads ranging between 225 and 275 basis points.

- As of February 24, 2020, the treasury stock of AEDAS at stock exchange closing time amounted to a total of 1,799,623 shares representing 3.7518% of the Company's share capital, acquired at an average price of 20.7370 euros per share. The total number of shares acquired under Discretionary Management has been 148,724 shares representing 0.3101% of its share capital, at an average price of 20.3341 euros per share; the total number of shares acquired under the “Buy Back Program” has been 670,611 representing 1.3981% of its share capital, at an average price of 21.1556 euros per share, and the total number of shares acquired in the block trade market has been 980,288 representing 2.0437% of its share capital, at an average price of 20.5119 euros per share.

- On February 25, 2020, the Board of Directors approved the following: the Company will pay a dividend of 1 euro per share, charged to the year 2020 profit. The Company will make a first interim payment of 50 cents per share in November of this year. Ordinary dividends will be paid every six months after the presentation of results to the market (50% in each period), corresponding to the first and second half of the year. Dividends will grow in line with the Company's cash flow generation for the period 2020-2023. Dividend payment may be made in cash or by the delivery of own shares.

- On 25 February 2020, the Board of Directors approved increasing the limit of the share buyback programme from € 50 m to € 150 m, while maintaining the other conditions approved by the Board on 25 September 2019.

24. ***Translation of financial statements***

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

Appendix I - Subsidiaries included in the scope of consolidation at December 31, 2019

Company	Registered office	Business activity	Shareholding		Shareholder	Auditor	Consolidation method
			December 31, 2019				
SPV REOCO 1, S.L.U.	Madrid	Development	100%	Direct	AEDAS HOMES S.A.	ERNST & YOUNG, S.L.	Full consolidation method
DAMALANA SERVICIOS Y GESTIONES, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
ESPEBE 18, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
SPV REOCO 15, S.L.	Madrid	Development	80%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
SPV SPAIN 2, S.L.	Madrid	Development	87.50%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
ESPEBE 11, S.L.	Madrid	Development	80%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
FACORNATA SERVICIOS Y GESTIONES, S.L.	Madrid	Development	94.70%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
SERVICIOS INMOBILIARIOS LICANCABUR S.L.U.	Madrid	Development	25%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Equity method
SERVICIOS INMOBILIARIOS MAUNA LOA, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
TURNKEY PROJECTS DEVELOPMENT, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
WINSLARO ITG, S.L.	Madrid	Development	20%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Equity method
EGON ASSET DEVELOPMENT, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
IPALA ASSET DEVELOPMENT, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
URBANIA LAMATRA I, S.L.	Madrid	Development	10%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Equity method
URBANIA LAMATRA II, S.L.	Madrid	Development	10%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Equity method

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

Company	Registered office	Business activity	Shareholding		Shareholder	Auditor	Consolidation method
			Dec 31, 2018				
SPV REOCO 1, S.L.U.	Madrid	Development	100%	Direct	AEDAS HOMES S.A.	ERNST & YOUNG, S.L.	Full consolidation method
DAMALANA SERVICIOS Y GESTIONES, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method

ESPEBE 18, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
SPV REOCO 15, S.L.	Madrid	Development	80%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
SPV SPAIN 2, S.L.	Madrid	Development	87.50%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
ESPEBE 11, S.L.	Madrid	Development	80%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
FACORNATA SERVICIOS Y GESTIONES, S.L.	Madrid	Development	94.70%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
SERVICIOS INMOBILIARIOS LICANCABUR S.L.U	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method
SERVICIOS INMOBILIARIOS MAUNA LOA, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-	Full consolidation method

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

Company	Equity at December 31, 2019 (euros) (*)							
	Capital	Share premium	Reserves	Retained earnings (prior-year losses)	Profit/(loss) for the year	Other owner contributions	(Interim dividend)	Total equity
SPV REOCO 1, S.L.U.	44,807,030	403,236,299	(322,926,544)	(16,515,712)	13,085,423	61,533,015	-	183,219,511
DAMALANA SERVICIOS Y GESTIONES, S.L.U.	3,010	-	(353)	(3,240,678)	(1,177,949)	8,000,000	-	3,584,031
ESPEBE 18, S.L.U.	3,000	-	142	(1,329,910)	(99,984)	1,540,000	-	113,248
SPV REOCO 15, S.L.	3,000	-	(344)	(622,875)	(217,871)	2,555,125	-	1,717,035
SPV SPAIN 2, S.L.	100,000	978,848	(405)	(1,120,318)	20,006,540	4,124,175	(10,000,000)	14,088,841
ESPEBE 11, S.L.	3,000	-	954,535	-	171,910	-	-	1,129,446
FACORNATA SERVICIOS Y GESTIONES, S.L.	3,010	-	5,291	-	464,788	-	-	473,089
SERVICIOS INMOBILIARIOS LICANCABUR, S.L.U.	3,000	-	(215)	(1,345)	(200,063)	6,215,750	-	6,017,127
SERVICIOS INMOBILIARIOS MAUNA LOA, S.L.U.	3,255,768	4,879,152	(235)	(1,304)	(136,470)	1,500	-	7,998,411
TURNKEY PROJECTS DEVELOPMENT, S.L.U.	3,000	-	(1,264)	-	(725)	264,600	-	265,611
WINSLARO ITG, S.L.	3,000	-	(442)	(257)	(308,705)	3,303,500	-	2,997,096
EGON ASSET DEVELOPMENT, S.L.U.,	3,000	-	(1,485)	-	80	162,400	-	163,996
IPALA ASSET DEVELOPMENT, S.L.U.	3,000	-	(1,443)	-	361	-	-	1,918
URBANIA LAMATRA I, S.L.	3,000	-	(292)	(26,813)	(451,898)	2,833,600	-	2,357,598
URBANIA LAMATRA II, S.L.	3,000	-	(333)	(14,915)	(555,711)	6,930,750	-	6,362,792

Company	Equity at December 31, 2018 (euros) (*)							
	Capital	**Share premium**	**Reserves**	**Retained earnings (prior-year losses)**	**Profit/(loss) for the year**	**Other owner contributions**	**(Interim dividend)**	**Total equity**
SPV REOCO 1, S.L.U.	44,807,030	403,236,299	(322,926,544)	-	(16,515,712)	61,533,015	-	170,134,088
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, with the exception of the financial statements for the financial years 2019 and 2018 of SPV REOCO 1, S.L.U., audited by ERSNT & YOUNG, S.L.

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, 2019

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%
WINSLARO ITG, S.L.	REOCO MIRADOLA, S.L.	80%
SERVICIOS INMOBILIARIOS LICANCABUR, S.L.	REOCO MIRADOLA, S.L.	75%
URBANIA LAMATRA I, S.L.	URBANIA LAMATRA HOLDING, S.L.	90%
URBANIA LAMATRA II, S.L.	URBANIA LAMATRA HOLDING, S.L.	90%

List of non-Group companies that held 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%

Consolidated Annual Report 2019

AEDAS HOMES

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This Report is a translation from the original spanish Report. In case of discrepancy in between both Reports, the Spanish Report will prevail.

CONTENTS

1. Executive summary

2019, the first year in which the company has generated significant revenue from the delivery of homes, was a year marked by significant progress on execution of AEDAS Homes' 2017-2023 business plan. **By year-end, the company had delivered 833 homes (79% of guidance); it had secured completion certificates for 26 developments encompassing 1,124 homes (106% of guidance); and occupancy permits for a further 23 developments with 936 homes (89% of guidance), thus demonstrating that it is ready to culminate the delivery phase in early 2020.**

Moreover, **visibility was similarly good** at the December close **regarding the company's ability to meet its deliveries guidance for 2020 and 2021.** With respect to 2020, at year-end, **work was underway** on **100%** of the 1,986 deliveries targeted for this year, with over **93% of those houses more than 50% complete.** Furthermore, **77% of the houses slated for delivery have already been sold**. As for the delivery guidance for **2021**, at year-end, the company had **82% of its delivery target under construction and 35% of those units were already pre-sold**.

Evidencing the company's operational strength during its ramp-up phase as it moves towards its cruising speed, in 2019, the company **launched 2,635 housing units**, lifting the total number launched to date to 6,672. **Pre-sales**, meanwhile, amounted to **1,663** units, putting the total sold since the start of operations at 3,818 houses (which is 57% of cumulative launches). That sales figure, netting out the units already delivered by year-end 2019, puts the **year-end order book at 2,738 homes worth revenue of €925 million.** In parallel, the company **started work on 2,228 units** in 2019, ending the year with a total of 4,198 units under construction.

Elsewhere, it is worth noting that AEDAS Homes was the first institutional developer to strike an agreement for the turnkey development of residential buildings for a third party for subsequent rental (build-to-rent formula) when it signed an agreement with a subsidiary of **Ares Management Corporation (NYSE: ARES)** last March. The agreement contemplates the sale of four buildings encompassing c.500 houses.

In another pioneering move, AEDAS Homes was also the first developer to sign an **agreement to swap finished developments** with another institutional player, specifically **Aliseda**, a benchmark home-seller. In December 2019, and committing to immediate development, **the company took a majority interest in two plots of land**, one in Colmenar Viejo and the other in Arganda del Rey, Madrid; the company will **develop 198 homes** between the two sites. The land will be paid for by delivering the finished houses built on the sites to the seller, Aliseda.

AEDAS Homes also remained one of the most active purchasers of land. **Its investment thrust throughout 2019 was focused on 20 new projects with scope for the development of 1,259 homes accounting for €87.4[1] m which will require an additional €2.6 m capex.** The investments closed over the course of 2019 are designed to comply with the new development launch targets set by the company in its 2017-2023 business plan.

It is also worth highlighting the **agreement reached with Castlelake, L.P. ("Project Land")** in 2019, under which AEDAS Homes will be able to **co-invest in strategic land that is not fully permitted and manage it until it is ready to build**. Between the signing and year-end 2019, a total

1. Including all acquisition costs.

of **four transactions** covering the potential development of **508 homes (the number corresponding to AEDAS Homes) have closed.** “Project Land” provides the company with an additional long-term source of land. The initial acquisitions closed under the agreement have demonstrated the alliance’s **ability to create value**.

In addition to the acquisitions already closed, the company holds **purchase rights** over land with scope for the development of **611 units**.

As for **land sales**, in 2019, the company sold two sites with a development potential of 182 homes for €15.9 million in 2019, representing 101% of their GAV, according to SAVILLS.

Factoring in the investments made, the land sales closed and the deliveries that have already materialised, at **31 December 2019, the company’s land bank encompassed c. 15,426 housing units, up 3.5% from year-end 2018** (including the land acquired under the scope of “Project Land”).

As for the company’s valuation, SAVILLS has assessed its GAV at **€1.96 billion and its NAV at €34.78 per share**[2].

It is also worth highlighting that at year-end, the company had **€78 million of commercial paper outstanding** under the scope of its **shelf programme**, the AEDAS HOMES 2019 Commercial Paper Notes Program, having taken advantage of strong demand for this product, thanks to which the company is diversifying its sources of financing at very attractive average rates and maturities.

Earnings-wise, the company recorded **revenue of €311 million** (€295 million from the sales of housing developments) and a **gross margin of 32.7%.** As a result, **the company’s net profit amounted to €31.6 million in 2019,** marking the second consecutive year in the black.

At the December 2019 close, inventories stood at €1.27 billion, up 19% from year-end 2018, shaped notably by growth of €75 million to €95 million in finished products (slated for upcoming delivery) and of €149 million in work in progress, to €542 million. Similarly evidencing the company’s ramp-up, net debt increased to €214 million, to put the company’s LTV and LTC ratios at 11% and 17%, respectively. Of this amount, €38.3 million correspond to completed product pending delivery.

Elsewhere, on 25 July 2019, the company’s Board of Directors agreed to **buy back shares.** The number of **own shares repurchased since the start of the initiative stood at 1,485,057, or 3.09% of share capital, as of 31 December.**

2. Own shares amortised as of 31/12/19 has been assumed.

2. Economic environment

The Spanish economy has entered a period of slower growth, having been expanding steadily since 2014. Nevertheless, prevailing and forecast growth are above the eurozone averages.

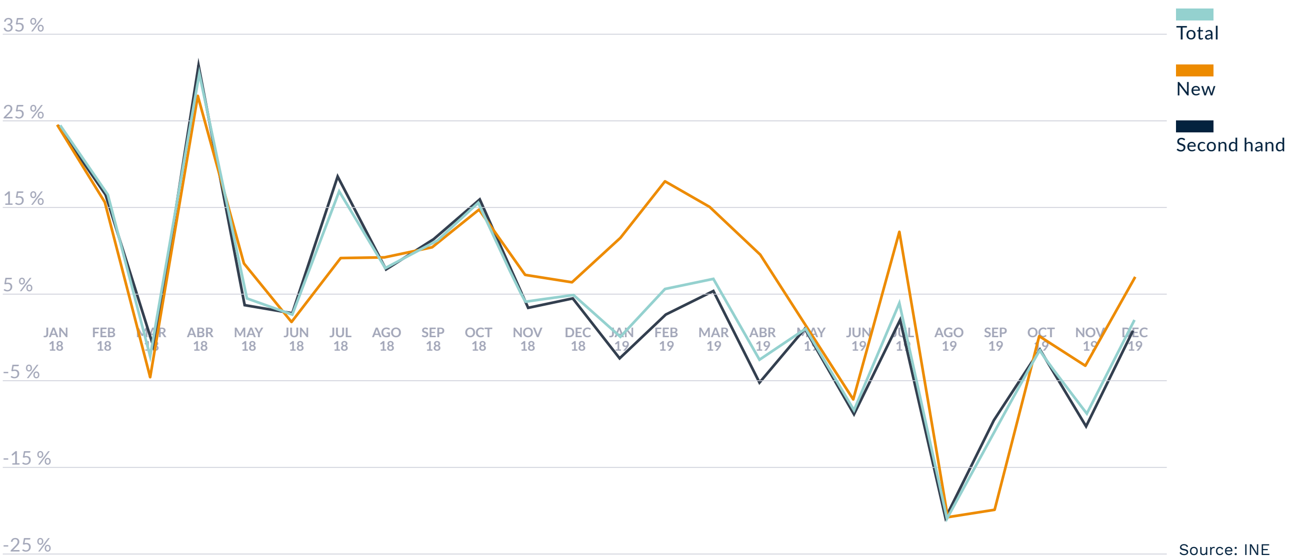
The International Monetary Fund (IMF) estimates that the Spanish economy grew by 2% in 2019 and is forecasting growth of 1.8% in 2020. That growth, albeit slower than in previous years, **continues to push unemployment lower. According to Spain's statistics office, the INE, unemployment ended 2019 at 13.78%**, compared to a peak of 25.8% in 2012. Spain continues to create jobs, this being one of the strongest **drivers of demand for housing**. Meanwhile, **salaries increased by 1.9% in 2019**, according to the INE, driven by stronger demand for employees.

A healthy mortgage sector marked by ultra-low rates, low household leverage and a recapitalised banking system are additional factors underpinning stable demand in the market for new housing developments in which prices remain well below their peak. The price situation is in turn improving affordability (measured as house prices / annual household income), an indicator which also remains more propitious for homebuying than in the past.

According to INE data, there is a correction in the number of housing transactions between the months of July and October, due to the effect of the new Mortage Law, and a clear recovery from November with a clear upward trend.

Stable demand for new residential developments, coupled with reduced supply in good locations, drove **annual growth in average house prices in Spain of 2.6% in 2019, evidencing the continuing imbalance between supply and demand** in sought-after locations and specifically well-designed homes at attractive prices. Despite that price growth, as of December 2019, average sales prices (nationwide) remained 33% below their peak, according to a report published by the appraiser, TINSA.

TOTAL NEW, SECOND HAND AND TOTAL HOUSING TRANSACTIONS



Source: INE

As far as AEDAS Homes is concerned, in 2019 the company applied **an increase in average sales prices of 3.0%, while it sustained growth in construction costs of 6.6%**; those indicators evidence **a trend of moderation and normalisation in demand towards organic levels** following two years of high inflation marked by the materialisation of demand that had been pent up during the sector crisis.

