

AEDAS HOMES S.A.

**(formerly named Aedas Homes
Group, S.L.U.)**

**Financial statements for the year ended
December 31, 2017**

AEDAS HOMES S.A.
BALANCE SHEET AT DECEMBER 31, 2017 AND 2016

(Euros)

ASSETS	Note	Dec 31, 2017	Dec 31, 2016	EQUITY AND LIABILITIES	Note	Dec 31, 2017	Dec 31, 2016
NON-CURRENT ASSETS:				EQUITY:			
Intangible assets	5	315,819	-	Capital	10	47,966,587	3,000
Software		207,001	-	Issued capital		47,966,587	3,000
Other intangible assets		108,818	-	Share premium	10	500,076,721	-
Property, plant and equipment	6	705,771	-	Voluntary reserves	10	(310,857,800)	(354)
Land and buildings		72,193	-	Retained earnings (prior-year losses)	10	(2,241,561)	-
Plant and other PP&E		489,269	-	Other owner contributions	10	740,071,256	9,372,875
Construction work in progress and prepayments		144,309	-	Profit/(loss) for the year	3	(26,655,593)	(2,241,561)
Non-current investments in group companies and associates		790,419,499	37,527,500	Total equity		948,359,610	7,133,960
Equity instruments	7	168,991,131	8,846,375				
Loans to companies	8 & 16	621,428,368	28,681,125	NON-CURRENT LIABILITIES:			
Non-current financial investments		500,537	-	Non-current borrowings	12	137,326	-
Other non-current financial assets	8	500,537	-	Derivatives		137,326	-
Deferred tax assets	13	929,228	118	Non-current borrowings from related companies and associates	16	-	28,213,625
Total non-current assets		792,870,854	37,527,618	Total non-current liabilities		137,326	28,213,625
CURRENT ASSETS:							
Trade and other receivables		15,021,400	558,601	CURRENT LIABILITIES:			
Trade receivables	8	-	473,195	Current borrowings from related companies and associates	16	0	81,889
Trade receivables, group companies and associates	8	14,566,295	85,406	Trade and other payables	12	13,313,218	2,689,046
Sundry receivables	8	815	-	Trade payables, group companies and associates	12	4,230	2,685,844
Current tax assets	13	349,603	-	Payable for services received	12	1,133,839	3,201
Other receivables from public authorities	13	104,687	-	Employee benefits payable	12	1,500,600	-
Current investments in group companies and associates	16	16,950,160	-	Current tax liabilities	12 & 13	8,677	-
Current loans to group companies and associates		16,950,160	-	Other payables to public authorities	12 & 13	10,665,872	-
Current financial assets	8	2,376,580	-	Total current liabilities		13,313,218	2,770,935
Prepayments and accrued income		308,128	-				
Cash and cash equivalents	9	134,283,032	32,301				
Total current assets		168,939,300	590,902	TOTAL EQUITY AND LIABILITIES		961,810,154	38,118,520
TOTAL ASSETS		961,810,154	38,118,520				

The accompanying notes 1 to 20 are an integral part of the balance sheet at December 31, 2017.

AEDAS HOMES S.A.
INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

(Euros)

	Note	Year ended December 31, 2017	Reporting period ended December 31, 2016 (*)
CONTINUING OPERATIONS			
Revenue	14.a	25,692,756	85,406
Revenue from services rendered		25,692,756	85,406
Other operating income		395	-
Non-trading and other operating income		395	-
Employee benefits expense	14.c	(33,769,775)	-
Wages, salaries and similar		(32,646,184)	-
Employee benefits		(1,123,591)	-
Other operating expenses		(10,049,663)	(2,245,078)
External services	14.b	(10,045,976)	(2,245,078)
Taxes other than income tax		(2,625)	-
Other operating expenses		(1,062)	-
Depreciation and amortization	5 & 6	(137,371)	-
Impairment of and gains/(losses) on disposal of fixed assets		(104,211)	-
Impairment and write-downs		(104,211)	-
OPERATING PROFIT/(LOSS)		(18,367,869)	(2,159,672)
Finance income		333	
Tradable securities and other financial instruments		333	
Finance costs	14.d	(9,056,095)	(81,889)
Borrowings from group companies and associates		(9,050,754)	(81,889)
Third-party borrowings		(5,341)	-
Change in fair value of financial instruments		(137,326)	-
Held-for-trading portfolio and other securities		(137,326)	-
NET FINANCE INCOME/(COST)		(9,193,088)	(81,889)
PROFIT/(LOSS) BEFORE TAX		(27,560,957)	(2,241,561)
Income tax		905,364	-
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		(26,655,593)	(2,241,561)
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the period from discontinued operations		-	-
PROFIT/(LOSS) FOR THE YEAR		(26,655,593)	(2,241,561)

(*) Corresponds to the period from the date of the Company's incorporation until December 31, 2016.

Accompanying notes 1 to 20 are an integral part of the income statement for the year ended December 31, 2017

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

(Euros)

	Note	Year ended December 31, 2017	Reporting period ended December 31, 2016 (*)
PROFIT/(LOSS) FOR THE PERIOD (I)	3	(26,655,593)	(2,241,561)
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)		(26,655,593)	(2,241,561)
Total recognized income and expense attributable to equity holders of the parent		-	-
Total recognized income and expense attributable to non-controlling interests		-	-

(*) Corresponds to the period from the date of the Company's incorporation until December 31, 2016.
The accompanying notes 1 to 20 are an integral part of the statement of changes in equity for the year ended December 31, 2017.

AEDAS HOMES S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

B) STATEMENT OF TOTAL CHANGES IN EQUITY

(Euros)

	Issued capital (note 10.a)	Share premium (note 10.b)	Reserves (note 10.b)	Retained earnings (prior- period losses)	Shareholder/owner contributions (note 10.c)	Profit/(loss) for the year	Non- controlling interests	TOTAL
OPENING BALANCE AT JUNE 9, 2016	-	-	-	-	-	-	-	-
Total recognized income and expense	-	-	-	-	-	(2,241,561)	-	(2,241,561)
Transactions with shareholders	3,000	-	(354)	-	9,372,875	-	-	9,375,521
Incorporation	3,000	-	(354)	-	-	-	-	2,646
Shareholder contribution	-	-	-	-	9,372,875	-	-	9,372,875
OPENING BALANCE AT DECEMBER 31, 2016	3,000	-	(354)	-	9,372,875	(2,241,561)	-	7,133,960
Total recognized income and expense	-	-	-	-	-	(26,655,593)	-	(26,655,593)
Distribution of prior-period profit	-	-	-	(2,241,561)	-	2,241,561	-	-
Transactions with shareholders	47,963,587	500,076,721	(310,857,446)	-	730,698,381	-	-	967,881,243
Non-cash proceeds from shares issued	47,963,587	500,076,721	(310,958,727)	-	-	-	-	237,081,581
Shareholder contribution	-	-	-	-	730,698,381	-	-	730,698,381
Merger reserves	-	-	101,281	-	-	-	-	101,281
Consolidation scope and other changes	-	-	-	-	-	-	-	-
CLOSING BALANCE AT DECEMBER 31, 2017	47,966,587	500,076,721	(310,857,800)	(2,241,561)	740,071,256	(26,655,593)	-	948,359,610

The accompanying notes 1 to 20 are an integral part of the statement of changes in equity for the year ended December 31, 2017.

AEDAS HOMES S.A.

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

(Euros)

	Note	Year ended December 31, 2017	Reporting period ended December 31, 2016 (*)
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(27,560,958)	(2,241,561)
Adjustments to profit/(loss):		(16,395,077)	(3,517)
Depreciation and amortization charges	5 & 6	137,372	
Impairment and write-downs		104,211	
Finance income	14.a	(25,692,756)	(85,406)
Finance costs	14.d	9,056,096	81,889
Other cash flows from operating activities		25,692,756	85,406
Interest received		25,692,756	85,406
Interest paid		-	
Changes in working capital:		(24,003,123)	2,130,328
Increase/(decrease) in trade receivables		(14,548,205)	(473,195)
Increase/(decrease) in trade payables		10,618,831	2,689,046
Increase/(decrease) in other current assets and liabilities		(19,549,462)	(85,406)
Increase/(decrease) in other non-current assets and liabilities		(524,287)	(117)
Net cash used in operating activities (1)		(42,266,402)	(29,344)
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments disposals		(152,181,798)	(37,527,500)
Group companies and associates		-	
Intangible assets		(363,596)	-
Property, plant and equipment		(899,577)	-
Business unit		(150,918,625)	(37,527,500)
		(152,181,798)	(37,527,500)
Net cash from/(used in) investing activities (2)		(152,181,798)	(37,527,500)
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments for equity instruments		207,201,042	9,375,521
Proceeds from issuance of own equity instruments		207,201,042	9,375,521
New contributions secured from shareholders		121,497,890	28,213,624
Proceeds from and repayment of financial liabilities		121,360,563	28,213,624
New financing obtained from shareholders		121,360,563	28,213,624
New financing obtained from banks		-	-
Other borrowings		137,327	-
Net cash from financing activities (3)		328,698,932	37,589,145
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)		134,250,732	32,301
Cash and cash equivalents - opening balance		32,301	
Cash and cash equivalents - ending balance		134,283,033	32,301

(*) Corresponds to the period from the date of the Company's incorporation until December 31, 2016. The accompanying notes 1 to 20 are an integral part of the statement of cash flows for the year ended December 31, 2017.

Aedas Homes, S.A.

Notes to the 2017 financial statements

1. Core business

Aedas Homes, S.A.U. (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 143, 11^º Derecha, 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.

a) Corporate Restructuring Transaction

On May 23, 2017, the then Sole Shareholder of Aedas Homes Group, S.L. (the Company or the Transferee) and Aedas Homes, S.L. (the Transferor) resolved to approve the merger by absorption of the latter into the former. The Transferee's and the Transferor's balance sheets at March 31, 2017 were similarly ratified as the merger balance sheets. The merger balance sheets so ratified are attached as Appendix II.

On June 29, 2017, the Spanish company Aedas Homes Group, S.L. (the Company or Transferee) merged with Aedas Homes, S.L. (Transferor), a company whose registered address was located at Paseo de la Castellana 42. The latter was originally incorporated for an indefinite period under the name Espebe 33, S.L., as ratified by public deed before Madrid notary public Carlos Entrena Palomero on January 21, 2016. The name and registered address of the Transferor have both been changed to those of the Transferee.