2019 was a good year in the stock markets, which posted widespread gains. Growth was moderate due to the stagnation of German manufacturing and the uncertainty generated by Brexit. In Spain, it was clear that the economy is entering a later stage of the growth cycle, affected by the slowdown in global and European growth, geopolitical tensions and contraction in global trade, all of which exacerbated by political uncertainty in Spain and abroad. However, according to the IMF's forecasts, **Spain is set to continue to outperform the main European economies: GDP is expected to grow by almost 2% in 2019 and 1.8% in 2020, compared to the averages forecast for the eurozone of 1.2% and 1.4%, respectively**.

As for the stock markets, the main American indices, the Stoxx 600 and the MSCI World Index all ended 2019 near highs, closing between 22% and 37% higher, with the eurozone indices gaining 24.6% on average. Spain's Ibex-35 index closed the year 11.8% higher. Despite the strong global equity market performance, which extended to the Ibex-35, the Spanish homebuilding sector continues to trade at a significant discount to NAV. In 2019, **AEDAS Homes continued to outperform its peers**, weathering the concerns over the sector's ability to deliver on guidance relatively better. Its share price **has trended clearly higher** since marking its low for the year on 14 August, against the backdrop of widespread corrections that month.

Nevertheless, **the company's strong business performance has not been echoed in its share price performance**: its shares ended the year at €21.45, down 3.2% from year-end 2018.

3. Business performance

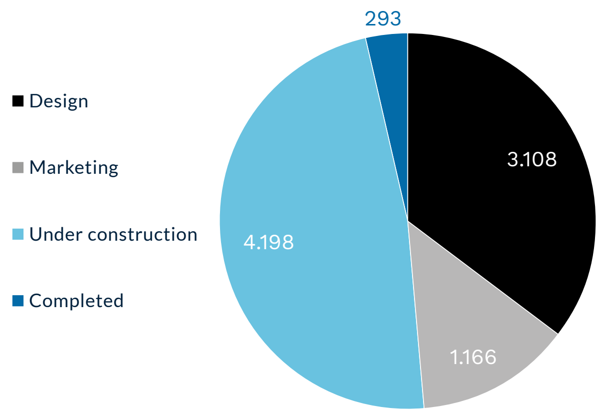
3.1 Homes under development

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

At 31 December 2020, the company had a total of 8,765 homes under development. Of the total, development began on 1,710 in 2019.

The breakdown of the homes under development by phase of development is as follows: 3,108 units at the design stage; 1,166 in the marketing phase; 4,198 under construction; and 293 finished.

ACTIVE UNITS CLASIFICATION



3.2 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.

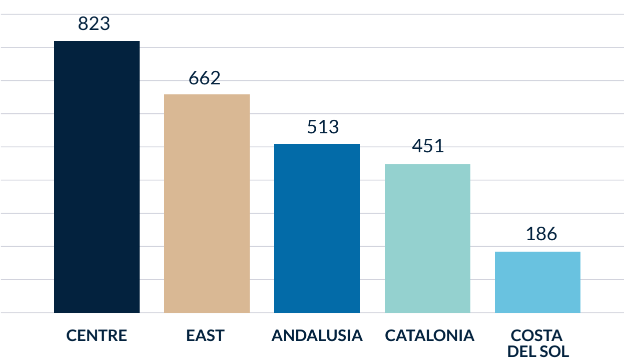
Over the course of 2019, the company launched **42 residential developments encompassing 2,635 units** in total. That marks year-on-year growth of 35% in the number of developments and of 16% in the number of units launched.

The **target** was for **2,580 launches** in 2019, implying **guidance outperformance of 2%**.

The GDV of the units launched in 2019 is €824 million, implying an **average selling price (ASP) per unit launched of €313,000** which is subject to change over time.

Of the 2,580 units launched in 2019, the breakdown by regional branch is as follows: in the Central region, 823 units representing 31% of the total; in Catalonia, 451 units accounting for 17% of the total; in Andalusia, 662 units representing 25%; on the Costa del Sol, 186 units accounting for 7% of the total; and, lastly, in the Eastern region, 513 units representing 20%.

TOTAL LAUNCHES REGIONAL BREAKDOWN 2019 (HOUSING UNITS)



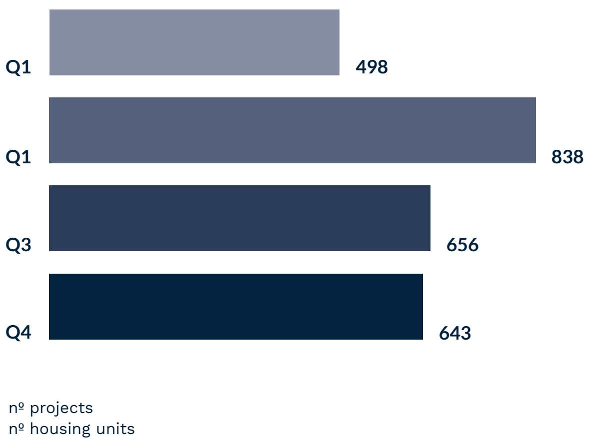
In the first quarter of 2019, the company launched **498 units** corresponding to 10 developments.

In the second quarter of 2019, the company launched **838 units** corresponding to 13 developments.

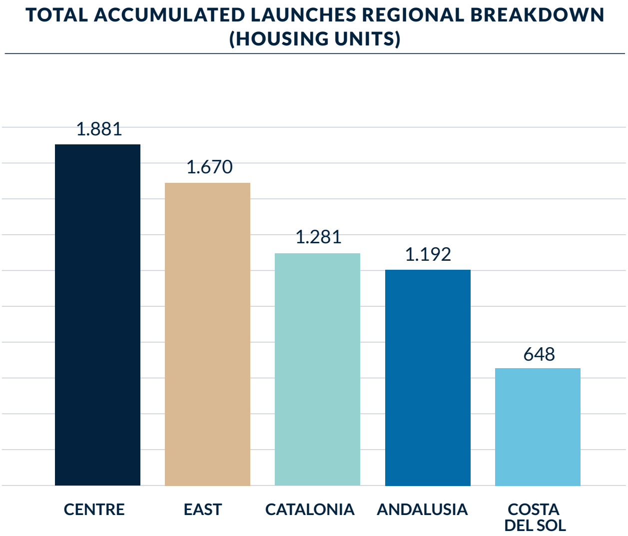
In the third quarter of 2019, the company launched **656 units** corresponding to 8 developments.

In the fourth quarter of 2019, the company launched **643 units** corresponding to 11 developments.

LAUNCHES BREAKDOWN BY QUARTER



As of 31 December 2019, the company had **launched a cumulative 106 residential developments** encompassing **6,672 housing units** with a **GDV of €2.32 billion**. The breakdown by regional branch of the units launched since the company's start-up is as follows: in the Central region, 1,881 units representing 28% of the total; in Catalonia, 1,281 units accounting for 19% of the total; in Andalusia, 1,192 units representing 18%; on the Costa del Sol, 648 units accounting for 10% of the total; and, lastly, in the Eastern region, 1,670 units representing 25%.



3.3 Sales

The sale of a unit begins with execution of a presale 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.

In 2019, **pre-sales totalled 1,663 homes**, marking **year-on-year volume growth of 34%** (2018: 1,240).

At year-end, two of the sale-purchase agreements signed with Ares Management Corporation (NYSE: ARES) had been executed: the first is a 103-unit housing complex in Torrejón de Ardoz and the second is a 91-unit development to be built on a site in Alcalá de Henares, Madrid.

The value of the units pre-sold in 2019 is **€532 million**, implying an average selling price (ASP) **per unit of €320,000**. **Pre-sales increased by 19% in 2019 by value.**

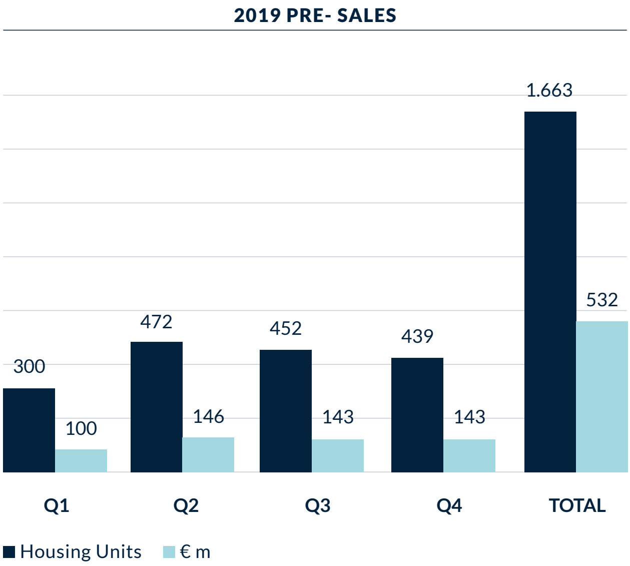
The breakdown of pre-sales by quarter:

In the first quarter of 2019, the company pre-sold **300 units** for €100 million.

In the second quarter of 2019, it pre-sold **472 units** for €146 million.

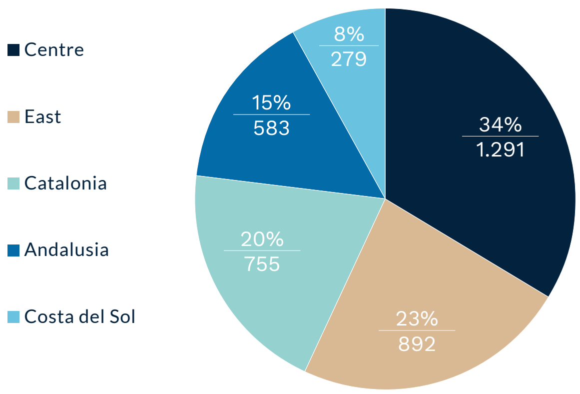
In the third quarter, it pre-sold **452 units** for €143 million.

In the fourth quarter, it pre-sold **439 units** for €143 million.



At 31 December 2019, the company had **sold an accumulated** (2017, 2018 and 2019) **3,818 units** representing sales revenue of **€1.29 billion**. Of that total, 1,080, valued at **€363 million**, had been delivered. As a result, the **order book** at year-end **amounted to 2,738 units valued at €925 million.**

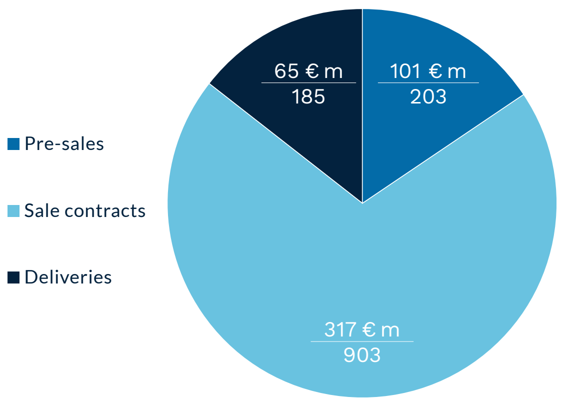
REGIONAL BREAKDOWN - ACCUMULATED SALES
(% / nº units)



Accumulated sales in the Central region stood at 1,291 units (34% of the total), of which 203 are pre-sales, 903 are under sale contract and 185 have been delivered. The pre-sales amount to €101.1 million, the contracts to €316.8 million and the deliveries to €64.8 million. The average sales price of those units is €374,000.

Sales to date in this region - €483 million - account for 37.48% of total accumulated sales.

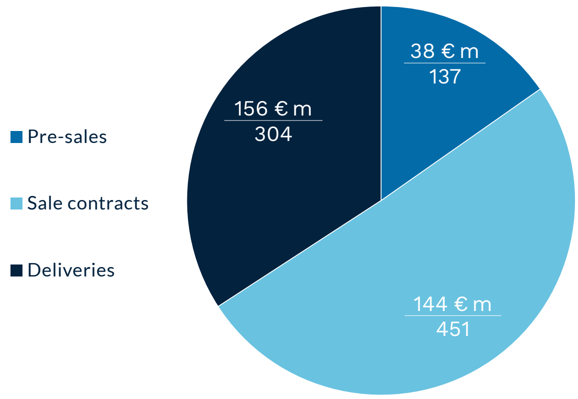
CENTRE - ACCUMULATED SALES
(€ m/nº units)



Accumulated sales in the Eastern region stood at 892 units (23% of the total), of which 137 are pre-sales, 451 are under sale contract and 304 have been delivered. The pre-sales amount to €38.2 million, the contracts to €144 million and the deliveries to €156.1 million. The average sales price of those units is €379,000.

Sales to date in this region - €338 million - account for 26.24% of total accumulated sales.

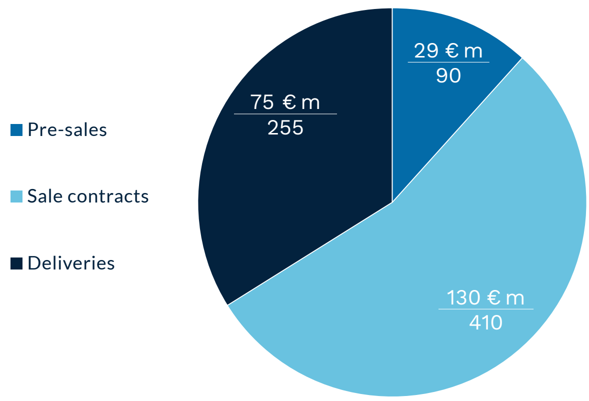
EAST - ACCUMULATED SALES
(€ m/nº units)



Accumulated sales in Catalonia stood at 755 units (20% of the total), of which 90 are pre-sales, 410 are under sale contract and 255 have been delivered. The pre-sales amount to €28.8 million, the contracts to €129.6 million and the deliveries to €74.8 million. The average sales price of those units is €309,000.

Sales to date in this region - €233.2 million - account for 18.09% of total accumulated sales.

CATALONIA - ACCUMULATED SALES
(€ m/nº units)



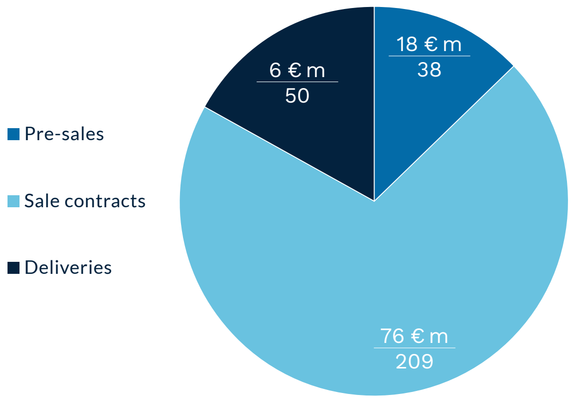
Accumulated sales in the Costa del Sol region stood at 297 units (8% of the total), of which 38 are pre-sales, 209 are under sale contract and 50 have been delivered. The pre-sales amount to €18.3 million , the contracts to €76.4 million and the deliveries to €5.9 million. The average sales price of those units is €339,000.

Sales to date in this region - €100.6 million - account for 7.8% of total accumulated sales.

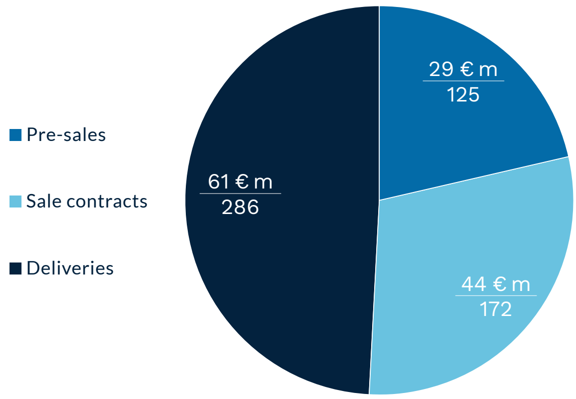
Accumulated sales in Andalusia stood at 583 units (15% of the total), of which 125 are pre-sales, 172 are under sale contract and 286 have been delivered. The pre-sales amount to €28.9 million, the contracts to €43.5 million and the deliveries to €61 million. The average sales price of those units is €229,000.