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

As for the rationale for the merger, the restructuring of the Transferee's group of companies was designed to simplify its structure and administrative management in order to eke out operating cost savings. The merger is therefore intended to simplify and speed up corporate decision-making.

The merger by absorption was initiated when the directors of the entities involved drafted the common terms of merger on May 23, 2017, as required under article 31 of Spanish Law 3/2009 (of April 3, 2009) on Structural Changes to Corporate Enterprises.

As a result of the merger described above, the balance sheet and income statement for the year ended December 31, 2017 are not comparable with the prior-period statements (note 2.f).

Note that the merger deeds were publicly notarized and registered with the Madrid Companies Register on June 29, 2017.

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

b) Business Contribution

During the months of March, June and August, the Company's Majority Shareholder contributed, in a series of transactions, its Spanish real estate development business to AEDAS HOMES, S.A. (note 5). The amounts at which the businesses were contributed differ from the amounts at which the former Sole Shareholder was carrying those businesses in its books. As a result, as per consultation 3 of the official journal of the ICAC (acronym in Spanish for the Spanish Audit and Accounting Institute) (# 85) and Recognition and Measurement Standard 21 of the General Accounting Plan (as per the wording introduced by means of Royal Decree 1159/2010, of September 17, 2010, in effect for annual periods beginning on or after January 1, 2010), the difference arising between the amounts at which the contribution was carried out and the amounts at which the related assets were carried in the former Sole Shareholder's accounting records has been recognized against "Voluntary reserves" (note 10.c). The carrying amounts that gave rise to the above-mentioned difference, as required pursuant to consultations 3 and 17 of the official journal of the ICAC (# 85), related to the separate amounts corresponding to the Transferee, Hipoteca 43 Lux, S.A.R.L. (parent - former Sole Shareholder) as it had been exempt from issuing consolidated annual financial statements.

Below is a summary of the difference between the amounts at which the businesses were contributed and the amounts that were used by the Company for accounting purposes:

	Euros		
	Amounts at which contributed	Carrying amount	Impact on voluntary reserves (note 10)
Contribution of March 30, 2017	314,032,337	80,889,440	(233,142,896)
Contribution of June 29, 2017	23,140,283	6,261,863	(16,878,421)
Contribution of August 16, 2017	110,596,625	49,687,116	(60,909,509)
Total	447,769,245	136,838,419	310,930,826

c) Tax neutrality regime applied to the Corporate Restructuring Transaction and the Business Contribution

The Corporate Restructuring Transaction (note 1.a) undertaken in 2017 is covered by the special tax neutrality regime for mergers, divisions, transfers of assets, exchanges of shares and changes of the registered address of a European company or a European cooperative society from one European Union member state to another provided for in Title VII of Chapter VIII of Spain's Corporate Income Tax Act (Legislative-Royal Decree 4/2014, of November 27, 2014).

Item 4 of article 4 of Royal Decree 1159/2010 (of September 17, 2010), enacting the rules for the issuance of consolidated annual financial statements and amending the General Accounting Plan enacted by means of Royal Decree 1514/2007 (of November 16, 2007) and the General Accounting Plan for Small and Medium-Sized Enterprises enacted by means of Royal Decree 1515/2007 (of November 16, 2007) stipulates that when group companies are merged together or spun off, the date of the transaction for accounting purposes is that of the start of the year in which the transaction is approved so long as such date is subsequent to the date on which the companies in question became part of the group. As a result, the transactions and income and expenses accrued by the Transferor between January 1, 2017 and June 30, 2017 have been recognized for accounting purposes within the Company's ledgers such that the date of the merger for accounting purposes,

i.e., the date from which the transactions performed by the Transferor are deemed performed by the Transferee for accounting purposes, is January 1, 2017.

The merger balance sheets are attached as Appendix II of these financial statements.

The Business Contribution (note 1.b) undertaken in 2017 is covered by the special tax neutrality regime for mergers, divisions, transfers of assets, exchanges of shares and changes of the registered address of a European company or a European cooperative society from one European Union member state to another provided for in Title VII of Chapter VIII of Spain's Corporate Income Tax Act (Legislative-Royal Decree 4/2014, of November 27, 2014).

As detailed in note 1.b, the amounts at which the businesses were contributed differ from the amounts at which the then Sole Shareholder was carrying those businesses in its books. As a result, as per consultation 3 of the official journal of the ICAC (acronym in Spanish for the Spanish Audit and Accounting Institute) (# 85) and Recognition and Measurement Standard 21 of the General Accounting Plan (as per the wording introduced by means of Royal Decree 1159/2010, of September 17, 2010, in effect for annual periods beginning on or after January 1, 2010), the difference arising between the amounts at which the contribution was carried out and the amounts at which the related assets were carried in the former Sole Shareholder's accounting records has been 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.

The balance sheets pertaining to the March, June and August contributions are attached as Appendix III of these annual financial statements.

At December 31, 2017, the Company was the parent of a group of companies (the Group). A list of the Company's subsidiaries is provided in Appendix I of these 2017 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 March 26, 2017.

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.

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, 2017 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) and, specifically, the accounting standards adapting the Plan for the real estate sector and its companies (published via Ministerial Order on December 28, 1994). Pursuant to Transitional Provision Five of Royal Decree 1514/2007 enacting the General Accounting Plan, as a general rule, the sector adaptations and other implementing accounting regulations in force on the date of publication of the said Royal Decree continue to apply insofar as they do not contradict the terms of the Code of Commerce, Corporate Enterprises Act (approved by Royal Decree-Law 1/2010), specific provisions or the General Accounting Plan itself.
- The binding rules issued by the ICAC (acronym in Spanish for the Audit and Accounting Institute) enacting the General Accounting Plan and complementary rules and regulations.
- Other applicable Spanish accounting regulations.

b) *Fair presentation*

The accompanying financial statements were prepared from the Company's Directors in accordance with prevailing accounting legislation to give a true and fair view of its equity, financial position and performance. The statement of cash flows has been prepared to present accurately the origin and usage of the Company's monetary assets such as cash and cash equivalents.

c) Functional and presentation currency

The accompanying financial statements for the year ended December 31, 2017 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, 2017 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 for the year ended December 31, 2017, the Company's Directors used estimates to measure certain of the assets, liabilities and commitments recognized therein. These estimates are based on historical experience and other factors deemed reasonable under prevailing circumstances and form the basis for making judgments about the carrying amounts of the assets and liabilities whose values are not readily apparent from other sources. 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 4.1).
- The probability of obtaining future taxable income when recognizing deferred tax assets (note 4.3).

Although these estimates were made on the basis of the best information available at December 31, 2017, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

f) Comparative information

The 2016 figures are not comparable with those corresponding to year ended December 31, 2017 as a result of the corporate restructuring transaction outlined in note 1.a and the business contributions described in note 1.b.

Any comparison with the information provided in these financial statements should also take into consideration the fact that the 2016 reporting period began on June 9, 2016.

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.

h) Going concern

During the year ended December 31, 2017 and the reporting period ended December 31, 2016, the Company reported losses of 26,655,593 euros and 2,241,561 euros, respectively. Notwithstanding the foregoing, the Company's directors have prepared the accompanying financial statements for the year ended December 31, 2017 on a going-concern basis as they do not anticipate any liquidity shortfalls that could jeopardize development of its business operations. In reaching this conclusion, they considered the following factors, among others:

- Access to bank financing so that its investees can pursue their property developments *business as usual*.
- A solid capital structure.

i) Critical issues concerning the measurement and estimation of uncertainty

In preparing the accompanying financial statements, the Company's management used estimates to measure certain of the assets, liabilities, income and expenses recognized and to provide the breakdown of contingent liabilities. These estimates were made on the basis of the best available information at year-end. However, the uncertainty inherent in these estimates means that future events could oblige the director to modify these estimates in the next financial year, prospectively if warranted.

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 non-current assets

When measuring non-current assets other than financial assets, especially goodwill, estimates must be made to determine their recoverable value to assess whether they are impaired. To determine these recoverable amounts, the Company's directors estimate the expected cash flows from the assets or the cash-generating units to which they belong, applying an appropriate discount rate to calculate the present value of these cash flows. These future cash flows depend on delivery of the Company's five-year forecasts and projections, while the discount rates depend on the interest rate and risk premium associated with each cash-generating unit.

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 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 2017, the Company has recognized deferred tax assets amounting to 929,228 euros (118 euros at December 31, 2016) corresponding to deductible temporary differences and certain of its unused tax losses (note 13).

3. Appropriation of profit (loss)

The directors propose the following appropriation of loss for 2017, a proposal expected to be ratified by the shareholders in general meeting:

	Euros
Basis of appropriation	
Profit/(loss) for the year	(26,655,593)
TOTAL	(26,655,593)
Appropriation to:	
Retained earnings (prior-year losses)	(26,655,593)
TOTAL	(26,655,593)

4. Recognition and measurement standards

The main recognition and measurement rules used by the Company to draw up the accompanying financial statements in accordance with prevailing accounting principles are the following:

4.1 Intangible assets

Intangible assets are initially measured at either acquisition or production cost. The cost of intangible assets acquired in a business combination is their acquisition-date fair value.

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

Intangible assets are amortized on a straight-line basis on the basis of their estimated useful lives and residual values. Amortization methods and periods are reviewed at the end of each reporting period, and adjusted prospectively where applicable. Intangible assets are tested for impairment at least at each financial year-end and any impairment is recognized.

Software

'Software' includes the costs incurred by the Company to develop its own software that meet development expense capitalization criteria as well as the cost of acquiring software from third parties. These expenses are amortized on a straight-line basis over the useful life of the asset (five years).

Employee benefits expense pertaining to the Company's own personnel involved in the development of software are included in the cost of the software with a credit to 'Own work capitalized' in profit or loss.

Expenses for repairs that do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the statement of profit or loss in the year incurred.

4.2 Property, plant and equipment

Items of property, plant and equipment are initially recognized at either acquisition or production cost. The cost of property, plant and equipment acquired in a business combination is the fair value of the assets at the acquisition date.