Sales to date in this region - €133.4 million - account for 10.35% of total accumulated sales.

COSTA DEL SOL - ACCUMULATED SALES
(€ m/nº units)



ANDALUSIA - ACCUMULATED SALES
(€ m/nº units)



REGION	DEVELOPMENT	2019 TARGET DELIVERY	2019 DELIVERIES	FORECAST AS OF END OF FEBRUARY 2020
CENTRE	ALTOS DEL PILAR	99	91	97
CENTRE	TERRAZAS DE LOS FRESNOS I	30	30	30
CENTRE	ALTOS DE LA RESERVA	10	5	9
CENTRE	ULLOA	54	50	53
CENTRE	MERIAN I	10	9	9
CENTRE	CABOT	28	0	4
CENTRE	ALTOS DE LOS FRESNOS	31	0	21
CENTRE	ESCALONIA I	60	0	43
CATALONIA	NOU EIXAMPLE MAR	59	58	58
CATALONIA	TORRE ESTRONCI 99	54	45	51
CATALONIA	TASMAN	30	29	30
CATALONIA	DAMPIER	21	15	15
CATALONIA	HUMBOLDT	90	79	88
EAST	MARINA REAL	80	80	80
EAST	NEW FOLIES	35	34	35
EAST	BRISAS DEL ARENAL	11	11	11
EAST	HACIENDA DEL MAR 2	4	4	4
ANDALUSIA	JARDINES HACIENDA ROSARIO I	78	77	77
ANDALUSIA	VILLAS DE ARCO NORTE -FASE 1	50	49	50
ANDALUSIA	RAMON Y CAJAL	36	34	35
ANDALUSIA	JARDINES HACIENDA ROSARIO II	60	55	57
ANDALUCIA	VILLAS DE ARCO NORTE -FASE 2	62	59	61
ANDALUSIA	VILLAS DE ARCO NORTE -FASE 3	24	12	20
COSTA DEL SOL	GALERA SUN	5	5	5
COSTA DEL SOL	VANIAN GREEN VILLAGE	22	2	16
COSTA DEL SOL	SOUTH BAY LAS MESAS	12	0	11
		1,055	833	970

3.4 Construction

In 2019, the company began construction on 2,228 homes, marking growth of 104% over the 1,094 on which building started in 2018. At 31 December 2019, the company had a total of **4,198 units under construction, having finished 293 and delivered 1,080**, bringing the number on which the company has begun work since starting up to a **total of 5,571**.

In the first quarter of 2019, construction began on 520 units and work finished on 162.

In the second quarter of 2019, construction began on 863 units and finished on 250.

In the third quarter, construction began on 308 units and finished on 576.

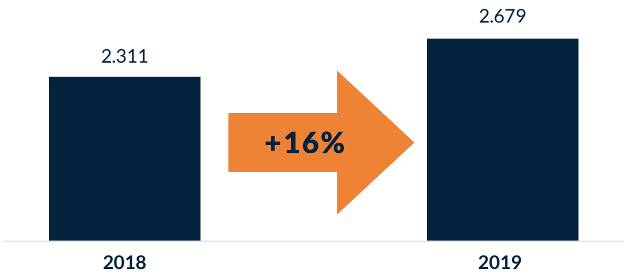
And in the fourth quarter, construction began on 537 units and finished on 91.

3.5 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 2019, **the company obtained a total of 2,679 building permits,** growth of 16% over the 2,311 obtained in 2018. That means that by year-end, **the company had obtained building permits for 6,062 homes in total.**

BUILDING PERMITS GRANTING EVOLUTION



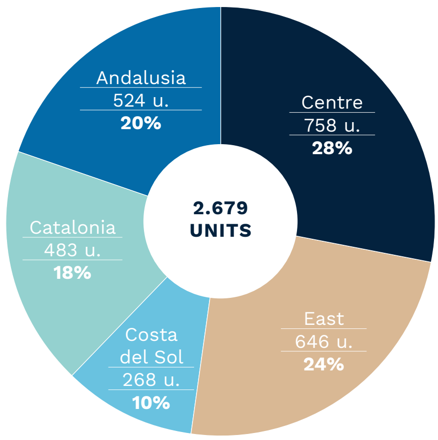
In the first quarter of 2019, building permits were obtained for 904 units.

In the second quarter, building permits were obtained for 648 units.

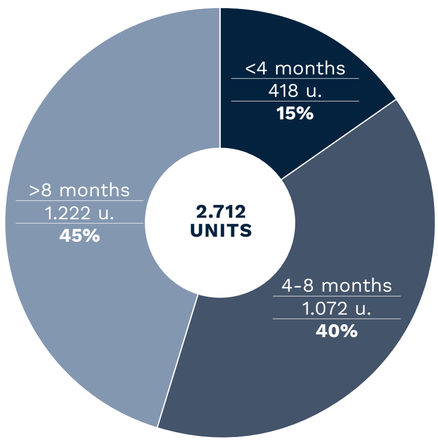
The third-quarter figure was 403 units.

In the fourth quarter, the company obtained building permits for 724 homes.

PERMITS GRANTED REGIONAL BREAKDOWN



PERMITS REQUEST MATURITY



4. Investment

AAEDAS Homes remains one of the most active purchasers of land in Spain. The investments closed over the course of 2019 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 2019 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 20% in terms of the net developer margin, calculated assuming acquisition-date average sales prices and costs. The land will be earmarked to the development of unsubsidised homes in the mid to upper-mid segments of the market.**

In all, the company closed 20 land purchase transactions in 2019. It is worth highlighting the strategic purchase of land for the first time in the cities of Zaragoza, Pamplona and Vigo. The land acquisitions break down as follows by location/region: three transactions in Granada and four in Seville (Andalusia); three in Javea, one in Denia, two in Valencia, one in Alicante and one in Llucmajor (Eastern region); one in Colmenar Viejo (Central region); one in Rincón de la Victoria (Costa del Sol); one in Vigo, to be coordinated from the Central region; one in Pamplona and one in Zaragoza, to be coordinated by the Catalan region.

In total, the company invested €87.4[3] million in 2019 in 20 new projects which will require additional investment of an estimated €2.6 million. The newly acquired land presents scope for the development of 1,259 housing units. Fifty-four per cent of those units are located on Ready-to-Build Land and the remaining 46% on Fully Permitted Land.

In sum, the average acquisition cost per housing unit once all of the land is brought to RTB permitting status is estimated at €70,000/unit, ranging from a low of €15,000/unit in the province of Granada to a high of €184,000/unit in Pamplona.

The recent entry into the cities of Zaragoza, Pamplona and Vigo is the result of the company's constant strategic monitoring of Spain's main cities. The analysis conducted revealed that demand for new housing is solid in all three cities (home purchases have doubled from minimum levels), which also present upside price-wise. That demand is mainly the result of population growth since 2016, in turn fuelled by clearcut economic momentum (unemployment rates of under 10% in Zaragoza and Pamplona and slightly below the nationwide average in Vigo) and population migration to these cities from surrounding towns.

Price recovery in these cities is only recent, so that AEDAS Homes is positioning itself in these markets at the start of their respective housing market recoveries. New builds are clearly underrepresented in total home sales in these markets, forcing buyers to look to the second-hand

3. Including all acquisition costs.

housing market. Indeed, new development take-up rates are higher than average in these cities.

Lastly, the newly acquired sites are considered prime locations, i.e., top-tier locations in terms of 'desirability' for the company's target audience: the developments will be targeted at the mid to upper-mid segments of the market and the sites are conducive to upholding AEDAS Homes' standards in terms of type of housing, specifications, common areas, etc.

On the land sale front, the company sold two properties located in the Central region in 2019. One of the sites sold is located in Alcalá de Henares and the other, in Tres Cantos, Madrid. They were sold for a combined €15.9 million, representing 101% of their GAV, according to Savills. The land sold presents scope for the development of 182 housing units.

At 31 December 2019, the company's land bank encompassed c. 15,426 housing units, up 3.5% from year-end 2018, net of the deliveries completed to date and the land sold.

In addition to the land acquired outright, the company (i) holds **call options** on land with scope for the development of **611 units**, which would imply **investment of €46.8[4] million** (plus an additional estimated €3.1 million); and (ii) has committed to another **four transactions** under the scope of "Project Land" with scope for the development of **508 homes (the figure corresponding to AEDAS Homes)**, which will be recognised as inventories by the company once the land is fully permitted and it has exercised its conversion right; the company has **invested €13.7 million** to acquire these sites, which will require further investments of an estimated **€9 million** to fully permit them. Of those 508 units, 258 are located in the Central region; 197 on the Costa del Sol; and 53 in Andalusia.

5. Financial Information

5.1 Statement of profit or loss

Compared to 2018, the main profit and loss headings clearly evidence the company's ramp-up: revenue increased by 290% to **€311 million** in 2019 (€295 million from the sale of housing developments and the remaining €16 million from land sales).

Gross profit amounted to €102 million in 2019, implying a gross margin of 32.7%. That high gross margin reflects the product mix ultimately delivered over the course of 2019.

Direct costs increased by 132% from 2018 to €18.3 million, due to the growth in development launches, once again evidencing the ramp-up stage of the company's business operations. The biggest increase was sustained in sales commissions (230%). It is also worth noting that **this heading also recognises the marketing costs associated with all of the developments launched by the September close irrespective of whether or not they were actually delivered during the reporting period**.

General expenses were 29% higher year-on-year at €25.2 million, shaped once again by company's stage of development, as it is now close to having the full staff it needs to execute its business plan.

It is also worth noting the increase in finance expenses in the period due to additional drawdowns of the corporate loan and new commercial paper issues.

The company posted a net profit of €31.6 million in 2019, up 1,164% from 2018, fuelled by volume growth, and marking the second consecutive year in the black.

4. Including all acquisition costs.

AEDAS HOMES € m[1]	2019	2018	YoY change € m[1]	YoY change, %
REVENUE	**311.5**	**79.8**	**231.7**	**290%**
Cost of goods sold	(209.7)	(56.0)	153.7	274%
GROSS PROFIT	**101.8**	**23.8**	**78.0**	**328%**
Gross margin, %	32.7%	29.8%	-	10%
Marketing and sales commissions	(18.3)	(7.9)	(10.4)	132%
Other expenses related to developments & taxes	(3.0)	(2.5)	(0.5)	20%
NET MARGIN	**80.5**	**13.4**	**67.1**	**500%**
Net margin, %	25.8%	16.8%	-	54%
Overhead	(25.2)	(19.5)	(5.7)	29%
Other operating income/(expenses)	0.4	1.6	(1.2)	75%
Inventory impairment (losses)/gains	0.0	0.1	(0.1)	100%
EBITDA	**55.7**	**(4.4)**	**60.2**	**-**
EBITDA margin, %	17.9%	-	-	-
Depreciation and amortisation	(1.5)	(0.4)	(1.1)	275%
Net finance cost	(9.6)	(3.3)	(6.3)	190%
PBT	**44.6**	**(8.1)**	**52.7**	**651%**
Corporate tax	(10.5)	12.0	(22.5)	188%
NET PROFIT	**34.1**	**3.9**	**30.3**	**774%**
Net profit margin, %	14.5%	4.8%	-	202%
Non-controlling interests	2.5	1.4	1.1	78.6%
Net profit attributable to equity holders of the Parent	**31.6**	**2.5**	**29.1**	**1,164%**

(1) Differences due to rounding errors

5.2 Balance sheet, statement of cash flows and average supplier payment term

5.2.a Balance sheet

The most noteworthy development in balance sheet terms is the 21% increase in current assets from year-end to €1.49 billion.

That growth was driven mainly by the 19% increase in inventories to €1.27 billion, broken down between land (49%), construction in progress (43%), finished product (7%) advances to suppliers (1%).

The growth in inventories, of €200 million, was financed primarily by the following balance sheet items, among others:

On the liability side:

€96 million from trade and other accounts payable, which increased from €172 million at year-end 2018 to €268 million at the December 2019 close. The following movements stand out:

- €35 million stemmed from the increase in customer down payments, which ended December at €155 million.
- €38 million originated from the increase in trade payables, which closed 2019 at €83 million.

€44 million derived from the issuance of commercial paper, for a total balance outstanding at 31 December 2019 of €78 million.

€171 million came from current bank loans, which increased mainly on account of the €150 million already drawn down under the syndicated loan which was reclassified to current borrowings, as it is now due within 12 months of the reporting date. Drawdowns under the syndicated loan increased by €91 million from year-end 2018; note that this facility was previously included under 'non-current bank borrowings'. Lastly, developer loans increased to €81 million, corresponding €38.3 million to completed product pending delivery.

On the asset side:

It is also worth highlighting the €48 million increase in the cash and current prepayments accounts in 2019 which ended the year at €159 million, reflecting the down payments made, mostly in the last quarter of the year.

AEDAS HOMES € m[1]	31/12/2019	31/12/2018	YoY change € m[1]	Variation %
Non-current assets	**37**	**27**	**10**	**37%**
Inventories	1,276	1,076	200	19%
Trade and other accounts receivable	49	42	7	17%
Short term accruals	18	14	4	29%
Cash and cash equivalents	148	103	48	44%
Current assets	**1,492**	**1,235**	**257**	**21%**
Total assets	**1,529**	**1,262**	**272**	**22%**
Equity	**939**	**935**	**4**	**1%**
Of which treasury stock	(31)	(1)	(30)	-
Non-current borrowings	0	58	(58)	-
Other non-current borrowings	2	1	1	100%
Non-current liabilities	**2**	**59**	**(57)**	**97%**
Provisions	9	1	8	800%
Current borrowings	309	92	217	236%
Other current liabilities	2	3	(1)	33%
Trade and other accounts payable	268	172	96	56%
Current liabilities	**588**	**268**	**320**	**119%**
Total equity and liabilities	**1,529**	**1,262**	**272**	**22%**

(1) Differences due to rounding errors

For more information about the company's borrowings, refer to section 5.3 of this report.

Elsewhere, the own share repurchases embarked on in 3Q19 are recognised within the company's equity, as a reduction of €30.6 million, under 'own shares and own equity investments'.

5.2.b Own shares

On 25 July 2019, the company's Board of Directors agreed to **buy back shares**, initially in the form of a discretionary programme. That agreement consisted of the buyback of enough shares to lift the number of own shares held as treasury stock to 2,500,000, or 5.2% of capital, capped by an investment limit of €50 million. Subsequently, at a meeting held on 25 September, the Board of Directors approved a share repurchase programme for the buyback of shares in addition to those already held as a result of the above discretionary programme, albeit without exceeding the stipulated limits. Note, however, that the maximum number of shares to be repurchased may be reduced if, during the term of the repurchase programme, the company buys back own shares in a block trade.

The cap on the investment in own shares is €50 million during the 36 months elapsing from the start of the Repurchase Programme launched on 1 October 2019.

Any shares acquired under the **discretionary programme** may be **cancelled, sold or used in potential M&A or business deals**.

Similarly, all of the shares bought back under the **Repurchase Programme** will be subsequently cancelled.

Any shares acquired via **block trades** may be **cancelled, sold or used in potential M&A or business deals**.

The number of **shares bought back between the start of the repurchases on 7 August and 31 December 2019 totals 1,485,057, which is equivalent to 3.09% of the company's capital; the shares were bought back for €30,603,842.36[5], i.e., at an average price of €20.6079/share[6].**

5. Excluding commissions.
6. Excluding commissions.

SHARES BOUGHT BACK IN 2019	SHARES	% CAPITAL
DISCRETIONARY PROGRAMME	148.724	0,3101
REPURCHASE PROGRAMME	502.815	1,0482
BLOCK TRADES	833.518	1,7377
TOTAL	**1.485.057**	**3,09**

AEDAS HOMES

5.2.c Statement of cash flows

Cash and cash equivalents increased from €103 million at the start of 2019 to €148 million at year-end, growth of €46 million.