Following initial recognition, they are carried at cost less accumulated depreciation and any impairment losses.

The cost of assets acquired or produced since January 1, 2008 that require more than one year to ready for use (qualifying assets) includes borrowing costs accrued prior to putting the assets to use whenever these expenses meet the capitalization requirements.

Another component of property, plant, and equipment is the initial estimate of the present value of asset dismantling or retirement obligations and other associated costs, such as the cost of restoring assets, when these obligations trigger the recognition of provisions.

Expenses for repairs that do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the statement of profit or loss in the year incurred. Expenses incurred to upgrade, expand or improve these assets that increase their productivity or prolong their useful life are capitalized as an increase in the carrying amount of the item, while the carrying amount of any substituted assets is derecognized.

The cost of major inspections of items of property, plant and equipment are identified as a component of the cost of the asset on the date on which it is recognized for the first time, regardless of whether or not the affected items are going to be replaced, and these capitalized costs are amortized over the period of time remaining until the next major inspection.

Once available for use, items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives.

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

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

4.3 Impairment of non-financial assets

The Company assesses whether there is any indication that a non-current asset or cash-generating unit may be impaired at least at each reporting date. If there is, it proceeds to estimate the asset's recoverable amount.

The recoverable amount is the higher of fair value less costs to sell and value in use. When the carrying amount exceeds the recoverable amount, the asset is considered impaired. Value in use is the present value of expected

future cash flows, discounted using risk-free market rates, adjusted for the risks specific to the asset. For those assets that do not generate cash inflows that are largely independent of the inflows of other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the assets belong, such cash-generating units being understood to mean the smallest identifiable group of assets that generates cash inflows that are largely independent of the inflows of other assets or groups of assets.

Impairment losses and any subsequent reversals are recognized in the statement of profit or loss. Impairment losses are reversed only if the circumstances giving rise to them have ceased to exist. Goodwill impairment losses are not reversed. Any such reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset.

4.4 Leases

Leases are classified as finance leases when, based on the economic terms of the arrangement, substantially all the risks and rewards incidental to ownership of the leased item are transferred to the lessee. All other lease arrangements are classified as operating leases.

Operating lease payments are expensed in the income statement as they accrue.

4.5 Financial instruments

Financial assets

Classification-

The Company's financial assets are classified into the following categories:

- a) Trade and other receivables: (i) financial assets deriving from the rendering of services in the ordinary course of business; and (ii) financial assets that are not commercial in origin, are neither equity instruments nor derivatives, carry fixed or determinable payments and are not quoted in an active market.
- b) Equity investments in group companies, jointly-controlled entities and associates: Group companies are those controlled by the Company; associates are companies over which the Company has significant influence. Jointly-controlled entities are companies where control is contractually shared with one or more venturers.

Initial recognition-

Financial assets are initially recognized at the fair value of the consideration delivered plus directly attributable transaction costs.

In the case of equity investments in Group companies that give control over the subsidiary, the fees paid to legal advisors and other professionals in connection with the acquisition are recognized directly in the income statement.

In the case of shares issued to offset credit claims, as per consultation 4 of the official journal of the ICAC (# 89), the lending company has to reclassify the loan extended to financial investments at fair value through profit or loss, recognizing any difference between the amortized cost on the date of its capitalization and its fair value in profit or loss.

Subsequent measurement-

Loans and receivables are measured at amortized cost.

Investments in Group companies, associates and jointly-controlled entities are measured at cost less any impairment loss. Impairment loss is calculated as the difference between the investment's carrying amount and recoverable amount, deemed to be the higher of fair value less costs to sell and the present value in use of the projected cash flows from the investment. Unless better evidence is available, the recoverable amount is estimated on the basis of the equity of the investee, adjusted by any unrealized capital gains existing on the measurement date (including any goodwill) implicit in the appraisal of the real estate assets belonging to the Company's investees (note 5).

The Company holds majority interests in certain companies. The accompanying financial statements for the year ended December 31, 2017 are the Company's separate financial statements and are not presented on a consolidated basis with those of the entities in which it has a majority interest.

The Company tests its financial investments in Group companies for impairment at least at each year-end. If the recoverable amount of a financial asset is lower than its carrying amount this is deemed objective evidence of impairment and the corresponding impairment loss is recognized in profit and loss.

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).

Financial liabilities

Financial liabilities are (i) trade and other accounts payable by the Company originating from the purchase of goods and services in the ordinary course of business and (ii) other liabilities that are not commercial in origin and cannot be considered derivatives.

Financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. They are subsequently measured at amortized cost.

In keeping with applicable accounting principles, the following are classified as current liabilities: obligations that fall due or will be extinguished within 12 months of the reporting date and those related with the normal operating cycle, including those the Company expects to settle in the course of that cycle regardless of their maturity. The "normal operating cycle" is the period of time between the acquisition of assets for processing and their realization in cash or cash equivalents. In the specific instance of the Company's business, it is therefore understood that all of the liabilities assumed to acquire or finance its inventories have to be recognized as current liabilities.

The Company derecognizes its financial liabilities when the related obligation is discharged or cancelled or expires.

Loans received from related parties are recognized as financial liabilities at amortized cost so long as the contractual terms of the loans enable the reliable estimation of the cash flows of the financial instrument, to which end the Company calculates the fair value at the time of grant using a market interest rate for a loan with similar characteristics; subsequent to initial recognition, the interest expense is accrued using the effective interest rate method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the Company's assets after deducting all of its liabilities.

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

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

4.6 Cash and cash equivalents

The Company recognizes cash, demand deposits and other highly liquid short-term investments that can be monetized within three months of their acquisition, are not subject to a risk of changes in value and are part of the Company's standard cash management strategy within "Cash and cash equivalents" on the short-form balance sheet.

For cash flow statement purposes, occasional bank overdrafts used as part of the Company's cash management strategy are recognized as a decrease in cash and cash equivalents.

4.7 Provisions and contingencies

In drawing up its annual financial statements, the Company's directors distinguish between:

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

The financial statements recognize all provisions in respect of which it is considered more likely than not that a present obligation exists. Contingent liabilities are not recognized in the financial statements, but are disclosed in the accompanying notes, unless the possibility of an outflow of resources embodying economic benefits is considered remote.

Provisions are measured at the present value of the best estimate of the expenditure required to settle or transfer the present obligation based on information available concerning the obligating event and its consequences; changes in the provision's carrying amount arising from discounting are recognized as finance cost as accrued.

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

There were no contingent liabilities or assets at either December 31, 2017 or December 31, 2016.

4.8 Income tax

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

Current tax is the amount of income taxes payable (recoverable) by the Company in respect of the taxable profit (tax loss) for the year. In addition to withholdings and payments on account, current tax is reduced by the application of unused tax credits and unused tax losses.

Deferred tax expense or income corresponds to the recognition and derecognition of deferred tax assets and liabilities. These include taxable and deductible temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, and the carryforward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability settled.

Deferred tax liabilities are recognized for all taxable temporary differences, except to the extent that they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affect neither accounting profit nor taxable profit.

Deferred tax assets are only recognized when the Company considers it probable that future taxable profit will be available against which these assets may be utilized within the foreseeable future, even if the legally-stipulated deadline for utilizing them is longer.

Deferred tax assets and liabilities relating to transactions charged or credited directly to equity are also recognized in equity.

At each year-end, management reassesses the deferred tax assets recognized and their carrying amount is reduced if there are any doubts about their recoverability. Similarly, at the end of each reporting period, management reassesses unrecognized deferred tax assets, recognizing a previously unrecognized deferred tax asset to the extent that it has become probable that taxable profit will be available against which the asset can be utilized.

The Group has applied to have the tax authorities allow it to file its taxes under the consolidated tax regime from January 1, 2018.

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 sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer and when the Company retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; in the case of real estate inventories, this usually takes place when the deeds are formally exchanged.

Revenue from the rendering of services is recognized by reference to the stage of completion of the transaction at the reporting date, whenever the outcome of the transaction can be estimated reliably.

Interest income on financial assets is recognized using the effective interest rate method; dividends are recognized when the shareholder's right to receive them is established. Interest and dividend income accrued on financial assets after their date of acquisition is recognized as revenue in the income statement.

4.11 Foreign currency transactions

The Company's functional currency is the euro. As a result, transactions denominated in currencies other than the euro are considered foreign currency transactions and are recognized at the exchange rate prevailing on the transaction date.

At year-end, monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date. Any resulting gains or losses are recognized directly in profit or loss in the year incurred.

The Company did not transact in foreign currency during the year ended December 31, 2017; nor did it have any resulting foreign currency balances at the reporting date.

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, so long as it is deemed probable that such contingent consideration will become payable; and iii) any costs directly attributable to the combination, such as fees paid to legal advisors or other professional involved in the transaction.

Elsewhere, transactions involving mergers, divisions or non-monetary business contributions between group companies, as defined in the standard governing the measurement of intra-group transactions, are accounted for in accordance with that standard. Specifically, in transactions between group companies involving the parent, either directly or indirectly, the assets and liabilities constituting the business acquired are measured at the amount at which they would be recorded, *pro forma* for the transaction, in the consolidated annual financial statements of the group in accordance with the rules for drawing up such statements stipulated in Spain's Code of Commerce. In the

case of transactions between other group companies, the assets and liabilities of the business are measured at the amounts at which they were carried in the separate annual financial statements prior to the transaction. Any difference arising from application of the above criteria is recognized within one of the Company's reserve headings.

In business combinations involving the acquisition of the shares of a company, including those received by virtue of a non-monetary contribution upon the incorporation of the company or subsequently in the course of a rights issue, or other transactions or developments the result of which is that a company obtains control over another company, whether or not it already held an equity interest in that company, the investing company must account for the investment in the equity of other group companies in its separate annual financial statements in accordance with the rules established in section 2.5 of the General Accounting Plan measurement standard addressing financial instruments (note 4.1).

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 2017 financial statements should be interpreted in the context of the Group to which the Company belongs (note 1).