That increase is the net result of net cash outflows from operating activities of €114 million, net cash outflows from investing activities of €13 million and net proceeds from financing activities of €172 million.

The outflow from operating activities is attributable mainly to the movement in inventories, which increased by €170 million, and a €14 million increase in trade and other payables, and the €8.6 million decrease in trade and other receivables.

Meanwhile, the company's capital expenditure outlay amounted to €13 million.

The inflow from financing activities reflects a net inflow of €114 million as a result of new issuance net of repayments under the commercial paper programme and an inflow of €89 million following the full drawdown of the corporate loan. This heading also reflects the buyback of own shares for €33 million and the sale of all of the own shares that had been purchased under the liquidity agreement following its cancellation for €3 million.

AEDAS HOMES **Summary statement of cash flows (€ m[1])**	**31/12/2019**	**31/12/2018**
Earnings Before Taxes	**44.5**	**-8.1**
Adjustment to Profit/Losses	**5.8**	**-6.2**
Change in Trade Provisions	1.1	3.0
Change in Investment properties	1.6	-0.5
Financial cost / (income)	9.4	3.2
Other Income / (expense)	-6.2	-11.9
Change in Working Capital	**-164.3**	**-143.0**
Inventories	-169.9	-185.3
Trade and other receivables	-8.6	10.1
Trade and other payables	14.2	33.1
Other operating cash flows	0.0	-0.9
Net cash-flow from operating activities	**-114.0**	**(157.3)**
Net cash-flow from investment activities	**-12.7**	**93.7**
Net cash-flow from financing activities	**172.4**	**172.4**
Net cash increase / (decrease)	**93.7**	**45.8**
Cash Beginning-of-Period	103.0	103.0
Cash End-of-Period	**148.7**	**148.7**
Of which unrestricted Cash	*95.4*	*95.4*

(1) Differences due to rounding errors

5.2.d Average supplier payment term

In 2019, suppliers were paid at **56.01 days** on average. The supplier payment term has gone up by 12 days since 2018. This is due to the increase in the number of construction works whose building certifications are paid in 60 days.

Average supplier payment term	2019	2018
Days		
Average supplier payment term	56.01	43,77
Paid transactions ratio	58.64	46,38
Outstanding transactions ratio	39.06	22,04

5.3 Borrowings

At 31 December 2019, the company's gross borrowings stood at €312 million, made up primarily of €79.3 million of bank loans (secured by mortgages, corresponding €38.3 million to completed product pending delivery) used to finance developments under construction and €230 million of corporate loans, mostly obtained from the parent's syndicated loan and the issuance of commercial paper.

The limit on the borrowings arranged by the company stands at €868 million, €638 million of which consists of developer loans.

As a result, **the company's net debt stood at €214 million at the December close, up 124% from year-end 2018.**

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

At year-end 2019, the company's average borrowing cost stood at 2.90%; the average cost of its developer loans was 2.10%. If it were to draw down the entire limit, the borrowing cost would be 2.36%.

The 98% increase in borrowings from year-end is attributable to the acceleration in business volumes as the company ramps up its operations. Despite the increase, and reflecting the low level of drawdown, **the company's LTV and LTC ratios stood at 11% and 17%, respectively, as of 31 December 2019**.

Net financial debt[3] (€ m)

	Dec. 2019	Dec. 2018
Secured developer loans	79.3	57.1
Unsecured debt	230.6	97.3
Corporate facility term loan	150.0	61.6
Commercial paper	78.0	34.0
Other financial debt	2.6	1.7
Gross debt	**310.0**	**156.2**
Unrestricted cash	95.4	60.5
Net financial debt (net cash)	**214.5**	**95.7**
Restricted cash	53.3	42.5
Total cash	**148.7**	**103.0**
Deferred Land Payments	3.9	9,3
LTC[1]	17%	9%
LTV[2]	11%	5%
LTC[1] including restricted cash	13%	4%

(1) LTC: Calculated as Net Financial Debt divided by inventory carrying cost, excluding land prepayments
(2) LTV: Calculated as Net Financial Debt divided by total GAV
(3) Differences due to rounding errors.

5.4 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 Devolpment 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 - Prepayments 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.

6. 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 2019, 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.

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 is 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
  - 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

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.

- Management level: 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.

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

- Securities markets
- Real estate market
- Land bank
- Competition
- Development
- Workplace safety
- Reliability of the financial information
- Cybersecurity

In addition, it has decided to include the following corporate risk factors in the risk management model in 2020:

- Reputation
- Transformation of land
- Sales
- Availability of financing

A monitoring system has been established for the risks under management 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

In 2019, the company devised action and monitoring plans for the indicators that surpassed the defined thresholds.

Note 22 of the company's 2019 consolidated financial statements provides a detailed description of the main business and financial risks to which Aedas Homes is exposed.

7. Organisational structure and CSR

7.1 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 holding, use, management, sale or lease.

The company conducts its business across five regional branches: Catalonia (Barcelona, Tarragona, Zaragoza and Navarre); the Central region (Madrid, Valladolid and Vigo); Andalusia (Seville and Granada); Costa del Sol (Malaga); and the Eastern region (Valencia, Alicante and Mallorca. **At the December close it had a total of 217 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 in general meeting by the Bylaws or prevailing company law. The Board of Directors, which is vested with the broadest powers to manage, direct, administer and represent the company, generally delegates the company's everyday 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 as well as attending to matters of particular significance to the company.

The Board of Directors is made up of nine members. Six are independent directors, two 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, made up 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 are 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.

EXECUTIVE COMMITTEE

DAVID MARTÍNEZ
Chief Executive Officer

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 Chamartín 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
Director of Strategy, Investment and Alternative Developments

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. In 2019, he was named Director of Strategy, Investment and Alternative Developments.

MARÍA JOSÉ LEAL
Chief Financial Officer

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 Operating Officer

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 Castlelake on its real estate strategy in Spain. He joined AEDAS Homes in 2016 and has been its COO since 2017. In 2019 he was named Director of Business.

JAVIER SÁNCHEZ
Director of Innovation and Branding

A dual-degree business and law graduate from ICADE. Javier has built his career in the technology, marketing, communication and innovation areas. He participated in the development of telecommunications and internet companies such as Vodafone and Orange and has founded a number of technology and audiovisual communication firms, including Vértice 360. Before joining AEDAS Homes, Javier worked as Director of Marketing and Innovation at Dospuntos, a property developer. Javier stands out for his expertise in real estate brand-building, digital marketing and customer journeys.

ESTHER DUARTE
Director of Corporate Resources

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.

CORO MORALES
Director of Legal Advisory

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.

DIRECTORES TERRITORIALES

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 and Aragon

A civil engineering graduate from the Catalan Polytechnic University, David also holds an MBA from ESADE. 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
irector 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.

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.

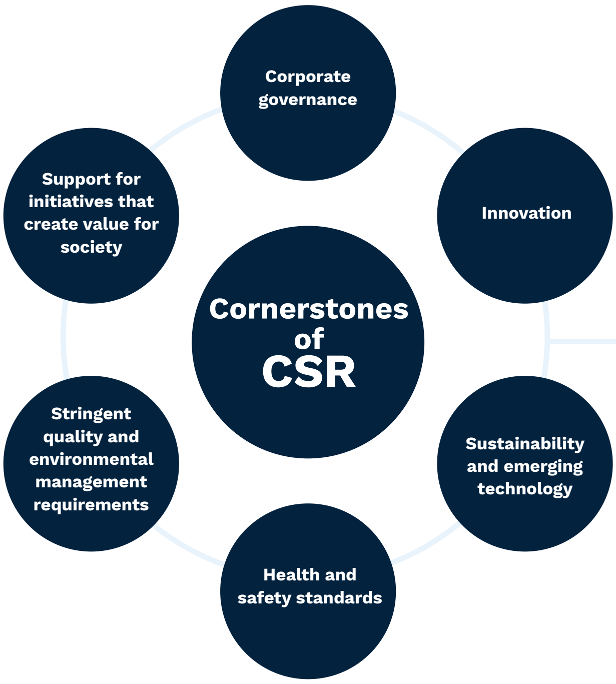
JOSÉ IGANCIO FERNÁNDEZ

Director of Costa del Sol

A law graduate from Seville University. He also holds an MBA from the San Telmo International Institute in Seville, a Master's in Town Planning and Management from Madrid's Carlos III University and a Master's in Town Planning and Design from the Seville School of Architecture, where he is currently pursuing a PhD in Town Planning. He brings 19 years' experience at firms such as Martinsa-Fadesa and Galia Grupo Inmobiliario and has also worked in the town planning department of Seville's City Hall.

7.2 Corporate social responsibility

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.



Pledges to shareholders

- Transparency
- Communication
- Honesty
- Value creation

Pledges to professionals

- Compliance
- Talent management
- Integration
- Training
- Workplace health and safety

Environmental pledges

- Controlled consumption of natural resources
- Sustainability and innovation classroom
- Bream-certified sustainable building
- Green Book

Pledges to society

- Social development
- Sustainability
- Commitment to society

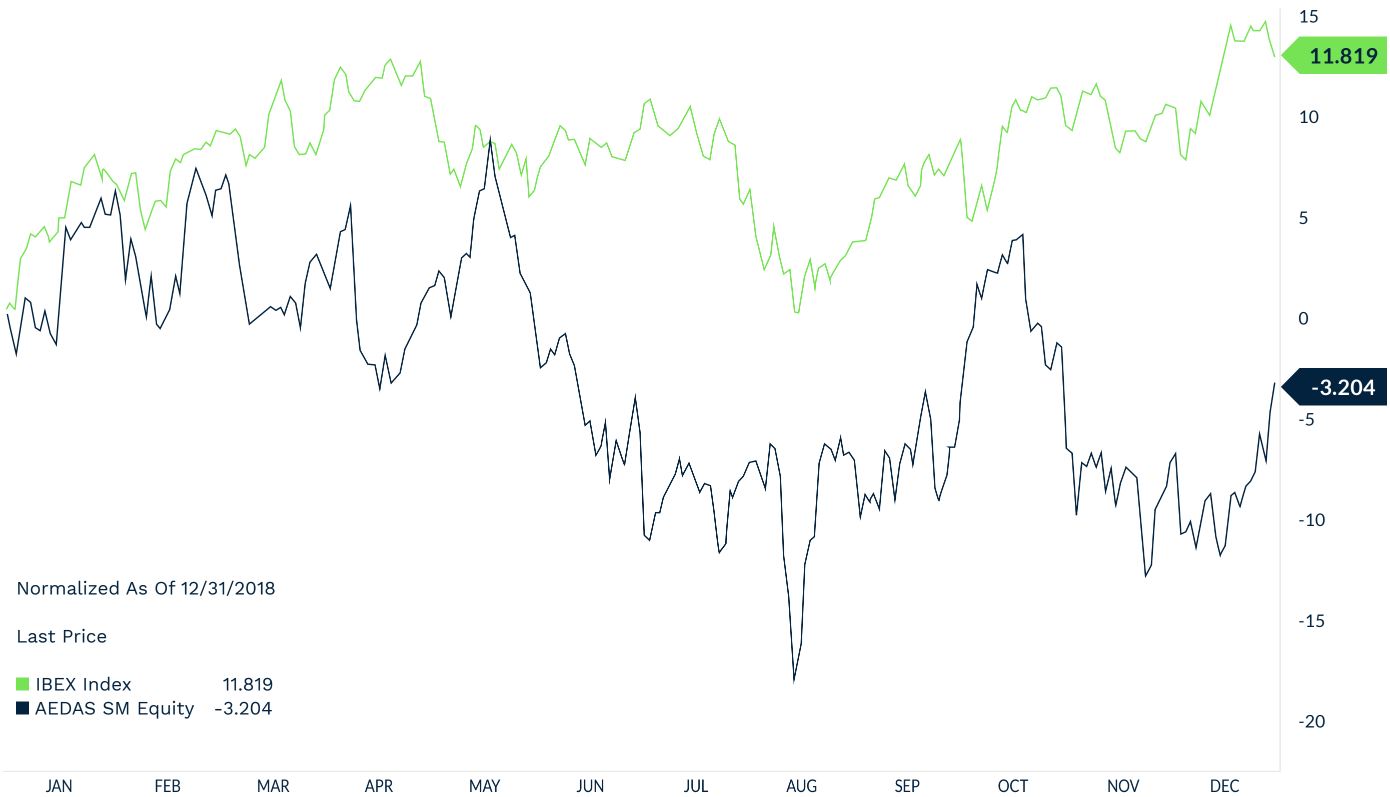
Innovation pledge

- Offsite homebuilding
- Sustainable Show Office

8. Share price performance and price-sensitive notices

8.1 Share price performance

Despite the Spanish stock market's strong performance, with the IBEX-35 gaining 11.8 % in 2019, the Spanish homebuilding sector continues to trade at a significant discount to NAV. Specifically, **AEDAS Homes'** share price at year-end 2019 implies a trading discount to NAV of 38 %. AEDAS Homes' share price started the year at €22.16/share, reaching a high for the year of €24.05/share on 21 May and marking a low of €18.18/share on 14 August. It closed at €21.45 on 31 December. In all, the company's share price **corrected by 3.2% over the course of 2019.** As for liquidity, the equivalent of 59% of total outstanding shares changed hands in 2019.



IBEX Index (IBEX 35 Index) Copy of AEDAS Daily 31DEC2018-31DEC2019 Fuente: Bloomberg

8.2 List of price-sensitive notices

Publication date	Type of notice	Summary content	Registration no.
21/01/2019	Announcements of public presentations or meetings	FY2018 results webcast announcement	274053
21/01/2019	Liquidity contracts and specialists	4Q2008 transactions - liquidity contract	274056
24/01/2019	Liquidity contracts and specialists	Liquidity agreement resumed	274142
20/02/2019	Annual corporate governance report	Submission of annual corporate governance report for 2018	274918
20/02/2019	Board of directors remuneration annual statement	Submission of annual statement on director remuneration for 2018	274919
20/02/2019	Interim financial information	Submission of information about the company's second-half 2018 results	274920
20/02/2019	Information on P&L	FY18 earnings presentation	274921
22/03/2019	Liquidity contracts and specialists	Liquidity agreement termination	276326
01/04/2019	Liquidity contracts and specialists	Sale of shares and cash account transfers. Liquidity agreement termination	276686
05/04/2019	Composition of the board of directors	Milagros Méndez appointed as independent director	276777
05/04/2019	Announcements and resolutions of general shareholders meetings	2019 General Shareholders' Meeting Announcement	276778
12/04/2019	Transactions and guarantees on assets	AEDAS - turnkey projects	277062
23/04/2019	Announcements of public presentations or meetings	1Q19 results release. Conference call and webcast announcement	277314
30/04/2019	Interim financial information	Submission of information about the company's first-quarter 2019 results	277596
30/04/2019	Information on P&L	1Q19 results	277597
10/05/2019	Announcements and resolutions of general shareholders meetings	General Shareholders' Meeting 2019 - resolutions approved	278052
20/05/2019	Strategic agreements with third parties	Castlelake agreement	278394
14/06/2019	Fixed-income issues	2019 AEDAS Homes commercial paper programme	279203
02/07/2019	Strategic plans, profit forecasts and presentations	Presentations: "Building on strong fundamentals" Presentation, Centre Branch Presentation and valuation model	279790

22/07/2019	Announcements of public presentations or meetings	H1 2019 results webcast announcement	280422
23/07/2019	Announcements of public presentations or meetings	H1 2019 results webcast announcement	280443
25/07/2019	Interim financial information	Information about the company's first-half 2019 results	280620
25/07/2019	Information on P&L	AEDAS Homes – H1 2019 results	280621
27/09/2019	Buy-back programmes, stabilisation and treasury stock	Buy-back programme announcement	282099
07/10/2019	Buy-back programmes, stabilisation and treasury stock	1-7 October Buy-Back Programme Report	282335
15/10/2019	Buy-back programmes, stabilisation and treasury stock	8-14 October Buy-Back Programme Report	282574
21/10/2019	Buy-back programmes, stabilisation and treasury stock	Buy-back programme - 15-21 October report	282099
28/10/2019	Buy-back programmes, stabilisation and treasury stock	Buy-back programme report 22-28 October 2019	282936
04/11/2019	Announcements of public presentations or meetings	9M 2019 results audio webcast announcement	283267
04/11/2019	Buy-back programmes, stabilisation and treasury stock	29 October - 4 November buy-back programme report	283268
05/11/2019	Interim financial information	Submission of information about the company's third-quarter 2019 results	283321
05/11/2019	Information on P&L	9M 2019 Results Presentation	283322
11/11/2019	Buy-back programmes, stabilisation and treasury stock	5-11 November buy-back programme report	283514
18/11/2019	Buy-back programmes, stabilisation and treasury stock	12-18 November buy-back programme report	283764
25/11/2019	Buy-back programmes, stabilisation and treasury stock	19-25 November buy-back programme report	283909
02/12/2019	Buy-back programmes, stabilisation and treasury stock	26 November - 2 December buy-back programme report	284077
10/12/2019	Buy-back programmes, stabilisation and treasury stock	3-9 December buy-back programme report	284309
16/12/2019	Buy-back programmes, stabilisation and treasury stock	10-16 December buy-back programme and block trade report	284564
23/12/2019	Buy-back programmes, stabilisation and treasury stock	17-23 December buy-back programme and block trade report	285218
30/12/2019	Buy-back programmes, stabilisation and treasury stock	24-30 December buy-back programme report	285558

AEDAS HOMES

9. 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 8, 2020, AEDAS Homes arranged an equity swap agreement with Goldman Sachs International (GSI) for a maximum notional amount of 50 million euros and a maximum number of shares of 2,400,000. Its settlement date is January 8, 2021. On said date, the first sale of shares to GSI under this agreement was made, for an amount of 4,999,987 euros (236,406 shares).