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

Related-party transactions are governed by Measurement Standard No. 13 of Spain's General Accounting Plan. Specifically:

- A company is deemed part of the group when both entities are bound by a direct or indirect controlling relationship, equivalent to that defined in article 42 of Spain's Code of Commerce, or when the entities are controlled by any means by one or more legal persons acting jointly or under shared management by contractual or bylaw-stipulated agreement.
- An entity is considered an associate when, without qualifying as a group company in the sense outlined above, the parent company or parent natural persons exercise significant influence over the entity.
- One party is considered related to the other when one of them exercises or has the power to exercise, directly or indirectly or by virtue of shareholder agreements, control over the other or can significantly influence the financial and operating decision-making of the other.

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

4.16 Classification of certain items of income at holding companies

In preparing the accompanying income statement, the directors of Aedas Homes, S.A., whose business activities include those of a holding company (note 1), have considered the response provided by Spanish Institute of Auditors (ICJCE for its acronym in Spanish) to the consultation published in the official journal of the ICAC (# 79, November 2009) regarding how to account for the revenue and expenses of a holding company in separate financial statements and how to determine revenue for this class of entity.

As outlined in the above consultation, all of the revenue obtained by a company as a result of its 'financial' activity, insofar as that activity is considered 'ordinary', must be included within "Revenue". As a result, in keeping with the foregoing, both the dividends and any gains obtained from the sale of shares, their derecognition or a change in their fair values are deemed part of "Revenue".

Below is an explanation of the headings that have accordingly been included within "Revenue":

- Income from equity investments: including the dividends accrued from holding shares in other companies.
- Changes in the fair value of financial instruments, other than investments constituting investments in subsidiaries, jointly controlled entities or associates.
- Gains on the disposal of financial instruments, other than those deriving from the derecognition of investments in subsidiaries, jointly controlled entities or associates.
- Finance income from loans granted to subsidiaries.

In addition, any impairment losses on financial instruments and any losses realized on the sale of such instruments, other than those deriving from the derecognition of investments in subsidiaries, jointly controlled entities or associates, are included within the Company's operating profit or loss.

The gains or losses deriving from the disposal of financial instruments that do constitute investments in subsidiaries and associates are included within operating profit or loss.

4.17 Termination benefits

Under prevailing company law, the Company is obliged to pay severance to employees who are discontinued under certain circumstances. Termination benefits that can be reasonably estimated are recognized as an expense in the year in which the Company creates a valid expectation on the part of those affected by the redundancy decision.

4.18 Share-based payments

The 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.

5. Intangible assets

The reconciliation of the carrying amount of intangible assets at the beginning and end of the period:

2017	Euros		
	Software	Other intangible assets	Total
Cost:			
Balance at January 1, 2017	-	-	-
Additions due to business combinations (note 1.a)	48,775	-	48,775
Additions	206,003	108,818	314,821
Derecognitions	-	-	-
Balance at December 31, 2017	254,778	108,818	363,596
Accumulated amortization:			
Balance at January 1, 2017	-	-	-
Charges	(47,777)	-	(47,777)
Derecognitions	-	-	-
Balance at December 31, 2017	(47,777)	-	(47,777)
Carrying amount at December 31, 2017	207,001	108,818	315,819

The main additions recognized in 2017 relate to the development of computer applications for the management of the Group's financial reporting and cost management systems, as well as additions derived from the business combinations completed in 2017 (note 1.a).

No items of intangible assets had been pledged as collateral at either December 31, 2017 or December 31, 2016.

Nor were any intangible assets fully amortized and still in use at either reporting date. Lastly, none of the Company's intangible assets had an indefinite useful life at December 31, 2017 or 2016.

6. Property, plant and equipment

The reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the period:

2017	Euros						
	Buildings	Other plant	Furniture & fittings	Computer equipment	Other items of PP&E	Prepayments for PP&E	Total
Cost:							
Balance at January 1, 2017	-	-	-	-	-	-	-
Additions due to business combination (note 1.a)	133,308	28,390	93,165	136,328	971	-	392,162
Additions	60,490	10,039	50,753	203,633	48,964	144,308	518,187
Derecognitions	(112,725)	-	-	-	-	-	(112,725)
Balance at December 31, 2017	81,073	38,429	143,918	339,961	49,935	144,308	797,624
Accumulated depreciation:							
Balance at January 1, 2017	-	-	-	-	-	-	-
Additions due to business combination (note 1.a)	(4,218)	(963)	(3,067)	(2,494)	(32)	-	(10,774)
Charges	(13,176)	(6,666)	(11,948)	(53,562)	(4,242)	-	(89,594)
Derecognitions	8,515	-	-	-	-	-	8,515
Balance at December 31, 2017	(8,879)	(7,629)	(15,015)	(56,056)	(4,274)	-	(91,853)
Provision for impairment	-	-	-	-	-	-	-
Carrying amount at December 31, 2017	72,194	30,800	128,903	283,905	45,661	144,308	705,771

The additions recognized in 2017 related mainly to investments in the new offices, as well as as additions derived from the business combinations completed in 2017 (note 1.a). The assets derecognized correspond to all the assets that had been capitalized at the former head offices, none of which were sold.

The Company has taken out insurance policies to cover the carrying amount of its property, plant and equipment.

None of the items of the Company's property, plant and equipment was fully depreciated and still in use at either reporting date.

Operating leases

The Company leases its offices in Madrid, Barcelona, Seville, Malaga and Alicante.

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

	Euros	
	2017	2016
Within one year	832,593	205,864
Between one and five years	2,070,526	961,303
More than five years	-	81,045
	2,903,120	1,248,212

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:

2017	Euros			
	Balance at Dec. 31, 2016	Additions	(Derecognitions)	Balance at Dec. 31, 2017
Non-current investments in Group companies and associates	8,846,375	160,172,756	(28,000)	168,991,131
Total	8,846,375	160,172,756	(28,000)	168,991,131

2016	Euros			
	Balance at June 9, 2016	Additions	(Derecognitions)	Balance at Dec. 31, 2016
Non-current investments in Group companies and associates	-	8,846,375	-	8,846,375
Total	-	8,846,375	-	8,846,375

a) *Significant movements*

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

	Euros	
	2017	2016
Equity interest in SPV REOCO 1, S.L.U.	168,991,131	8,818,375
Equity interest Aedas Homes, S.L.U. (Extinguished)	-	28,000
	168,991,131	8,846,375

On July 20, 2016, the Company acquired all of the shares of SPV REOCO 1, S.L.U. for the price of 3,000 euros. Subsequently, in the course of 2016, the Company made contributions to SPV REOCO 1, S.L.U. totaling 8,815,375 euros.

Also on July 20, 2016, the Company acquired all of the shares of the company formerly called Aedas Homes, S.L.U. from its Sole Shareholder at the time, Hipoteca 43 Lux S.a.r.l., for 3,000 euros. That entity has since been merged into the Company (note 1.a). Subsequently, in the course of 2016, the Company made contributions to the merged transferor totaling 25,000 euros. In 2017, as a result of the corporate restructuring transaction outlined in note 1.a, the above financial investment was derecognized as part of the process of merging the transferor's assets and liabilities.

On March 23, 2017 and April 18, 2017, the Company injected 50,000 euros and 15,000 euros, respectively, into SPV REOCO 1, S.L.U. Later, on May 19, 2017, a further 33,000 euros was contributed to SPV REOCO 1, S.L.U.

On March 30, 2017, the Company's former Sole Shareholder made a non-monetary equity injection into the Company in the amount of 314,032,337 euros, a transaction that materialized in the creation of 31,403,231 shares with a unit par value of one euro and an increase in the share premium account of 282,629,106 euros. The consideration for the above-mentioned increase was the contribution of 65% of the shares of SPV Spain 2, S.L., as well as all of the shares in the following companies:

- ESPEBE 12, S.L.U.
- ESPEBE 14, S.L.U.
- ESPEBE 16, S.L.U.
- ESPEBE 17, S.L.U.
- ESPEBE 18, S.L.U.
- ESPEBE 20, S.L.U.
- ESPEBE 22, S.L.U.

- ESPEBE 23, S.L.U.
- ESPEBE 25, S.L.U.
- SPV SPAIN 7, S.L.U.
- SPV SPAIN 17, S.L.U.
- ESPEBE 26, S.L.U.
- ESPEBE 27, S.L.U.
- ESPEBE 29, S.L.U.
- ESPEBE 28, S.L.U.
- ESPEBE 32, S.L.U.
- ESPEBE 34, S.L.U.
- ESPEBE 2, S.L.U.
- ESPEBE 4, S.L.U.
- ESPEBE 7, S.L.U.
- ESPEBE 35, S.L.U.
- ESPEBE 15, S.L.U.
- SPV SPAIN 16, S.L.U.
- SPV SPAIN PROJECT 1, S.L.U.
- DAMALANA SERVICIOS Y GESTIONES, S.L.U.
- MILEN INVESTMENT, S.L.U.
- CORNETALA SERVICIOS Y GESTIONES, S.L.U.

Subsequently, on that same date, i.e., March 31, 2017, the Company contributed the above-listed shares to SPV REOCO 1, S.L. for 314,032,337 euros.

On May 9, 2017 and June 1, 2017, the Company contributed its credit claims over: (i) SPV REOCO 2, S.L.U. in the amount of 8,085,000 euros and (ii) SPV REOCO 12 in the amount of 1,400,000 euros to SPV REOCO 1, S.L.U.

On June 29, 2017, the Company's then Sole Shareholder injected 23,140,283 euros of equity into the Company by means of the following non-monetary contributions:

- 100% of the shares of the following companies:
 - DELANETO SERVICIOS Y GESTIONES, S.L.U.
 - ESPEBE 21, S.L.U.
 - ESPEBE 31, S.L.U.
- 80% of the share capital of ESPEBE 11, S.L.
- 94.68% of FACORNATA SERVICIOS Y GESTIONES, S.L.

Subsequently, on that same date, i.e., June 29, 2017, the Company contributed the above-listed shares to SPV REOCO 1, S.L. for 23,140,283 euros.

Given that the above non-monetary contributions constitute a business, and even though the contributions were made at fair value, the contributions were accounted for at the amount at which the business was carried in the financial statements of the Sole Shareholder at the time, Hipoteca 43 Lux, S.A.R.L., namely 80,889,440 euros in respect of the contribution made on March 30, 2017 and 6,261,863 euros in respect of that made on June 30, 2017 (note 1.b).

On July 8, 2017, Danta Investments, S.L.U. was contributed to the Company at the amount of 52,458,200 euros.