- On January 24, 2020, the Parent completed an additional issue of commercial paper under the current program, “AEDAS HOMES 2019 Commercial Paper Notes Program” on Spain's alternative fixed income market (MARF for its acronym in Spanish), issuing a total nominal amount of 12 million euros, of which 5.9 million euros falls due in March 2020, 4 million euros falls due in June 2020 and 2.1 million euros falls due in November 2020.

- On January 29, 2020, the Board of Directors of the Parent Company agreed to propose to the Shareholders' Meeting the change of the fiscal year of the Company to the twelve-month period beginning from April 1 to March 31 of the following year, except for the first fiscal year, which will be from January 1, 2020 until March 31, 2020.

- On February 11, 2020, SPV Reoco 1, S.L.U. agreed to buy some land for an amount of 3.561.355 euros, plus IVA, being retained an amount of 36,865 euros in case deviations from the development costs of the plot arise.

- On February 13, 2020, SPV Reoco 1, S.L.U. agreed to buy some land for an amount of 8,716,477 euros. The buyer paid for this land in full upon purchase.

- On February 18, 2020, the Parent completed an additional issue of commercial paper under the current program, “AEDAS HOMES 2019 Commercial Paper Notes Program” on Spain's alternative fixed income market (MARF for its acronym in Spanish), issuing a total nominal amount of 2 million euros, which falls due in July 2021.

- During 2020, the AEDAS Group has arranged developer loans with mortgages in an aggregate amount of 24,468,126 euros in order to finance 2 developments in progress. The mortgage loans carried interest at Euribor plus spreads ranging between 225 and 275 basis points.

- As of February 24, 2020, the treasury stock of AEDAS at stock exchange closing time amounted to a total of 1,799,623 shares representing 3.7518% of the Company's share capital, acquired at an average price of 20.7370 euros per share. The total number of shares acquired under Discretionary Management has been 148,724 shares representing 0.3101% of its share capital, at an average price of 20.3341 euros per share; the total number of shares acquired under the “Buy Back Program” has been 670,611 representing 1.3981% of its share capital, at an average price of 21.1556 euros per share, and the total number of shares acquired in the block trade market has been 980,288 representing 2.0437% of its share capital, at an average price of 20.5119 euros per share.

- On February 25, 2020, the Board of Directors approved the following: the Company will pay a dividend of 1 euro per share, charged to the year 2020 profit. The Company will make a first interim payment of 50 cents per share in November of this year. Ordinary dividends will be paid every six months after the presentation of results to the market (50% in each period), corresponding to the first and second half of the year. Dividends will grow in line with the Company's cash flow generation for the period 2020-2023. Dividend payment may be made in cash or by the delivery of own shares.

- On 25 February 2020, the Board of Directors approved increasing the limit of the share buyback programme from € 50 m to € 150 m, while maintaining the other conditions approved by the Board on 25 September 2019.

10. Annual Corporate Governance Report

The 2019 Corporate Governance Report is part of the Management Report. It has been available since the date of publication of the company’s financial statements on the websites of the securities market regulator, the CNMV, and of Aedas HOMES itself:

www.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 2019, firmando todos y cada uno de los señores Consejeros de la sociedad, cuyos nombres y apellidos constan a continuación, de lo que doy fe.

25 de febrero de 2020

El Secretario no Consejero

____

D. Alfonso Benavides Grases

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D. Eduardo Edmundo D´Alessandro Cishek

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 31^{st}, 2019, signed by each and every one of the Directors of the company, whose names and surnames are listed below, That I give faith.

February 25^{th}, 2020

Non-director Secretary

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D. Alfonso Benavides Grases

____

Mr. Eduardo Edmundo D´Alessandro Cishek

___________________________	___________________________
D. David Martínez Montero	Mr. David Martínez Montero
___________________________	___________________________
D. Santiago Fernández Valbuena	Mr. Santiago Fernández Valbuena
___________________________	___________________________
D. Evan Andrew Carruthers	Mr. Evan Andrew Carruthers
___________________________	___________________________
Dña. Milagros Méndez Ureña	Ms. Milagros Méndez Ureña
___________________________	___________________________
D. Javier Lapastora Turpín	Mr. Javier Lapastora Turpín
___________________________	___________________________
D. Miguel Temboury Redondo	Mr. Miguel Temboury Redondo

Dña. Cristina Álvarez Álvarez

Ms. Cristina Álvarez Álvarez

D. Emile K. Haddad

Mr. Emile K. Haddad

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 2019, 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, 2019, 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
Chairmain

____
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

Dña. Milagros Méndez Ureña
Consejera

Mrs. Milagros Méndez Ureña
Consejera

Dña. Cristina Álvarez Álvarez
Consejera

Mrs. Cristina Álvarez Álvarez
Board Member

____

D. Emile K. Haddid
Consejero

25 de febrero de 2020
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 en la parte inferior de la firma correspondiente, siendo todos ellos miembros del Consejo de Administración de Aedas Homes, S.A.

Madrid
25 de febrero de 2020

____

D. Alfonso Benavides Grases
Secretario del Consejo de Administración

____

Mr. Emile K. Haddid
Board Member

February 25th, 2020
Madrid

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 25th , 2020

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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, 2019

Building a better working world

Ernst & Young, S.L.
C/ Raimundo Fernández Villaverde, 65
28003 Madrid

Tel.: 902 365 456
Fax.: 915 727 300
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 (See note 21)

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, 2019, 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, 2019 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 instruments and loans to group companies

Description

As indicated in notes 7 and 8 to the accompanying financial statements, at December 31, 2019, the Company recognized 198,645,519 euros of non-current equity investments in and non-current and current loans to group companies amounting to 42,609,092 euros and 875,440,665 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.

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 of the projected cash flows from the investment.

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

To estimate the aforementioned unrealized capital gains, the Company uses appraisals carried out by an independent expert on the investment properties owned by each of the group companies and compares them to the net book value 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 and current loans to group companies as a key audit matter.

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 and current loans to group companies."
- Reviewing the analysis carried out by the Company to identify indications of impairment and calculation of the 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 accompanying notes to the financial statements include the disclosures mandated by the applicable financial reporting framework.

Other information: management report

Other information refers exclusively to the 2019 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 2019 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 25, 2020.

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 in the original version)

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

February 25, 2020

AEDAS HOMES S.A.

Financial statements for the year ended December 31, 2019

(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, 2019 AND 2018

(Euros)

ASSETS	Note	Dec 31, 2019	Dec 31, 2018	EQUITY AND LIABILITIES	Note	Dec 31, 2019	Dec 31, 2018
NON-CURRENT ASSETS:				**EQUITY**:			
Intangible assets	**5**	**1,299,507**	**416,090**	**Capital**	**10**	**47,966,587**	**47,966,587**
Software		1,190,620	371,271	Issued capital		47,966,587	47,966,587
Other intangible assets		108,887	44,819	**Share premium**	**10**	**500,076,721**	**500,076,721**
Property, plant and equipment	**6**	**967,517**	**852,165**	**Voluntary reserves**	**10**	**(309,868,836)**	**(311,281,836)**
Land and buildings		403,362	273,252	**(Own shares and equity holdings)**	**10**	**(30,603,842)**	**(1,127,936)**
Plant and other PP&E		563,594	578,913	**Retained earnings (prior-year losses)**	**10**	**(14,436,582)**	**(28,897,154)**
Construction work in progress and prepayments		561	-	**Other owner contributions**	**10**	**740,071,256**	**740,071,256**
Non-current investments in group companies and associates		**241,254,611**	**991,728,308**	**Profit/(loss) for the year**	**3**	**15,027,995**	**16,067,303**
Equity instruments	**7**	198,645,519	198,645,519	**Other equity instruments**	**10**	**2,179,769**	**1,123,887**
Loans to companies	**8 & 16**	42,609,092	793,082,789	**Total equity**		**950,413,068**	**963,998,828**
Non-current financial investments		**159,362**	**1,431,480**	**NON-CURRENT LIABILITIES:**			
Other non-current financial assets	**8**	159,362	1,431,480	**Non-current borrowings**	**12**	**-**	**58,744,843**
Deferred tax assets	**13**	**847,000**	**1,472,891**	Debt with financial institutions		-	57,630,275
Total non-current assets		**244,527,997**	**995,900,934**	Derivatives		-	1,114,568
CURRENT ASSETS:				**Total non-current liabilities**		**-**	**58,744,843**
Trade and other receivables		**57,131,908**	**28,762,878**	**CURRENT LIABILITIES:**			
Trade receivables, group companies and associates	**8**	55,704,565	23,990,845	**Current borrowings**	**12**	**228,753,716**	**34,364,912**
Sundry receivables	**8**	382	329	Bonds and other marketable securities		78,009,410	33,953,563
Personnel	**8**	10,160	17,016	Debt with financial institutions		149,541,848	410,667
Current tax assets	**13**	1,416,648	1,416,648	Derivatives		1,196,640	-
Other receivables from public authorities	**13**	153	3,338,040	Other financial liabilities		5,818	682
Current investments in group companies and associates	**8 & 16**	**885,633,047**	**23,453,078**	**Current borrowings from group and related companies and associates**	**16**	**3,570,697**	**15,955,129**
Current loans to group companies and associates		875,440,665	20,343,361	**Trade and other accounts payables**	**12**	**20,189,935**	**3,929,191**
Other financial assets		10,192,382	3,109,717	Payable for services received	**12**	2,415,564	911,065
Current financial assets	**8**	**6,782,905**	**5,040,109**	Employee benefits payable	**12**	2,222,749	2,436,994
Prepayments and accrued income		**213,101**	**171,769**	Current tax liabilities	**13**	5,635,915	-
Cash and cash equivalents	**9**	**8,638,458**	**23,664,135**	Other payables to public authorities	**13**	9,915,707	581,132
Total current assets		**958,399,419**	**81,091,969**	**Total current liabilities**		**252,514,348**	**54,249,232**
TOTAL ASSETS		**1,202,927,416**	**1,076,992,903**	**TOTAL EQUITY AND LIABILITIES**		**1,202,927,416**	**1,076,992,903**

The accompanying notes 1 to 20 are an integral part of the balance sheet at December 31, 2019

AEDAS HOMES S.A.

INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Euros)

	Note	Dec 31, 2019	Dec 31, 2018
CONTINUING OPERATIONS			
Revenue	**14.a**	**53,399,228**	**41,871,443**
Revenue from services rendered		53,399,228	41,871,443
Other operating income		**1,008**	**1,407,336**
Non-trading and other operating income		1,008	1,407,336
Employee benefits expense	**14.c**	**(17,010,075)**	**(13,391,664)**
Wages, salaries and similar		(13,877,315)	(11,351,960)
Employee benefits		(3,132,760)	(2,039,704)
Other operating expenses		**(8,877,075)**	**(6,020,746)**
External services	14.b	(8,813,770)	(6,019,089)
Taxes other than income tax		(23,703)	(842)
Other operating expenses		(39,602)	(815)
Depreciation and amortization	**5 & 6**	**(541,589)**	**(349,282)**
Impairment of and gains/(losses) on disposal of fixed assets		**(3,059)**	**(19,009)**
Impairment and write-downs		(3,059)	(19,009)
OPERATING PROFIT/(LOSS)		**26,968,438**	**23,498,078**
Finance income		**-**	**41**
Marketable securities and other financial instruments		-	41
Finance costs	**14.d**	**(6,924,086)**	**(990,472)**
Third-party borrowings		(6,924,086)	(990,472)
Change in fair value of financial instruments		**(156,467)**	**(1,050,763)**
Held-for-trading portfolio and other securities		(156,467)	(1,050,763)
Exchange gains/(losses)		**(4,195)**	**(3,504)**
NET FINANCE INCOME/(COST)		**(7,084,748)**	**(2,044,698)**
PROFIT/(LOSS) BEFORE TAX		**19,883,690**	**21,453,380**
Income tax		(4,855,695)	(5,386,077)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**15,027,995**	**16,067,303**
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the period from discontinued operations		-	-
PROFIT/(LOSS) FOR THE YEAR		**15,027,995**	**16,067,303**

Accompanying notes 1 to 20 are an integral part of the income statement for the year ended December 31, 2019

AEDAS HOMES S.A.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(Euros)

	Note	Year ended December 31, 2019	Year ended December 31, 2018
PROFIT/(LOSS) FOR THE PERIOD (I)	**3**	**15,027,995**	**16,067,303**
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)		**15,027,995**	**16,067,303**

The accompanying notes 1 to 20 are an integral part of the statement of changes in equity for the year ended December 31, 2019.

AEDAS HOMES S.A.

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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 (note 10.h)	TOTAL
OPENING BALANCE AT JANUARY 1, 2018	**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 the profit from prior year	**-**	**-**	**-**	**-**	**(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**
Total recognized income and expense	**-**	**-**	**-**	**-**	**-**	**-**	**15,027,995**	**-**	**15,027,995**
Distribution of prior-period profit	**-**	**-**	**1,606,731**	**-**	**14,460,572**	**-**	**(16,067,303)**	**-**	**-**
Transactions with shareholders	**-**	**-**	**(193,731)**	**(29,475,906)**	**-**	**-**	**-**	**-**	**(29,669,637)**
Transactions with own shares and equity holdings (net)	-	-	(193,731)	(29,475,906)	-	-	-	-	(29,669,637)
Other changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,055,882**	**1,055,882**
CLOSING BALANCE AT DECEMBER 31, 2019	**47,966,587**	**500,076,721**	**(309,868,836)**	**(30,603,842)**	**(14,436,582)**	**740,071,256**	**15,027,995**	**2,179,769**	**950,413,068**

The accompanying notes 1 to 20 are an integral part of the statement of changes in equity for the year ended December 31, 2019.

AEDAS HOMES S.A.

CASH FLOW STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Euros)

	Note	Year 2019	Year 2018
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		19,883,690	21,453,380
Adjustments to profit/(loss):		**(18,817,857)**	**(18,941,562)**
Depreciation and amortization charges	**5 & 6**	541,589	349,282
Impairment and write-downs		-	19,009
Change in provisions		1,055,881	1,123,889
Proceeds from disposals of fixed assets		3,059	-
Finance income	**14.a**	(27,424,543)	(22,401,456)
Finance costs	**14.d**	6,924,086	990,472
Change in fair value of financial instruments		82,071	977,242
Other cash flows from operating activities		**41,268,267**	**(239,910)**
Interest received		45,507,112	-
Interest paid		(4,238,845)	(239,910)
Changes in working capital:		**(22,308,000)**	**(998,906)**
Increase/(decrease) in trade receivables		(32,429,810)	(28,024,929)
Increase/(decrease) in trade payables		10,629,571	(9,659,725)
Increase/(decrease) in other current assets and liabilities		(1,779,880)	24,650,118
Increase/(decrease) in other non-current assets and liabilities		1,272,119	12,035,630
Net cash used in operating activities (1)		**20,026,100**	**1,273,002**
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		**(138,301,210)**	**(244,663,840)**
Group companies and associates		(136,757,794)	(244,048,885)
Intangible assets		(1,150,037)	(241,240)
Property, plant and equipment		(393,379)	(373,715)
Proceeds from sale of investments		**14,051,617**	**42,740,077**
Group companies and associates		14,051,617	42,740,077
Net cash from/(used in) investing activities (2)		**(124,249,593)**	**(201,923,763)**
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments for equity instruments		**(29,669,637)**	**(1,551,973)**
Acquisition of own equity instruments		(32,747,432)	(10,593,000)
Disposal of own equity instruments		3,077,795	9,041,027
Proceeds from and repayment of financial liabilities		**118,867,453**	**91,583,837**
Issue of bonds and other marketable securities		193,578,909	78,153,563
New financing obtained from banks		89,288,750	57,630,274
Repayment of bonds and other marketable securities		(150,000,000)	(44,200,000)
Repayment of debt with group companies and associates		(14,000,206)	-
Net cash from financing activities (3)		**89,197,816**	**90,031,864**
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)		**(15,025,677)**	**(110,618,897)**
Cash and cash equivalents - opening balance		23,664,135	134,283,032
Cash and cash equivalents - ending balance		**8,638,458**	**23,664,135**

The accompanying notes 1 to 20 are an integral part of the statements of cash flows for the year ended December 31, 2019.

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, 2019 and 2018, the Company is the parent of a group of companies (the Group). A list of the Company's subsidiaries is provided in Appendix I of these 2019 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 25, 2020.

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) *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 differed 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 Institute of Accountants and Auditors) (# 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 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 Chapter VII of Title VII 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 aforementioned Act, the detail of the operation is included in the Financial Statements for the year ended December 31, 2017.

b) ***Corporate Restructuring Transactions***

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 extinction 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.

With regard to the economic rationale for the merger, the aim of restructuring the group of companies was to simplify its structure and administrative management in order to save operating costs. The merger therefore helped 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 Chapter VII of Title VII of Spain's Corporate Income Tax Act (Legislative-Royal Decree 4/2014, of November 27, 2014). The detail of the balances of on the merger carried out in 2018 is included in the Financial Statements for the year ended December 31, 2018.

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 Royal Decree 1514/2007 (of November 16, 2007) and the General Accounting Plan for Small and Medium-Sized Enterprises enacted by Royal Decree 1515/2007 (of November 16, 2007) stipulates that when group companies are merged 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 provided that such date is subsequent to the date on which the companies in question became part of the group. This regulation has been applied by the Company in the corresponding mergers.

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, 2019 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 of the Spanish of Institute of Accountants and Auditors) enacting the General Accounting Plan and complementary rules and regulations.

- Other applicable Spanish accounting regulations.

b) *True and fair view*

The accompanying financial statements were prepared by the Company's Directors in accordance with current 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 provide an accurate picture of 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, 2019 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, 2019 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 directors 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 2019, the Company has recognized deferred tax assets amounting to 847,000 euros (1,472,891 euros at December 31, 2018) 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, 2019, those corresponding to December 31, 2018 for each of the items presented in the balance sheet and those corresponding to the years 2019 and 2018 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. Distribution of profit (loss)

The directors propose the following distribution of the result for the 2019 financial year, a proposal expected to be ratified by the General Shareholders' Meeting:

	Euros
Basis of distribution Profit/(loss) for the year	15,027,995
TOTAL	**15,027,995**
Distribution to: Allocation to legal reserves Offsetting tax loss carryforwards Capitalization reserve	 1,502,799 13,115,628 409,568
TOTAL	**15,027,995**

3.1 Limits on the distribution of dividends

Under the provisions of the Spanish Corporate Enterprise Act (article 273), dividends may only be distributed from the profits for the financial year or freely available reserves after meeting the requirements established in the law and 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 current 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 fair value on the date of acquisition.

Following initial measurement, they are stated at cost less accumulated amortization and any impairment losses.

Intangible assets are amortized on a straight-line basis over 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 extend the useful life of the assets, as well as maintenance expenses, are taken to the income statement 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 extend the useful life of the assets, as well as maintenance expenses, are taken to the income statement in the year incurred. Expenses incurred to upgrade, expand or improve these assets that increase their productivity or extend their useful life are capitalized as an increase in the carrying amount of the item, while the carrying amount of any assets replaced 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 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
Straight-line depreciation charge:	
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 fair value less costs to sell or value in use, whichever is higher. 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 income statement. 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 capital increases carried out by offsetting credits, pursuant to ruling 4 of the official journal of the ICAC (# 89), the lending company must reclassify financial investments at the fair value of the credit granted, recognising on the income statement any difference between its amortised cost on the date of the capital increase and its market value.

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, 2019 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 on the income statement.

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 their fair value at the time they are granted 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 taken to the income statement.

Own shares

Own shares acquired by the Parent during the year are recognized at the amount of the 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, 2019 or December 31, 2018.

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 time limit 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 opt for the consolidated tax regime (provided for 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.

Income from interest 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, 2019; 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 acquirer 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, provided that 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.

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, 2019, 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 of 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 in 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 Redundancy payments

Under prevailing company law, the Company is obliged to pay severance to employees who are discontinued under certain circumstances. Redundancy payments 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 either as an asset or expense, depending on their nature, at the time they are received and, on the other, 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.

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 2019 is as follows:

Year 2019	Euros		
	Software	Advances for intangible assets	Total
Cost:			
Balance at January 1, 2019	560,017	44,819	604,836
Additions	342,055	807,981	1,150,036
Reclassifications	743,914	(743,914)	-
Balance at December 31, 2019	**1,645,986**	**108,886**	**1,754,872**
Accumulated amortization:			
Balance at January 1, 2019	(188,746)	-	(188,746)
Charges	(266,620)	-	(266,620)
Derecognitions	-	-	-
Balance at December 31, 2019	**(455,366)**	**-**	**(455,366)**
Carrying amount at December 31, 2019	**1,190,620**	**108,887**	**1,299,507**

The reconciliation of the carrying amount of intangible assets at the beginning and end of the financial year 2018 is shown below:

Year 2018	Euros		
	Software	Advances for intangible assets	Total
Cost:			
Balance at January 1, 2018	254,778	108,818	363,596
Additions	95,974	145,266	241,240
Reclassifications	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 main additions recognized in the financial year 2019 are related to the development of computer applications in order to accelerate and increase the efficiency and improvement of administrative and business processes. 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.

No items of intangible assets had been pledged as collateral at either December 31, 2019 or December 31, 2018.

As of December 31, 2019 there are fully amortized intangible assets and still in use for a total amount of 43,825 euros (as of December 31, 2018 there were no intangible assets fully amortized and still in use).

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 2019 is as follows:

2019	Euros						
	Buildings	Other plant	Furniture & fittings	Computer equipment	Other items of PP&E	Prepayments for PP&E	Total
Cost:							
Balance at January 1, 2019	344,453	41,860	223,462	466,944	68,542	-	1,145,261
Additions	55,502	21,322	61,370	64,602	10,970	179,614	393,380
Derecognitions	(16,194)	-	-	-	-	-	(16,194)
Reclassifications	175,139	-	-	3,914	-	(179,053)	-
Balance at December 31, 2019	**558,900**	**63,182**	**284,832**	**535,460**	**79,512**	**561**	**1,522,447**
Accumulated depreciation:							
Balance at January 1, 2019	(71,201)	(15,557)	(35,399)	(155,693)	(15,246)	-	(293,096)
Charges	(97,472)	(9,836)	(26,771)	(126,111)	(14,779)	-	(274,969)
Derecognitions	13,135	-	-	-	-	-	13,135
Balance at December 31, 2019	**(155,538)**	**(25,393)**	**(62,170)**	**(281,804)**	**(30,025)**	**-**	**(554,930)**
Carrying amount at December 31, 2019	**403,362**	**37,789**	**222,662**	**253,656**	**49,487**	**561**	**967,517**

The reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the financial year 2018 is shown below:

2018	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	146,329	3,430	78,368	126,983	18,606	-	373,716
Derecognitions	(26,082)	-	-	-	-	-	(26,082)
Reclassifications	143,134	-	1,175	-	-	(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 main additions recognized in the year ended December 31, 2019 relate to capital expenditure on the new office facilities. The main additions recognized in the year ended December 31, 2018 related to capital expenditure on the new office facilities and computer equipment. The derecognitions in year 2019 and 2018 relate to old office facilities.
It is the company policy to take out all the insurance policies deemed necessary to cover the risks to which its property, plant and equipment is exposed.

As of December 31 2019, there are property, plant and equipment elements fully depreciated and still in use for a total amount of 30,720 euros (there were none as of December 31, 2018).

Operating leases

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

	Euros	
	2019	**2018**
Within one year	1,038,276	895,592
Between one and five years	1,813,418	1,939,588
More than five years	-	-
	2,851,694	**2,835,180**

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:

2019	Euros			
	Balance at Dec. 31, 2018	Additions	(Derecognitions)	Balance at Dec. 31, 2019
Non-current investments in Group companies and associates	198,645,519	-	-	198,645,519
Total	**198,645,519**	**-**	**-**	**198,645,519**

2018	Euros			
	Balance at Dec. 31, 2017	Additions	(Derecognitions)	Balance at Dec. 31, 2018
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**

a) Significant movements

The breakdown of the Company's "Non-current investments in Group companies and associates" is provided in the table below:

	Euros	
	2019	**2018**
Equity interest in SPV REOCO 1, S.L.U.	198,645,519	198,645,519
	198,645,519	**198,645,519**

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 of land, amounting to 496,100 euros.

During the year 2019 there have been no movements under this heading.

The most significant information regarding the Company's subsidiaries, jointly-controlled entities and associates at December 31, 2019 and 2018 is as follows:

Dec. 31, 2019

		Euros									
		Figures for subsidiary as per its separate statements						Carrying amount			
Name	Ownership interest, %	Share capital	Share premium and reserves	Profit/(loss) for the period from continuing operations	Prior periods' losses	Shareholder contributions	Equity	Cost	Impairment	Net carrying amount
SPV REOCO 1, S.L.U.	100%	44,807,030	80,309,755	13,085,423	(16,515,712)	61,533,015	183,219,511	198,645,519	-	198.645.519
								198,645,519	**-**	**198,645,519**

Dec. 31, 2018

		Euros							
		Figures for subsidiary as per its 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	(16,515,712)	61,533,015	170,134,088	198,645,519	-	198,645,519
							198,645,519	**-**	**198,645,519**

The data pertaining to this company's equity position was taken from its audited annual financial statements (audited by ERNST & YOUNG, S.L.). These annual statements are issued in accordance with local regulations. The Company carries out various transactions 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, 2019 and 2018.

In light of the property appraisals performed by third parties and the Company's internal valuations, the existence of unrealized capital gains suggests that this investment was not impaired at December 31, 2019. Specifically, the valuation of the inventories carried out by Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U., reflects a Gross Asset Value amounting to 683 million euros, which implies a capital gain of 1,962 million euros at year-end 2019 (at the end of the previous year, the valuation of inventories at said date was 1,768 million euros, implying a capital gain of 704 million euros).

These 2019 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 2019

	Euros	
	Aedas Homes, S.A.	Group IFRS-EU
Non-current assets	244,527,997	37,337,590
Current assets	958,399,419	1,491,287,771
Total assets	**1,202,927,416**	**1,528,625,361**
Capital, reserves, owner contributions and other equity instruments	935,385,073	904,804,637
Profit/(loss)	15,027,995	31,571,885
Equity attributable to equity holders of the parent	**950,413,068**	**936,376,522**
Non-controlling interests	-	2,497,499
Total equity	**950,413,068**	**938,874,021**
Non-current liabilities	-	1,682,467
Current liabilities	252,514,348	588,068,873
Total equity and liabilities	**1,202,927,416**	**1,528,625,361**

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**

8. Financial assets

The breakdown of financial assets at year-end, excluding investments in group companies, jointly controlled entities and associates, which are discussed in Note 7, is as follows:

	Euros	
	Year-end 2019	**Year-end 2018**
Non-current financial assets		
Loans to group companies and associates (Note 16)	42,609,092	793,082,789
Non-current financial investments	159,362	1,431,480
Total non-current financial assets	**42,768,454**	**794,514,269**
Current financial assets		
Trade receivables, group companies and associates (Note 16)	55,704,565	23,990,845
Sundry receivables	382	329
Personnel	10,160	17,016
Current loans to group companies and associates (Note 16)	875,440,665	20,343,361
Other financial assets, group companies and associates (Note 16)	10,192,382	3,109,717
Current financial assets	6,782,905	5,040,109
Total current financial assets	**948,131,059**	**52,501,377**

"Current financial assets" on the accompanying balance sheet corresponds mainly to fixed-term deposits that have been pledged to secure sureties and surety insurance extended to house buyers at year-end 2019, for a total amount of 5,000,000 euros, as well as to security deposit for the “Equity Swap” described in Note 12.4, for an amount of 1,766,072 euros.

9. ***Cash and cash equivalents***

This heading breaks down as follows at year-end:

	Euros	
	Year-end 2019	**Year-end 2018**
Demand deposits in current accounts	8,638,458	23,664,135
Total	**8,638,458**	**23,664,135**

Current accounts earn market interest rates.

The amount pledged at December 31, 2019 to guarantee corporate financing costs amounts to 6,249,756 euros (1,831,352 euros at the end of year 2018).

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, 2019, and 2018, 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, 2019 or December 31, 2018.

The breakdown of the Company's significant shareholders (those with equity interests of 3% or more) at December 31, 2019, obtained from the information reported to Spain's securities market regulator, the CNMV, by the shareholders themselves, is as follows:

		% Voting rights attached to shares		% Voting rights through financial instruments	
	Total shareholding %	Direct shareholding %	Indirect shareholding %	Direct shareholding %	Indirect shareholding %
HIPOTECA 43 LUX S.A.R.L. *(*)*	58.91	58.91	-	-	-
UBS GROUP AG	5.12	-	4.88	0.24	-
T. ROWE PRICE ASSOCIATES, INC	5.08	-	5.08	-	-
RYE BAY EUROPEAN MASTER FUND LIMITED	5.08	-	-	5.08	-
T. ROWE PRICE INTERNATIONAL FUNDS, INC.	4.09	-	4.09	-	-

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

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

		% Voting rights attached to shares		% Voting rights through financial instruments	
	Total shareholding %	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)

b) Share premium

There were no movements of the share premium during financial years 2019 and 2018, amounting to 500,076,721 euros at 31 December 2019 and 2018.

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 the end of either financial year, its value being 1,606,731 euros at 31 December 2019.