The most significant information regarding the Company's subsidiaries, jointly-controlled entities and associates at December 31, 2017 and 2016 is as follows:

Dec. 31, 2017

		Euros								
		Figures for subsidiaries as per their separate statements					Carrying amount			
Name	Ownership interest, %	Share capital	Share premium and reserves	Profit/(loss) for the period from continuing operations	Shareholder contributions	Equity	Cost	Impairment	Net carrying amount	
SPV REOCO 1, S.L.U.	100%	44,807,030	92,212,995	8,107,472	31,878,627	177,006,124	168,991,131	-	168,991,131	
							168,991,131	-	168,991,131	

Dec. 31, 2016

		Euros						Carrying amount		
		Figures for subsidiaries as per their separate statements								
Name	Ownership interest, %	Share capital	Reserves	Profit/(loss) for the period from continuing operations	Profit/(loss) for the period from discontinued operations	Shareholder contributions	Equity	Cost	Impairment	Net carrying amount
Shares in SPV REOCO 1, S.L.U.	100%	3,000	(415)	(30,965)	-	8,815,375	8,786,995	8,818,375	-	8,818,375
Shares in Aedas Homes, S.L.U. (*)	100%	3,000	(475)	113,133	-	25,000	140,658	28,000	-	28,000
								8,846,375	-	8,846,375

(*) Transferor company since absorbed; refer to note 1.a.

The data pertaining to these companies' equity positions were taken from their unaudited annual and interim financial statements. Those annual statements will be issued in accordance with local regulations. The Company transacts with its subsidiaries and associates, as itemized in notes 7 and 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.

None of the companies in which the Company is invested was publicly listed at December 31, 2017.

In light of the property appraisals performed by third parties and the Company's internal valuations, the existence of unrealized capital gains suggests that none of its investments were impaired at December 31, 2017.

The accompanying 2017 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:

2017

	Euros	
	Aedas Homes, S.A.	Group IFRS-EU
Non-current assets	792,870,854	14,203,309
Current assets	168,939,300	1,114,816,591
Total assets	961,810,154	1,129,019,900
Capital, reserves and owner contributions	975,015,203	975,127,469
Profit/(loss)	(26,655,593)	(40,078,380)
Equity attributable to equity holders of the parent	948,359,610	935,049,089
Non-controlling interests	-	2,245,802
Total equity	948,359,610	937,294,891
Non-current liabilities	137,326	137,326
Current liabilities	13,313,218	191,587,683
Total equity and liabilities	961,810,154	1,129,019,900

2016

	Euros	
	Aedas Homes, S.A.	Group IFRS-EU
Non-current assets	37,527,618	480,273
Current assets	590,902	47,821,121
Total assets	38,118,520	48,301,394
Capital, reserves and owner contributions	9,375,521	9,371,889
Profit/(loss)	(2,241,561)	(2,369,805)
Equity attributable to equity holders of the parent	7,133,960	7,002,084
Non-controlling interests	-	507,280
Total equity	7,133,960	7,509,364
Non-current liabilities	28,213,625	28,213,625
Current liabilities	2,770,935	12,578,405
Total equity and liabilities	38,118,520	48,301,394

8. Financial assets

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

	Euros	
	Year-end 2017	Year-end 2016
Non-current financial assets		
Investments in group companies and associates		
Loans to companies	621,428,368	28,681,125
Non-current financial investments	500,537	-
Total non-current financial assets	621,928,905	28,681,125
Current financial assets		
Trade receivables	-	473,195
Trade receivables, group companies and associates	14,566,295	85,406
Sundry receivables	815	-
Current financial assets	2,376,580	-
Total current financial assets	16,943,690	558,601

These amounts are presented as follows on the balance sheet:

a) **Loans and receivables**

Loans to group companies

The breakdown of the loans to group companies by when they fall due is as follows:

	Euros	
	Year-end 2017	Year-end 2016
2017	-	-
2018	3.780.445	-
2019	62.724.660	-
2020	111.663.399	7,552,500
2021	207.359.287	15,001,125
Subsequent years	235.900.577	6,127,500
Total	621,428,368	28,681,125

The fair value of these loans, calculated using discounted cash flow methodology, is similar to their carrying amount.

All of the credit facilities extended accrue interest at 1-month Euribor plus 350 basis points.

Trade and other receivables

This heading breaks down as follows at year-end:

	Euros	
	Year-end 2017	Year-end 2016
Trade receivables	-	473,195
Trade receivables, group companies and associates (note 16.a)	14,566,295	85,406
Sundry receivables	815	-
Total	14,567,110	558,601

The fair value of these financial assets, calculated using discounted cash flow methodology, is not materially different from their carrying amount.

9. Cash and cash equivalents

This heading breaks down as follows at year-end:

	Euros	
	Year-end 2017	Year-end 2016
Demand deposits in current accounts	134,283,032	32,301
Total	134,283,032	32,301

Current accounts earn market interest rates.

There are no restrictions on these balances.

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 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 5).

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 5).

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

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

On October 19, 2017, the Company completed its initial public offering, raising 99,999,979.05 euros (via the issuance of 3,159,557 shares with a unit par value of one euro, with the remainder allocated to the share premium

account). Those shares were admitted to trading on the Madrid, Barcelona, Bilbao and Valencia stock exchanges on October 20, 2017. The IPO costs amount to 31,301 euros.

At December 31, 2017, the Parent's share capital accordingly consisted of 47,966,587 shares (December 31, 2016: 3,000 equity interests), with a par value of one euro each. The shares are fully subscribed and paid in.

None of the Company's shares was pledged at either December 31, 2017 or December 31, 2016.

The Company's main shareholders at December 31, 2017:

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

b) Share premium

The movements in the share premium account are as follows:

	Euros
Opening balance at January 1, 2017	-
Shares issued on March 31, 2017	282,629,106
Shares issued on June 29, 2017	20,826,255
Shares issued on August 16, 2017	99,780,938
Shares issued on October 19, 2017	96,840,422
Balance at December 31, 2017	500,076,721

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

Legal reserve

In accordance with the consolidated text of the Corporate Enterprises Act, until the legal reserve exceeds the limit of 20% of share capital, it cannot be distributed to shareholders and can only be used to offset losses, if no other reserves are available for this purpose. The legal reserve can also be used to increase capital by the amount exceeding 10% of capital, pro forma for the increase.

This legal reserve was not fully endowed at either reporting date.

Voluntary reserves

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

Distribution of dividends

No dividends were paid out in 2017. There were no restrictions on the payment of dividends at year-end 2017.

c) Owner contributions

On July 29, 2016, the Company's former Sole Shareholder decided to contribute all of the credit claims it held over the Company by virtue of a 3,000 euro loan extended to it. The purpose of the contribution was to convert the loan granted by the former Sole Shareholder on July 20, 2016 to finance the acquisition of 3,000 equity interests of Aedas Homes, S.L.U. (since extinguished), which represented 100% of the latter's share capital, into equity. As a result, the loan was extinguished in the amount contributed to the Company's equity, as the Company then held the related creditor and debtor rights.

Subsequently, between September 13 and December 29, 2016, the former Sole Shareholder, Hipoteca 43 Lux, S.A.R.L., injected equity into the Company in the form of cash on several occasions. Those owner contributions were made to fund the Company's business activities. Specifically:

- On September 13, 2016, it contributed 1,600,000 euros.
- On October 28, 2016, it contributed 20,000 euros.
- On November 28, 2016, it contributed 975,000 euros.
- On December 20, 2016, it contributed 2,050,000 euros.
- On December 21, 2016, it contributed 3,245,375 euros.
- On December 22, 2016, it contributed 917,500 euros.
- And on December 29, 2016, it contributed 30,000 euros.
- On December 29, 2016, the former Sole Shareholder resolved to contribute 7,000 euros to the Company's equity in the form of a loan, which materialized in two bank wires, one on July 19, 2016 in the amount of 5,000 euros, and the other on August 1, 2016 in the amount of 2,000 euros. Note that this contribution qualified as a contribution by the then Sole Shareholder to the Company's equity. The purpose of the contribution was to finance the acquisition by the Company of 3,000 equity interests of SPV REOCO 1, S.L.U. and the associated transaction costs as well as to cover the expenses deriving from the acquisition of another 3,000 equity interests of Aedas Homes, S.L.U. (since extinguished).

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

In 2017, the former Sole Shareholder officially made the following injections into the Company:

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

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

11. Provisions and contingencies

The Company did not recognize any provisions or contingencies at either reporting date.

12. Financial liabilities

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

	Euros			
	Derivatives and other		Total	
	YE17	YE16	YE17	YE16
Non-current financial liabilities				
Non-current liabilities	137,326	-	137,326	-
Non-current borrowings from group companies and associates	-	28,213,625	-	28,213,625
	137,326	28,213,625	137,326	28,213,625
Current financial liabilities				
Current borrowings from group companies and associates	-	81,889	-	81,889
Trade and other payables				
Trade payables, group companies and associates	4,230	-	4,230	-
Sundry payables	1,133,839	3,201	1,043,704	3,201
Employee benefits payable	1,500,600	2,685,844	1,500,600	2,685,844
Current tax liabilities	8,677	-	8,677	-
Other payables to public authorities	10,665,872	-	10,665,872	-
	13,313,218	2,770,935	13,313,218	2,770,935
Total	13,450,544	30,984,560	13,450,544	30,984,560

The 137,326 euros classified under 'Non-current liabilities' correspond to an equity swap arranged to hedge exposure to fluctuations in the Company's share price.

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, 2017, the Company had all its tax returns since incorporation (note 1) open to inspection as the authorities have no time limit for checking and investigating the tax credits and tax losses used in the returns open to inspection.