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.a). The movement recorded during the financial year 2019 and 2018 corresponds to the result of purchases and sales of its own shares, as shown in the following f) section.

e) 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 nor, 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 2019 and 2018. However, there are no restrictions on the payment of dividends at December 31, 2019, other than those provided for by the commercial legislation.

f) Own shares

The Company 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 was 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, resuming it on January 24, 2019 once the adjustments to place the contract within the limit of resources with adjusted balances had been made, as stated in Circular 1/2017 on liquidity agreements. However, with effect from March 20, 2019, the Company terminated the liquidity agreement, as its objectives had been achieved. During this period, 94,178 shares were purchased at an average price of € 22.7610 / per share and 92,784 shares were sold at an average price of € 22,9339 / per share, leaving a remaining balance of 28,031 shares that were sold as a block trade on 29 March at a price of € 22.80 / per share.

The Board of Directors of the Company, in the meeting held on 25 July 2019, agreed to buy back shares, initially in the form of a discretionary program. Subsequently, in the meeting held on 25 September 2019, resolved to purchase Company shares (Buy-Back Program) for a maximum net investment of 50,000,000 euros and until reaching 2,500,000 shares in treasury stock. Said Buy Back Program will remain in effect for a maximum period of 36 months and will be implemented by JB Capital Markets, S.V., S.A.U.

Within the framework of operations with Company own shares (discretionary management, Buy-Back Program and block trades), which began on August 7, 2019, a total of 1,485,057 shares were purchased up to December 31, 2019, at an average price of 20.6079 euros, no sales being made in this period.

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

The Company did not receive any new owner contributions during the six months ended June 30, 2019.

At December 31, 2019 and 2018, the Company's Majority Shareholder had contributed a total of 740.1 million euros, 623.4 million euros of which corresponded to the credit claim contributed on October 3, 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 net 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 2.179.769 euros (1,123,887 euros at year-end 2018).

11. Provisions and contingencies

The Company did not recognize any provisions or contingencies at either December 31, 2019 or 2018.

12. Financial liabilities

The breakdown of financial liabilities at year-end is as follows:

	Euros			
	Derivatives and other		Total	
	2019	2018	2019	2018
Non-current financial liabilities				
Non-current liabilities				
Debt with financial institutions	-	57,630,275	-	57,630,275
Derivatives	-	1,114,568	-	1,114,568
	-	58,744,843	-	58,744,843
Current financial liabilities				
Current borrowings				
Bonds and other marketable securities	78,009,410	33,953,563	78,009,410	33,953,563
Debt with financial institutions	149,541,848	410,667	149,541,848	410,667
Derivatives	1,196,640	-	1,196,640	-
Other financial liabilities	5,818	682	5,818	682
Current borrowings from group companies and associates	3,570,697	15,955,129	3,570,697	15,955,129
Trade and other payables				
Accrued for services received	2,415,564	911,065	2,415,564	911,065
Employee benefits payable	2,222,749	2,436,994	2,222,749	2,436,994
	236,962,726	**53,668,100**	**236,962,726**	**53,668,100**
Total	**236,962,726**	**112,412,943**	**236,962,726**	**112,412,943**

1. *Debt from financial entities*

On August 6, 2018, the Company arranged a 150,000,000 euros corporate syndicated loan which was used to finance land purchases; it had six months to draw the loan down. Said availability period was extended until August 8, 2020 with a 0.25% extension fee. It has a maturity of 24 months and carried interest of 3.5% in year one and 4.25% in year two. At December 31, 2019, the nominal balance drawn down is 150 million euros (60 million euros at December 31, 2018). The amount recognized by using the amortized cost method at December 31, 2019 is 148,407,984 euros (57,630,275 euros at December 31, 2018). The interest payable as of December 31, 2019 amounts to 1,133,864 euros (410,667 euros as of December 31, 2018).

2. *Debt from Group Companies*

This 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, and the special provisions applicable to groups of entities (VAT).

3. *Bonds and other marketable securities*

On June 14, 2019, the Company issued a new “AEDAS HOMES 2019 Commercial Paper Notes Program” on Spain's alternative fixed income market (MARF in its Spanish) to replace the commercial paper notes program issued on June 12, 2018. It can issue up to 150,000,000 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 2019, the Company closed several issues under the program, issuing a total amount of 194.3 million euros; of which 150 million euros have been repaid on maturity, an amount of 78.3 million euros remaining, which falls due in several tranches, until November 2020. The effective annual cost of those issues was 0.99%.

During 2018, the Company closed several issues under the previous program on Spain's alternative fixed income market, issuing a total amount of 78.2 million euros; of which an amount of 44.2 million euros was repaid at maturity, an amount of 34.4 million euros remaining, which fell due in several tranches, until May 2019. The effective annual cost of those issues was 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 78,009,410 euros at December 31, 2019, recognized by using the effective interest rate method (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. At December 31, 2019, the fair value of the derivative is 1,196,640 euros (1,114,568 euros at year-end 2018), recognized as a liability.

As this agreement expires on December 31, 2020, during the financial year 2019 it has been reclassified to short term.

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, 2019, the Company had all its tax returns since incorporation (Note 1) 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, 2019		Dec. 31, 2019	
	Taxes receivable	Taxes payable	Taxes receivable	Taxes payable
VAT receivable from the tax authorities	153	-	3,338,040	-
VAT payable to the tax authorities	-	9,188,747	-	-
Current tax assets (1)	1,416,648	-	1,416,648	-
Current tax liabilities (2)	-	5,635,915	-	-
Payable in respect of withholdings	-	455,268	-	(377,654)
Social Security payable	-	270,109	-	(203,478)
Others		1,583	-	-
Deferred tax assets	847,000	-	1,472,891	-
Total	**2,263,801**	**15,551,622**	**6,227,579**	**(581,132)**

(1) As of December 31, 2019 and 2018, the amount of Current Tax Assets corresponds to the corporation tax generated by companies under the consolidated tax regime. The Spanish Tax Agency has paid this amount on January 23, 2020.

(2) As of December 31, 2019, the amount of Current Tax Liabilities corresponds to the corporation tax payable in 2019 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, 2019	**Dec. 31, 2018**
Profit/(loss) before tax	19,883,690	21,453,380
Permanent differences	(369,984)	90,927
Temporary differences	1,105,394	2,174,652
Taxable income/(tax loss) before utilization of tax losses/credits	**20,619,100**	**23,718,959**
Unrecognized tax credits utilized	(3,715,911)	**-**
Taxable income/(tax loss)	**16,903,189**	**23,718,959**
Tax rate	25%	25%
Tax accrued (current expense)	(4,225,797)	(5,929,740)
Tax credits generated during the reporting period not recognized	-	-
Certain tax assets recognised	-	-
2018 corporate tax adjustment (current expense)	(4,007)	-
Current income tax (expense)/income	**(4,229,804)**	**(5,929,740)**
Deferred tax (expense)/income	**(625,891)**	**543,663**

During financial year 2019, the Company has made adjustments for temporary differences amounting to 1,105,394 euros (2,174,652 euros in 2018), of which 1,055,881 euros correspond to non-deductible provisions (1,123,889 euros in 2018), 156,467 euros because of changes in the fair value of the derivative (1,050,763 euros in 2018) and 106,954 euros because of the application of financial expenses corresponding to previous years (none in 2018).

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**
2019				
Deferred tax assets				
Tax loss carryforwards	929,228	(928,978)	-	250
Temporary differences	543,663	303,087	-	846,750
	1,472,891	(625,891)	-	847,000
Deferred tax liabilities	-	-	-	-
Total	**1,472,891**	**(625,891)**	**-**	**847,000**
2018				
Deferred tax assets	-		-	
Tax loss carryforwards	929,228	-	-	929,228
Temporary Differences		543,663		543,663
	929,228	543,663	-	**1,472,891**
Deferred tax liabilities	-	-	-	
Total	**929,228**	**543,663**	**-**	**1,472,891**

In 2019 the Company has fully applied the tax loss carryforwards corresponding to previous years.

At December 31, 2019, the deferred tax assets arising from deductible temporary differences correspond to provisions for an amount of 544,942 euros (280,972 euros at December 31, 2018) and changes in the fair value of the derivative for an amount of 301,807 euros (262,691 euros as of 31 December 2018).

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 and the periods in which its taxable temporary differences are expected to revert. Based on this analysis, the Company has recognized deferred tax assets for 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, 2019	Year ended Dec. 31, 2018
By business segment		
Management services and delegated development provided to the Group	25,974,685	19,470,028
Finance income	27,424,543	22,401,415
Total	**53,399,228**	**41,871,443**
By geographical market segment		
Spain	53,399,228	41,871,443
Total	**53,399,228**	**41,871,443**

b) Other operating expenses

	Euros	
	Year ended December 31, 2019	Year ended December 31, 2018
Leases	(1,184,290)	(1,081,160)
Repairs and upkeep	(1,147,493)	(506,899)
Independent professional services	(3,410,168)	(2,336,756)
Insurance premiums	(86,766)	(70,951)
Banking services	(27,606)	(5,256)
Advertising, publicity and public relations	(1,901,914)	(684,790)
Utilities	(17,869)	(13,753)
Other services	(1,037,664)	(1,319,524)
Total	**(8,813,770)**	**(6,019,089)**

c) Employee benefits expense

Employee benefits expense breaks down as follows:

	Euros	
	Year 2019	Year 2018
Wages, salaries and similar		
Salaries and wages	(12,724,657)	(10,196,457)
Share-based payments (Note 15)	(1,055,881)	(1,123,889)
Termination benefits	(96,777)	(31,614)
Total	**(13,877,315)**	**(11,351,960)**

Employee benefits		
Social security	(2,530,721)	(1,744,649)
Other benefit expense	(602,039)	(295,055)
Total	(3,132,760)	**(2,039,704)**
Total	**(17,010,075)**	**(13,391,664)**

The average number of people employed by the Company was 204 in 2019 (154 people in year 2018). The breakdown, by job category, of the year-end 2019 and 2018 workforce is shown below:

	Year-end 2019			Year-end 2018		
	Women	Men	Total	Women	Men	Total
Graduates	70	73	143	62	55	117
Diploma holders	16	25	41	17	12	29
Other	18	15	33	13	17	30
Total	**104**	**113**	**217**	**92**	**84**	**176**

d) Finance costs

Finance costs break down as follows:

	Euros	
	Year ended December 31, 2019	Year ended December 31, 2018
Interest on borrowings from group companies (Note 16)		
Syndicated loan interest	(6,392,026)	(661,626)
Interest on commercial paper notes and collateral equity swap	(486,911)	(75,580)
Commission for guarantees, surety insurance and others	(45,149)	(253,266)
	(6,924,086)	**(990,472)**

15. Share-based payment transactions

The share-based payment transactions included within "Employee benefits expense" (Note 14.c) are reconciled below:

	Euros	
	Year 2019	Year 2018
Key management personnel	1,055,881	1,123,887
	1,055,881	**1,123,887**

At December 31, 2019, 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.h, amounted to 2,179,769 euros (1,123,887 euros at year-end 2018).

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:

CastleLake L.P, as CastleLake Funds manager and 100% indirect shareholder of Hipoteca Lux 43, S.A.R.L. (Majority Shareholder of Aedas Homes, S.A.).

The main transactions with related parties in the year ended December 31, 2019 were the following:

- The administration, management and delegated development services provided to group companies.
- Loans to group companies (Note 8).

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.

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
2019			
Non-current loans (Note 8)	-	42,609,092	42,609,092
Trade receivables (Note 8)	-	55,704,565	55,704,565
Current loans (Note 8)		873,158,454	873,158,454
Interest on current loans (Note 8)	-	2,282,211	2,282,211
Current account with group companies (assets) (Note 8)	-	10,192,382	10,192,382
Current account with group companies (liabilities)	-	(3,570,697)	(3,570,697)
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)

The breakdown of the transactions undertaken with related parties in is the following:

	Euros		
	Direct parent company	Other group companies	Total
2019			
Revenue from services rendered	-	25,974,685	25,974,685
Finance income - interest (Note 14.a)	-	27,424,543	27,424,543
2018			
Revenue from services rendered	-	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

In 2018, the Company passed the corresponding share of the IPO expenses, namely 1,407,336 euros, on to CastleLake L.P. The corresponding invoice was settled on July 1, 2018.

Loans to Group companies and associates

The movements the years ended December 31, 2019 and 2018 were the following:

	Euros				
	Balance at December 31, 2018	Additions	Derecognitions	Reclassifications	Balance at December 31, 2019
Non-current loans to Group companies and associates	793,082,789	139,600,437	(16,915,680)	(873,158,454)	42,609,092
Current loans to Group companies and associates	-	-	-	873,158,454	873,158,454
Total	**793,082,789**	**139,600,437**	**(16,915,680)**	**-**	**915,767,546**

	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**

The breakdown of loans to Group companies and associates at December 31, 2019 is as follows:

	Euros		
Company	**Limit**	**Principal**	**Maturity date**
Loan to SPV Reoco 1, S.L.U.	951,563,000	872,856,855	December 31, 2020
Loan to Damalana Servicios y Gestiones, S.L.	42,300,000	27,426,255	January 31, 2022
Loan to SPV Reoco 15, S.L.	26,700,000	6,584,583	December 31, 2022
Loan to Servicios Inmobiliarios Licancabur, S.L.U.	5,300,000	2,885,188	July 29, 2015
Loan to Servicios Inmobiliarios Mauna Loa, S.L.U.	2,500,000	2,190,000	December 31, 2021
Loan to Turnkey Projects Development, S.L.U.	491,400	491,400	December, 31, 2021
Loan to Egon Asset Development, S.L.U.	301,600	301,600	December 17, 2020
Loan to Urbania Lamatra I, S.L.	1,000,000	526,240	December 14, 2023
Loan to Urbania Lamatra II, S.L.	3,140,000	1,283,425	July 26, 2025
Loan to Winslaro ITG, S.L.	4,520,000	1,222,000	June 11, 2025
Total	**1,037,816,000**	**915,767,546**	

The breakdown of "Non-current loans to Group companies and associates" at December 31, 2018 is as follows:

	Euros		
Company	**Limit**	**Principal**	**Maturity date**
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 2018, and as a consequence of the merger (Note 1.b), the Company signed a loan agreement with SPV Reoco 1, S.L.U. under which SPV Reoco 1 was subrogated to every loan granted by Aedas Homes, S.A. to the companies acquired, defining the maturity date as December, 31, 2020.

All the credit facilities extended accrue interest at 1-month Euribor plus 350 basis points, except those granted to Winslaro ITG, S.L., Urbania Lamatra I, S.L. and Urbania Lamatra II, S.L., which accrue interest at 1-month Euribor plus 900 basis points.

The main movements during financial years 2019 and 2018 consist of drawdowns of loans for financing the purchase of land and non-financeable project expenses. Repayments relate mainly to the repayment of loans held by companies delivering homes during 2019 and 2018.

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

a) Changes to the governing bodies

The Ordinary General Shareholders' Meeting of the Company, held on May 9, 2019, approved the appointment of Mrs. Milagros Méndez Ureña as independent director for the statutory period of three years, filling the vacancy left by the previous director Merlin Properties SOCIMI, S.A.

The Board of Directors consists of the following members:

- Cristina Álvarez.
- Evan Andrew Carruthers
- Eduardo Edmundo D'Alessandro Cishek
- Santiago Fernandez Valbuena
- Emile K. Haddad
- Javier Lapastora Turpín
- David Martinez Montero
- Milagros Méndez Ureña
- Miguel Temboury Redondo

b) Disclosures regarding director conflicts of interest

Neither the current nor former directors of the Parent carried out transactions 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, 2019.

Nor did the members of the Parent's Board of Directors or their related parties, as defined in Spain's Corporate Enterprises Act, engage in relations with other companies whose business activities could represent a conflict of interest for them or the Company during the year ended December 31, 2019 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 remuneration accrued by the members of the Company's Board of Directors amounted to 1,454,325 euros in 2019 and 1,300,246 euros in 2018, respectively.

d) Key management personnel 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, 2019 and 2018 was as follows:

	Euros				
	Year-end 2019			Advances	
No. of individuals	Fixed and variable remuneration	Other remuneration	Total	No.	Amount
8	1,279,179	519,089	1,798,268	-	-

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

The Company has no pension obligations to its key management personnel nor has it extended these professionals any advances, loans or guarantees, at December 31, 2019 (9,500 euros of advances granted on 2018). There were no special incentive plans over shares of Aedas Homes, S.A. at December 31, 2019 and 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 net 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 2019, the Company paid 27,917 euros of civil liability insurance premiums on behalf of its directors to cover potential damages caused in the course of carrying out their duties (33,384 euros in year 2018).