The Group has 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, 2017		Dec. 31, 2016	
	Taxes receivable	Taxes payable	Taxes receivable	Taxes payable
VAT receivable from the tax authorities	104,687	-	471,525	-
Input VAT receivable	-	(3,679)	-	-
Current tax assets	349,603	-	-	-
Current tax liabilities	-	(8,677)	-	-
Payable in respect of withholdings	-	(10,517,560)	-	-
Social Security payable	-	(144,633)	-	-
Deferred tax assets	929,228	-	118	-
Total	1,383,518	(10,674,549)	471,643	-

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, 2017	Dec. 31, 2016
Profit/(loss) before tax	(27,560,958)	(2,241,561)
Permanent differences	26,086,080	-
Temporary differences	-	118
Taxable income/(tax loss) before utilization of tax losses/credits	(1,474,878)	(2,241,443)
Unrecognized tax credits utilized	-	-
Taxable income/(tax loss)	(1,474,878)	(2,241,443)
Tax rate	25%	25%
Tax accrued (expense)	368,720	(560,361)
Tax credits generated during the reporting period not recognized	-	560,361
Certain tax assets recognised	536,644	-
Current income tax (expense)/income	-	-
Deferred tax (expense)/income	905,364	

d) Deferred taxes

The breakdown and reconciliation of the items comprising deferred tax assets and deferred tax liabilities:

	Euros			
	Opening balance	Income statement	Equity	Closing balance
2017				
Deferred tax assets	118	-	-	118
Unused tax losses	-	929,110	-	929,110
	-	929,110	-	929,228
Deferred tax liabilities	-	-	-	-
	-	-	-	-
Total	118	929,110	-	929,228
2016				
Deferred tax assets	-	118	-	118
	-	118	-	118
Deferred tax liabilities	-	-	-	-
	-	-	-	-
Total	-	118	-	118

The breakdown of unused tax losses carried forward at year-end, after deducting the amounts utilized during the year, is as follows:

Year generated	Euros
	Amount
2016	118
2017	929,110
Total	929,228

The Company has recognized deferred tax assets amounting to 929,228 euros (year-end 2016: 118 euros) in connection with unused tax losses. No deferred tax assets have been recognized for the remaining tax losses.

The Company has estimated taxable income for the next five years (the projection period considered to be sufficiently credible) on the basis of its budgets. It has also analyzed the periods in which its taxable temporary differences are expected to revert, identifying those expected to revert in years in which the unused tax losses can be utilized. Based on this analysis, the Company has recognized deferred tax assets for the unused tax losses and

the deductible temporary differences in respect of which it considers it probable that it will 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, 2017	Reporting period ended Dec. 31, 2016
By business segment		
Management services provided to the Group	12,169,949	-
Finance income	13,522,806	85,406
Total	25,692,755	85,406
By geographical market segment		
Spain	25,692,755	85,406
Total	25,692,755	85,406

b) *Other operating expenses*

	Euros	
	Year ended December 31, 2017	Reporting period ended Dec. 31, 2016
Leases	(667,221)	-
Repairs and upkeep	(206,775)	-
Independent professional services	(5,091,673)	(766)
Transport	-	-
Insurance premiums	(36,283)	-
Banking services	(2,076,758)	(10)
Advertising, publicity and public relations	(934,080)	-
Utilities	(6,588)	-
Other services	(1,026,598)	(2,244,302)
Total	(10,045,976)	(2,245,078)

In 2016, "Other services" included 2,219,706 euros related to the management services the former Aedas Homes, S.L.U. (merged transferor) provided to the Company.

In 2017, "Independent professional services" and "Banking and similar services" in the table above includes 4,9 million euro corresponding to IPO-related expenses, of which the Majority Shareholder had funded part of them before the IPO. After 2017 closing, the Company will charge an amount of 1.4 million euro to the Majority Shareholder.

c) *Employee benefits expense*

Employee benefits expense breaks down as follows:

	Euros	
	Year ended December 31, 2017	Reporting period ended Dec. 31, 2016
Wages, salaries and similar		
Salaries and wages	(19,577,016)	-
Share-based payments (note 15)	(12,940,532)	-
Termination benefits	(128,636)	-
Total	(32,646,184)	-
Employee benefits		
Social security	(962,095)	-
Accrued pension contributions - Defined contribution pension plan	-	-
Other benefit expense	(161,496)	-
Total	(1,123,591)	-
Total	(33,769,775)	-

The average number of people employed by the various Group companies in 2017 was 85. The breakdown, by job category, of the year-end headcount is shown below:

	Year-end 2017			Year-end 2016		
	Women	Men	Total	Women	Men	Total
Graduates	35	45	80	-	-	-
Diploma holders	10	13	23	-	-	-
Other	11	12	23	-	-	-
Total	56	70	126	-	-	-

d) Finance costs

Finance costs break down as follows:

	Euros	
	Year ended December 31, 2017	Reporting period ended Dec. 31, 2016
Interest on borrowings from group companies (note 16)	(9,050,754)	(81,889)
Interest expense on loans from third parties		
Other finance costs	(5,341)	-
	(9,056,095)	(81,889)

The table above shows the interest accrued on the credit facility extended to the Company by its Majority Shareholder up until its capitalization.

15. Share-based payment transactions

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

	Euros	
	Year ended December 31, 2017	Reporting period ended December 31, 2016
Key management personnel	12,940,532	-

	12,940,532	-
--	-------------------	---

In November 2017, the Majority Shareholder settled the management incentive plan (MIP), paying its beneficiaries a mix of cash and Company shares in an aggregate amount of 26,181,063 euros (12,940,532 euros in shares and 13,240,531 euros in cash, included under "Wages and salaries"; refer to note 14.c). This payment, which was paid for in full by the Majority Shareholder, is reflected in the Company's income statement as an employee benefits expense, recognizing an additional shareholder contribution in equity in the same amount as the balancing entry.

16. Related-party transactions

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

Merlin Properties SOCIMI, S.A., by virtue of the existing relationship between a senior executive of that entity and a member of the Parent's Board of Directors.

FAB MAY, due to the provision of services by the Company to the former. Note that FAB MAY is owned by entities related to the Parent.

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

- The assets contributed to the Company by the Majority Shareholder (note 1.b).
- The financing extended to the Company by the Majority Shareholder (note 10).
- The services provided by Merlin Properties SOCIMI, S.A. amounted to 250,000 euros plus VAT during the year ended December 31, 2017.
- The lease over the Company's offices at Castellana 83-85, Madrid with Merlin Properties SOCIMI, S.A. (dated June 15, 2016) implied expenditure of 70,426 euros. That contract was terminated early on May 3, 2017.
- On April 25, 2017, the Parent transferred the lease over the offices located at Castellana 42 in Madrid. It was transferred from Merlin Properties SOCIMI, S.A. to RREEF Investment GMBH, Sucursal en España. As a result, the Company paid Merlin a security deposit of 74,745 euros and received from Merlin the sum of 81,822 euros corresponding to two months' rent as grace. The agreement with RREEF Investment GMBH, Sucursal en España terminates on December 1, 2023; it is mandatory for the first five years, until December 1, 2020.
- The lease over the Company's offices in Barcelona with Merlin Properties SOCIMI, S.A. (dated October 15, 2016) implied expenditure of 37,331 euros in 2017. That lease terminates on September 30, 2021.
- The sum of 54,325 euros invoiced to FAB MAY and the administration and management of the assets of Fondo de Activos Bancarios May pursuant to the agreement entered into on November 1, 2016.
- One member of the Company's senior management team received remuneration in cash from Merlin Properties SOCIMI, S.A. for work performed for the latter until September 15, 2017, when that relationship was terminated. However, the economic rights accrued until the date of termination of his employment contract remain valid.
- The Majority Shareholder approved a management incentive plan (MIP) to be settled in a mix of cash and shares. The amount payable under the MIP was tied to the internal rate of the return obtained as a result of the IPO. The total paid out under the MIP was 26 million euros. Fifty per cent was paid in cash and the remaining 50% in Company shares.

a) Related parties

The breakdown of the balances payable to and receivable from related parties at year-end is as follows:

	Euros		
	Direct parent company	Other group companies	Total
2017			
Non-current loans (note 8)	-	621,428,368	621,428,368
Trade receivables (note 8)	-	14,566,295	14,566,295
Current loans interests	-	16,950,160	16,950,160
2016			
Non-current loans (note 8)	-	28,681,125	28,681,125
Non-current borrowings (note 12)	(28,213,625)	-	(28,213,625)
Current borrowings (note 12)	(81,889)	-	(81,889)
Trade payables (note 12)	-	(2,685,844)	(2,685,844)

The breakdown of the transactions undertaken with related parties in 2017 and 2016:

	Euros		
	Direct parent company	Other group companies	Total
2017			
Revenue from sales	-	12,033,802	12,033,802
Finance income - interest (note 14.a)	-	13,522,806	13,522,806
Finance costs (note 14.d)	(9,050,754)	-	(9,050,754)
2016			
Finance income - interest (note 14.a)	-	85,406	85,406

Non-current loans to Group companies and associates

The movements under this heading of the accompanying balance sheet during the year ended December 31, 2017 and during the reporting period started June 9, 2016 and ended December 31, 2017 are reconciled below:

	Euros			
	Balance at December 31, 2016	Additions	Derecognitions	Balance at December 31, 2017
Non-current loans to Group companies and associates	28,681,125	621,153,933	(28,406,690)	621,428,368
Total	28,681,125	621,153,933	(28,406,690)	621,428,368

	Euros		
	Balance at June 9, 2016	Additions	Balance at December 31, 2016
Non-current loans to Group companies and associates	-	28,681,125	28,681,125
Total	-	28,681,125	28,681,125

The breakdown of "Non-current loans to Group companies and associates" at December 31, 2017 is as follows:

Company	Euros		Maturity date
	Limit	Principal	
Loan to Cornetala Servicios y Gestiones, S.L.	32,800,000	5,574,513	January 31, 2019
Loan to Damalana Servicios y Gestiones, S.L.	42,300,000	21,426,268	January 31, 2022
Loan to Danta Investments, S.L.U.	7,500,000	7,500,000	September 18, 2019
Loan to Delaneto Servicios y Gestiones, S.L.	15,000,000	120,000	January 1, 2020
Loan to Espebe 11, S.L.	10,800,000	6,202,820	August 31, 2019
Loan to Espebe 12, S.L.	54,700,000	27,267,697	July 31, 2021
Loan to Espebe 14, S.L.	44,000,000	37,992,876	July 31, 2021
Loan to Espebe 15, S.L.	11,800,000	7,568,633	July 31, 2020
Loan to Espebe 16, S.L.	13,000,000	7,895,222	September 31, 2019
Loan to Espebe 17, S.L.	28,000,000	22,043,150	August 31, 2021
Loan to Espebe 18, S.L.	18,800,000	3,742,445	July 31, 2018
Loan to Espebe 2, S.L.	20,300,000	13,304,966	March 31, 2019
Loan to Espebe 20, S.L.	25,500,000	17,288,657	October 31, 2020
Loan to Espebe 21, S.L.	5,800,000	3,692,600	November 30, 2019
Loan to Espebe 22, S.L.	25,000,000	29,818,767	November 30, 2020
Loan to Espebe 23, S.L.	20,500,000	3,009,000	November 30, 2020
Loan to Espebe 25, S.L.	35,500,000	25,239,725	January 1, 2021
Loan to Espebe 26, S.L.	15,000,000	7,712,464	January 31, 2022
Loan to Espebe 27, S.L.	25,300,000	18,430,671	February 28, 2022
Loan to Espebe 28, S.L.	32,200,000	20,369,458	February 28, 2022
Loan to Espebe 29, S.L.	9,000,000	7,280,572	March 31, 2021
Loan to Espebe 31, S.L.	8,000,000	4,698,000	June 30, 2021
Loan to Espebe 31, S.L.	8,750,000	8,750,000	June 30, 2021
Loan to Espebe 32, S.L.	13,000,000	11,628,635	May 31, 2020
Loan to Espebe 34, S.L.	6,500,000	1,126,940	May 31, 2021
Loan to Espebe 35, S.L.	25,000,000	24,780,580	September 30, 2020
Loan to Espebe 4, S.L.	15,000,000	9,446,825	April 30, 2019
Loan to Espebe 7, S.L.	8,400,000	3,931,511	May 31, 2019
Loan to Facornata Servicios y Gestiones, S.L.	12,500,000	5,176,203	January 31, 2019
Loan to Landata Servicios y Gestiones, S.L.	63,000	38,000	July 17, 2018
Loan to Milen Investments, S.L.	46,200,000	25,525,314	January 1, 2021
Loan to SPV Project 1, S.L.	10,000,000	12,150,437	February 28, 2021
Loan to SPV Reoco 12, S.L.	7,500,000	4,200,000	June 30, 2021
Loan to SPV Reoco 14, S.L.	10,000,000	2,268,031	December 31, 2020
Loan to SPV Reoco 15, S.L.	26,700,000	6,177,500	December 31, 2022
Loan to SPV Reoco 17, S.L.	21,900,000	9,843,125	December 31, 2021
Loan to SPV Reoco 18, S.L.	12,500,000	5,580,000	January 1, 2021
Loan to SPV Reoco 2, S.L.	55,300,000	35,821,000	May 31, 2024
Loan to SPV Reoco 5, S.L.	16,500,000	6,421,000	November 30, 2021
Loan to SPV Reoco 6, S.L.	10,000,000	8,187,304	September 30, 2020
Loan to SPV Spain 16, S.L.	13,300,000	6,993,791	July 31, 2020
Loan to SPV Spain 17, S.L.	123,800,000	91,190,170	August 30, 2023
Loan to SPV Spain 2, S.L.	17,200,000	8,806,073	January 31, 2022
Loan to SPV Spain 7, S.L.	52,300,000	25,966,972	February 28, 2022
Loans to SPV Reoco 26, S.L.	8,250,000	9,240,453	January 31, 2021

Total	1,012,713,000	621,428,368
--------------	----------------------	--------------------

The main movements during the reporting period correspond to the transfer of loans on March 30, 2017 and June 29, 2017, specifically the long-term credit claims held by the Sole Shareholder at the time against the majority of Group companies, in the amounts of 470,173,454 euros and 22,714,509 euros, respectively (note 7.c).

In addition, the Company extended loans to various Group companies in an aggregate amount of 32,947,269 euros; the biggest sums were extended to SPV Reoco 2 (24,255,000 euros) and SPV Reoco 12 (4,200,000 euros). In parallel, loans totaling 4,948,366 euros were canceled, the most significant being the loan between the Company and Aedas Homes S.L.U., which was derecognized as a result of the merger; that loan amounted to 2,340,000 euros at the date of the merger for accounting purposes.

The breakdown of "Non-current loans to Group companies and associates" at December 31, 2016 was:

	Euros		Maturity date
	Limit	Principal	
Loan to Aedas Homes, S.L.U.	20,000,000	2,340,000	July 31, 2021
Loan to SPV REOCO 5, S.L.U.	16,500,000	2,925,000	November 30, 2021
Loan to SPV REOCO 6, S.L.U.	10,000,000	4,800,000	September 30, 2020
Loan to SPV REOCO 14, S.L.U.	10,000,000	2,752,500	December 31, 2020
Loan to SPV REOCO 15, S.L.U.	26,700,000	6,127,500	December 31, 2022
Loan to SPV REOCO 17, S.L.U.	21,900,000	9,736,125	December 31, 2021
Total	105,100,000	28,681,125	

All of the credit facilities extended accrue interest at 1-month Euribor plus 350 basis points.

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

a) Changes to the governing bodies

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

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

b) Disclosures regarding director conflicts of interest

Neither the current nor former directors of the Parent transacted with the Company or any of its Group companies other than in the ordinary course of business or other than on an arm's length basis during the year ended December 31, 2017.

Nor did the members of the Parent's Board of Directors or their related parties, as defined in Spain's Corporate Enterprises Act, relate with other companies whose business activities could represent a conflict of interest for them or the Parent during the year ended December 31, 2017 or the reporting period ended December 31, 2016 on the basis that none of the notices required under article 229 of that Act have been filed with the competent authorities. Accordingly, there are no related disclosures in these financial statements.

c) Director remuneration and other benefits

The compensation accrued by the members of the Company's Board of Directors amounted to 7,119,700 euros in 2017 (including CEO MIP) and 0 euros in 2016.

d) KMP remuneration and other benefits

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

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

No. of individuals	Euros		
	Year-end 2016		
	Fixed and variable remuneration	Other remuneration	Total
-	-	-	-

The Parent has no pension obligations to its key management personnel nor has it extended these professionals any advances, loans or guarantees. There were no special incentive plans over shares of Aedas Homes, S.A. at December 31, 2017.

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

In 2017, the Company paid 23,264 euros of civil liability insurance premiums on behalf of its directors to cover potential damages caused in the course of carrying out their duties.

For the purposes of article 229 of Spain's Corporate Enterprises Act, the directors have stated that they are not party to conflicts with respect to the Parent's interests.

18. Risk management

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

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

Qualitative disclosures-

Credit risk:

The 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, 2017.

Liquidity risk:

At December 31, 2016, the Majority Shareholder had extended the Parent a 100 million euro credit facility which had been drawn down by 28,213,625 euros at that reporting date.

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 2,896,964 euros in the year ended December 31, 2017.

19. **Other information**

a) **Headcount disclosures**

The Group did not employ anyone with a disability of a severity of 33% or higher at either December 31, 2017 or 2016.

The Board of Directors was made up of 9 directors at December 31, 2017, eight of whom men.

b) **Audit fees**

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

	Euros		
	Year end 2017	Year end 2016	Total
Audit services	215.400	38.000	253.400
Other services	240.000	-	240.000
	455.400	38.000	493.400

c) **Environmental disclosures**

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

d) **Disclosures regarding average supplier payment terms. Additional Provision Three "Disclosure requirements" of Law 15/2010**

The disclosures regarding the average supplier payment term:

	2017	2016
	Days	
Average supplier payment term	22.55	58.86
Paid transactions ratio	22.90	42.87
Outstanding transactions ratio	14.20	59.03
Euros		
Total payments made	14,760,844	27,951
Total payments outstanding	617,282	2,689,046

20. **Events after the reporting period**

No events have taken place since the end of the reporting period that could have a material impact on the information presented in the financial statements authorized for issue by the directors.

MANAGEMENT REPORT

Aedas Homes, S.A. (formerly named Aedas Homes Group, S.L.U.)

For the year ended December 31, 2017

1. The Group: Organizational and operating structure

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

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.:

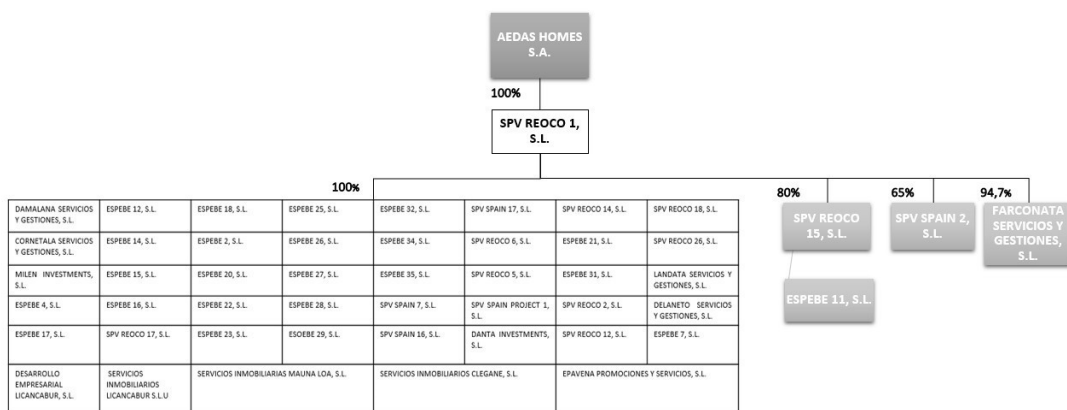
- On March 30, 2017, the Majority Shareholder made a non-monetary equity injection into the Parent in the amount of 314,032,337 euros, a transaction that materialized in the creation of 31,403,231 shares with a unit par value of one euro and an increase in the share premium account of 282,629,106 euros. 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 Aedas Homes Group, 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 consisting of the Majority Shareholder's interest in FAB MAY, a company that had inventories at various stages of development, tax credits and cash. The balancing entry for that contribution consisted of the transfer of 95% of the shares of Danta Investment S.L.U. and a credit claim against FAB related to a loan that was cancelled on August 21, 2017. FAB MAY was subsequently liquidated on September 15, 2017, all of its liabilities were cancelled and 100% of its assets were allocated to Danta Investments, S.L.U. In a single act, Danta Investments, S.L.U. paid SAREB (the acronym in Spanish for the management company for assets arising from bank restructuring, more popularly known as the bad bank) consideration totaling 4,800,000 euros plus VAT.