For the purposes of article 229 of Spain's Corporate Enterprises Act, the directors have stated that they are not affected by any conflict of interest in relation 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 exposed to significant credit risk since its customers are group companies under a contract for the provision of services signed with its subsidiaries, and since collection of the proceeds from the sale of its developments to customers is guaranteed by the properties sold; in addition, its cash surpluses are placed with highly solvent banks in respect of which counterparty risk is immaterial.

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 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, 2019.

Liquidity risk:

On June 14, 2019, the Company issued the new program "AEDAS HOMES 2019 Commercial Paper Notes Program" on Spain's alternative fixed income market (MARF in its acronym in Spanish), in substitution of the commercial paper notes program arranged on June 12, 2018. It can issue up to 150,000,000 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 the financial year 2019, the Company closed several issues under the program, issuing a total nominal amount of 194.3 million euros; an amount of 150 million euros have been amortized at maturity, a nominal amount of 78.3 million euros remaining that falls due in several tranches, until November 2020.

On August 6, 2018, the Company arranged a 150,000,000 euros corporate syndicated loan which was used to finance land purchases; it had six months to draw the loan down. Said availability period was extended until August 8, 2020 with a 0.25% extension fee. It has a maturity of 24 months and carried interest of 3.5% in year one and 4.25% in year two. At December 31, 2019, the nominal balance drawn down is 150 million euros (60 million euros at December 31, 2018). The amount recognized by using the amortized cost method at December 31, 2019 is 148,407,984 euros (57,630,275 euros at December 31, 2018).

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 652,712 euros in the year ended December 31, 2019 (40,000 euros in the year ended 31 December, 2018).

19. Other information

a) Workforce disclosures

One employee with a disability of a severity of 33% or higher is employed by the Company at year-end 2019 and 2018.

The Board of Directors was made up of 9 directors at December 31, 2019, and 2018, seven of whom were men and two were women (9 persons at December 31, 2018, whom 8 were men and one was a women).

b) Audit fees

Audit fees accrued during the year for services rendered by the statutory auditor:

	Euros	
	2019	2018
Audit and related services		
Audit services and limited review	156,394	154,539
Other assurance services	15.180	15,000
Total	**171,574**	**169,539**

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:

	2019	2018
	Days	
Average supplier payment term	38.70	30.05
Ratio of paid transactions	38.83	28.81
Ratio of outstanding transactions	37.52	61.03
	Euros	
Total payments made	11,860,975	10,148,733
Total payments outstanding	1,351,663	403,559

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 annual financial statements authorized for issue by the directors, other than that disclosed below:

- On January 8, 2020, AEDAS Homes arranged an equity swap agreement with Goldman Sachs International (GSI) for a maximum notional amount of 50 million euros and a maximum number of shares of 2,400,000. Its settlement date is January 8, 2021. On said date, the first sale of shares to GSI under this agreement was made, for an amount of 4,999,987 euros (236,406 shares).

- On January 24, 2020, the Company completed an additional issue of commercial paper under the current program, “AEDAS HOMES 2019 Commercial Paper Notes Program” on Spain's alternative fixed income market (MARF for its acronym in Spanish), issuing a total nominal amount of 12 million euros, of which 5.9 million euros falls due in March 2020, 4 million euros falls due in June 2020 and 2.1 million euros falls due in November 2020.

- On January 29, 2020, the Board of Directors agreed to propose to the Shareholders' Meeting the change of the fiscal year of the Company to the twelve-month period beginning from April 1 to March 31 of the following year, except for the first fiscal year, which will be from January 1, 2020 until March 31, 2020.

- On February 18, 2020, the Parent completed an additional issue of commercial paper under the current program, “AEDAS HOMES 2019 Commercial Paper Notes Program” on Spain's alternative fixed income market (MARF for its acronym in Spanish), issuing a total nominal amount of 2 million euros, which falls due in July 2021.

- As of February 24, 2020, the treasury stock of AEDAS at stock exchange closing time amounted to a total of 1,799,623 shares representing 3.7518% of the Company's share capital, acquired at an average price of 20.7370 euros per share. The total number of shares acquired under Discretionary Management has been 148,724 shares representing 0.3101% of its share capital, at an average price of 20.3341 euros per share; the total number of shares acquired under the “Buy Back Program” has been 670,611 representing 1.3981% of its share capital, at an average price of 21.1556 euros per share, and the total number of shares acquired in the block trade market has been 980,288 representing 2.0437% of its share capital, at an average price of 20.5119 euros per share.

- On February 25, 2020, the Board of Directors approved the following: the Company will pay a dividend of 1 euro per share, charged to the year 2020 profit. The Company will make a first interim payment of 50 cents per share in November of this year. Ordinary dividends will be paid every six months after the presentation of results to the market (50% in each period), corresponding to the first and second half of the year. Dividends will grow in line with the Company's cash flow generation for the period 2020-2023. Dividend payment may be made in cash or by the delivery of own shares.

- On 25 February 2020, the Board of Directors approved increasing the limit of the share buyback programme from € 50 m to € 150 m, while maintaining the other conditions approved by the Board on 25 September 2019.

21. ***Translation of financial statements***

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

MANAGEMENT REPORT

Aedas Homes, S.A.

For the year ended December 31, 2019

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 completed in 2017.

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 2019 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. At the same time, Danta Investments, S.L.U. paid SAREB (the acronym of the state-owned 'bad bank' that manages the assets resulting from bank restructuring) a consideration amounting to 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 the Company's name was changed from Aedas Homes Group to Aedas Homes. The merger by absorption implied: (i) the dissolution and extinction of the Transferor; (ii) the *en-bloc* transfer of all the latter's assets and liabilities to the Transferee, which acquired all its rights and obligations by universal succession.

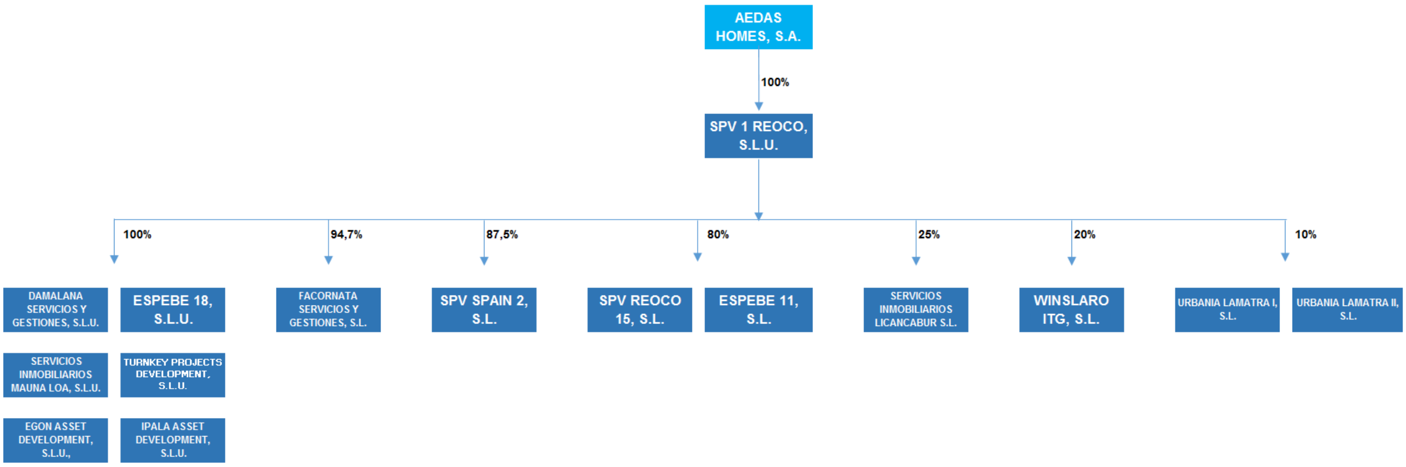
The shares representing the share capital of Aedas Homes S.A. have been trading on the continuous stock markets of Madrid, Barcelona, Bilbao and Valencia since October 20, 2017, at a price of 31.65 euros per share, the Group's share capital being increased as outlined in Note 10 of the attached notes to the 2019 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 extinction of the Transferors; (ii) the *en-bloc* transfer of all the latter companies' assets and liabilities to the Transferee, which 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, 2019 is presented below:



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 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. <u>*Business performance and financial results - key measures*</u>

At December 31, 2019, the Group's assets totalled 1,202,927,416 euros, liabilities (current and non-current) amounted to 252,514,348 euros and equity stood at 950,413,068 euros, 623,497,318 euros of which consisted of loans extended to the Parent by the Majority Shareholder and then capitalized on October 3, 2017.

Turnover and gross margin

In 2019, the net turnover was 53,399,228 euros, of which 25,974,685 euros related to services rendered under the provision of administration, management and delegated development services agreements entered into with the various Group companies and 27,424,543 euros related to financial income from loans granted to Group companies.

EBITDA

EBITDA amounted to a positive amount of 27,513,086 euros in 2019.

Profit/(loss)

The Group reported a profit of 15,027,995 euros in 2019.

Financial situation

At December 31, 2019, liabilities - current and non-current - stood at 252,514,348 euros, compared to 112,994,075 euros at December 31, 2018 (implying an increase of 139,520,273 euros), due mainly to the drawdown of the syndicated loan and the issuance of the commercial paper notes described in note 12 of the accompanying financial statements.

3. Environmental and staff matters

As stated in note 1 of the financial statements, in view of the nature of its business activities, 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 average number of people employed by the Company was 204 in 2019 (154 people in 2018). The breakdown of the workforce on the reporting date by region, department and job category is provided below:

Region	31.12.19
Madrid	139
Cataluña	20
Este e Islas Baleares	21
Costa del Sol	18
Resto de Andalucía	19
Total	**217**

Department	31.12.19
Business	151
Investment	8
Finance	21
Corporate	37
Total	**217**

Employee category	31.12.19
Senior management	32
Middle management	55
Technical and administrative staff	130
Total	**217**

4. Liquidity and capital resources

Note 18 to 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 12 of the attached notes to the 2019 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. <u>Key risks and sources of uncertainty</u>

The Parent has drawn up a risk map. To this end, it has analysed 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 payment for virtually all sales made at the time of completion of the sale, at which time the buyer either assumes the commensurate part of the developer loan concerned 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 Group's recovery 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 analyses 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. <u>R&D activities</u>

Given Aedas Homes S.A.'s business lines, it does not engage in any a significant research and development activities.

7. <u>Own shares</u>

The Company 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 was 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, resuming it on January 24, 2019 once the adjustments to place the contract within the limit of resources with adjusted balances had been made, as stated in Circular 1/2017 on liquidity agreements. However, with effect from March 20, 2019, the Company terminated the liquidity agreement, as its objectives had been achieved. During this period, 94,178 shares were purchased at an average price of € 22.7610 / per share and 92,784 shares were sold at an average price of € 22,9339 / per share, leaving a remaining balance of 28,031 shares that were sold as a block trade on 29 March at a price of € 22.80 / per share.

The Board of Directors of the Company, in the meeting held on 25 July 2019, agreed to buy back shares, initially in the form of a discretionary program. Subsequently, in the meeting held on 25 September 2019, resolved to purchase Company shares (Buy-Back Program) for a maximum net investment of 50,000,000 euros and until reaching 2,500,000 shares in treasury stock. Said Buy Back Program will remain in effect for a maximum period of 36 months and will be implemented by JB Capital Markets, S.V., S.A.U.

Within the framework of operations with Company own shares (discretionary management, Buy-Back Program and block trades), which began on August 7, 2019, a total of 1,485,057 shares were purchased until December 31, 2019, at an average price of 20.6079 euros, no sales being made in this period.

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, 2019, no events have taken place since the end of the reporting period that might 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 2019 financial statements, in compliance with the requirements of such Act.

10. Information regarding the entity's performance in 2019

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, 2019, the Group's assets totalled 1,202,927,416 euros, liabilities (current and non-current) amounted to 252,514,348 euros and equity stood at 950,413,068 euros, 623,497,318 euros of which consisted of loans extended by the Majority Shareholder and capitalized on October 3, 2017.

At December 31, 2019, liabilities - current and non-current - stood at 252,514,348 euros, compared to 112,994,075 euros at December 31, 2018 (implying an increase of 139,520,273 euros), due mainly to the drawdown of the syndicated loan and the issuance of the commercial paper notes described in note 12 of the accompanying financial statements.

In 2019, the net turnover was 53,399,228 euros, of which 25,974,685 euros related to services rendered under the provision of administration, management and delegated development services agreements entered into with the various Group companies and 27,424,543 euros related to financial income from loans granted to Group companies

EBITDA totalled 27,513,086 euros in 2019.

Aedas Homes, S.A. recorded a profit for the year of 15,027,995 euros. In keeping with article 273 of Spain's Corporate Enterprises Act, that profit will be distributed as follows: 1,502,799 euros to the legal reserve, 13,115,628 euros to retained earnings, offsetting losses of previous financial years and 409,568 euros to the capitalization reserve.

11. Annual Corporate Governance Report

Aedas Homes, S.A.'s Annual Corporate Governance Report for 2019 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 2019, firmando todos y cada uno de los señores Consejeros de la sociedad, cuyos nombres y apellidos constan a continuación, de lo que doy fe.

25 de febrero de 2020

El Secretario no Consejero

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D. Alfonso Benavides Grases

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D. Eduardo Edmundo D´Alessandro Cishek

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, 2019, signed by each and every one of the Directors of the company, whose names and surnames are listed below, That I give faith.

February 25th, 2020

Non-director Secretary

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D. Alfonso Benavides Grases

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Mr. Eduardo Edmundo D´Alessandro Cishek

D. David Martínez Montero

Mr. David Martínez Montero

D. Santiago Fernández Valbuena

Mr. Santiago Fernández Valbuena

D. Evan Andrew Carruthers

Mr. Evan Andrew Carruthers

Dña. Milagros Méndez Ureña

Ms. Milagros Méndez Ureña

D. Javier Lapastora Turpín

Mr. Javier Lapastora Turpín

D. Miguel Temboury Redondo

Mr. Miguel Temboury Redondo

Dña. Cristina Álvarez Álvarez	Ms. Cristina Álvarez Álvarez
D. Emile K. Haddad	Mr. Emile K. Haddad

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 2019 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:

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D. Santiago Fernández Valbuena
Presidente

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D. David Martínez Montero
Consejero Delegado

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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, 2019 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:

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Mr. Santiago Fernández Valbuena
Chairman

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Mr. David Martínez Montero
Chief Executive Officer

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Mr. Eduardo D'Alessandro Cishek
Board Member

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D. Evan Andrew Carruthers
Consejero

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D. Evan Andrew Carruthers
Board Member

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D. Javier Lapastora Turpín
Consejero

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Mr. Javier Lapastora Turpín
Board Member

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D. Miguel Temboury Redondo
Consejero

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Mr. Miguel Temboury Redondo
Board Member

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Dña. Milagros Méndez Ureña
Consejera

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Ms. Milagros Méndez Ureña
Consejera

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Dña. Cristina Álvarez Álvarez
Consejera

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Mrs. Cristina Álvarez Álvarez
Board Member

D. Emile K. Haddid
Consejero

Mr. Emile K. Haddid
Board Member

Madrid, 25 de febrero de 2020

Madrid, February 25th, 2020

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.

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, 25 de febrero de 2020

Madrid, February 25th, 2020

D. Alfonso Benavides Grases
Secretario del Consejo de Administración

D. Alfonso Benavides Grases
Secretary of the Board of Directors