The merger between Aedas Homes Group (Transferee) and Aedas Homes (Transferor) closed on June 29, 2017 and the name and registered office of the Transferee were changed to those of the Transferor, so that the Company's name was changed from Aedas Homes Group to Aedas Homes. The merger by absorption implied: (i) the dissolution and extinguishment of the Transferor; (ii) the *en bloc* transfer of all the latter's assets and liabilities to the Transferee, which has acquired all of its rights and obligations by universal succession.

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

At 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, 2017 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:

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

2. Business performance and financial results - key measures

At December 31, 2017, the Group's assets totaled 961,810,154 euros, liabilities (current and non-current) amounted to 13,450,545 euros and equity stood at 948,359,609 euros, 623,497,318 euros of which corresponded to loans extended to the Parent by the Majority Shareholder and then capitalized.

Revenue

In 2017, the Company recognized 12,169,949 euros of revenue from services rendered under the administration, management and delegated development services provision agreements entered into with the various Group companies.

EBITDA

EBITDA amounted to a negative 31,649,094 euros in 2017, reflecting the Group's early stage of development.

Profit/(loss)

The Group reported a loss of 26,655,594 euros in 2017. That figure includes an expense of 26,181,063 euros associated with the management incentive plan (MIP), which was settled in full by the Majority Shareholder, as disclosed in note 10.

That payment, which was paid for in full by the Majority Shareholder, is reflected in the Company's income statement as an employee benefits expense, recognizing an additional shareholder contribution in equity in the same amount as the balancing entry.

Note that the negative impact on profit and loss is offset in full by the increase in shareholder contributions.

Financial situation

At December 31, 2017, current and non-current liabilities amounted to 13,450,544 euros, compared to 30,984,560 euros at December 31, 2016 (a year-on-year decrease of 17,534,016 euros), due mainly to the personal income tax payable to the tax authorities in connection with settlement of the MIP in the amount of 9,957,382 euros in 2017, offset by capitalization of 28,213,625 euros of borrowings from the Majority Shareholder.

3. Environmental and staff matters

As disclosed in note 1 of the financial statements, given the business activities it performs, Aedas Homes has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or performance. Nor does it have any obligations related with greenhouse gas emission allowances.

The number of people employed by the various Group companies at December 31, 2017 was 126. The breakdown of the reporting-date headcount by region, department and job category is provided below:

Region	Dec. 31, 2017
Madrid	90
Catalonia	9
Eastern Spain and Balearic Islands	7
Costa del Sol	10
Rest of Andalusia	10
Total	126

Department	Dec. 31, 2017
Business	74
Investment	5
Finance	13
Corporate	34
Total	126

Job category	Dec. 31, 2017
Management team	23
Middle management	32
Technical and clerical staff	71
Total	126

Liquidity and capital resources

Note 18 of the financial statements outlines the Group's capital and liquidity risk management policies.

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

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

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.

4. Key risks and sources of uncertainty

The Parent has drawn up a risk map. To this end, it has analyzed the organization's procedures, identifying the potential sources of risk, quantifying the related exposures and taking the opportune measures to prevent their materialization.

The most significant financial risks to which the Group is exposed are:

Market risk

Exposure to share price risk

On October 17, 2017, AEDAS Homes arranged an equity swap with Goldman Sachs to hedge the exposure arising from its obligation to deliver a certain number of shares to employees of AEDAS Homes under the long-term incentive plan (LTIP) approved by the Board of Directors on September 26, 2017.

Exposure to credit risk

The Group is not significantly exposed to third-party credit risk as a result of its property development business as it collects virtually all sales made at the time the deeds are exchanged, at which time the buyer either assumes the commensurate part of the corresponding developer loan or opts to use a different payment arrangement. Credit risk as a result of the deferral of payments in land or finished building sale transactions is mitigated by obtaining collateral from the buyer or stipulating termination clauses in the event of default that would lead to the recovery by the Group of title to the asset sold and collection of a penalty payment.

In general, the Group holds its cash and cash equivalents at financial entities with high credit ratings.

Exposure to solvency risk

The Company regularly analyzes its credit risk in respect of its accounts receivable, updating the corresponding provision for impairment accordingly. The Parent'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.

5. R&D activities

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

6. Own shares

The Group did not trade in own shares in 2017.

7. Significant events after the reporting date

As outlined in note 20 of the financial statements for the year ended December 31, 2017, no events have taken place since the end of the reporting period that could have a material impact on the information presented in the financial statements authorized for issue by the directors.

8. Information regarding the Group's performance in 2017 and outlook for 2018

As anticipated, in the second half of 2017, the Aedas Group's Majority Shareholder culminated the contribution of all of the assets that currently comprise the Group's scope and made all the additional contributions contemplated in the IPO Prospectus registered by Aedas Homes in October 2017.

Those contributions have injected very significant amounts of capital into the Group: at year-end 2017, it had equity of 937 million euros, compared to 93 million euros at June 30, 2017.

With a land portfolio encompassing 12,930 units, valued at 1,475 million euros at December 31, 2017, coupled with reduced borrowings, the Group is well positioned to continue to execute its business plan.

Note that the Group delivered the targets set for 2017, launching the marketing and sale of 1,773 units in total and achieving a sales figure, measured as the sum of units reserved, under contract and actually delivered, of 915 units.

For 2018, the Group's targets include launching another 2,050 units on to the market, selling an additional 1,500 units and delivering over 220 homes. These targets are equal to or higher than those indicated in the IPO Prospectus, evidencing the Group's confidence in the current market conditions and the capabilities of the team comprising Aedas Homes.

**ANNUAL CORPORATE GOVERNANCE REPORT
FOR LISTED COMPANIES**

ISSUER'S PARTICULARS

FINANCIAL YEAR ENDING (DATE)	31/12/2017
-------------------------------------	------------

COMPANY TAX ID NO.	A87586483
---------------------------	-----------

COMPANY NAME

AEDAS HOMES, S.A.

REGISTERED OFFICE

Paseo de la Castellana 42, 28046 Madrid

ANNUAL CORPORATE GOVERNANCE REPORT

AEDAS HOMES, S.A.

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
19/10/2017	€ 47,966,587	47,966,587	47,966,587

Indicate whether different types of shares exist with different associated rights:

Yes No

A.2 List the direct and indirect holders of significant ownership interests in your organisation at year-end, excluding Board members:

Personal or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights		% of total voting rights
		Name of direct holder	Number of voting rights	
HIPOTECA 43 LUX S.A.R.L.	26,602,096	-	-	55.460 %
T. ROWE PRICE ASSOCIATES, INC	-	-	2,437,182	5.081 %
CANYON CAPITAL ADVISORS, LLC	1,850,071	-	-	3.857%
FMR, LLC	-	-	1,744,065	3.636 %
T. ROWE PRICE INTERNATIONAL FUNDS, INC.	-	-	1,449,550	3.022 %

Indicate the most significant movements in the shareholding structure during the financial year:

Personal or corporate name of shareholder	Transaction date	Description of the transaction
-	-	-

A.3 Complete the following tables detailing the members of the Board of Directors who own voting shares in the company:

Personal or corporate name of board member	Number of direct voting rights	Number of indirect voting rights		% of total voting rights
		Name of direct holder	Number of voting rights	
Javier LAPASTORA TURPIN	1,439	-	-	0.003%
David MARTÍNEZ MONTERO	73,389	-	-	0.153%
% of total voting rights held by the Board of Directors				0.156 %

Complete the following tables on members of the company's Board of Directors that hold rights over company shares:

Personal or corporate name of board member	Number of direct rights	Indirect rights		Number of equivalent shares	% of total voting rights
		Direct holder	Number of voting rights		
-	-	-	-	-	-

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities:

Related-party name or corporate name	Type of relationship	Brief description
-	-	-

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Related-party name or corporate name	Type of relationship	Brief description
-	-	-

A.6 Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Spanish Capital Companies Act ("LSC"). If so, provide a brief description and list the shareholders bound by the agreement:

Yes No

Shareholders bound by agreement	% of share capital affected	Brief description of agreement
-	-	-

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. If so, give a brief description:

Yes No

Shareholders involved in concerted action	% of share capital affected	Brief description of concerted action
-	-	-

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year, where applicable.

A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 5 of the Spanish Securities' Market Act. If so, give details.

Yes No

Name or corporate name

HIPOTECA 43 LUX S.A.R.L.

Remarks

HIPOTECA 43 LUX S.A.R.L. is the majority shareholder in AEDAS Homes with 55.460% of voting rights.

A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
-	-	-

(*) Held through:

Personal or corporate name of direct shareholder	Number of shares held directly
-	-
Total:	-

Give details of any significant changes during the financial year, pursuant to Royal Decree 1362/2007:

Details of significant changes
-

A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

The Minutes of the decisions made by Hipoteca 43 LUX S.À.R.L., Sole Shareholder of Aedas Homes S.L., Single Member Company, on the 11th of September 2017, establish in point number 12 that the Board of Directors shall, after the date of listing of the Company, and within a time period of 5 years, either directly or indirectly, be authorized to buy back own shares up to a maximum of 10% of the company's share capital, and the selling of such shares at a later stage.

"The Sole Shareholder decides to authorize the Board of Directors of the Company to buy back own shares, either directly or indirectly, under the following conditions:

- (a) Method of buy back and maximum amount of shares to be acquired: the buy back can be executed as a trade, swap, gift, allocation or dation in payment, or by any other means of acquisition of shares permissible by law, either executed through one or several transactions, provided that the amount of acquired shares does not exceed 10% of the company's share capital
- (b) Maximum and minimum prices: the price shall range between nominal value as minimum price and the closing price in the stock exchange the day before the buy back of the shares as a maximum price
- (c) Authorization's term: this authorization will be valid for a time period of 5 years after the date this decision has been made.

It is expressly established that the shares bought back under this authorization can be sold, used for potential corporate or business transactions, transferred to the Company's employees or Directors, or based on stock options rights of their holders, as established in paragraph 3 of section 1. a) of article 146 of the Law on Corporations. The current authorization will be effective from the date the Company's shares are admitted to trading on the Spanish Stock Exchange".

A.9 bis Estimated free float:

	%
Estimated free float	28.799 %

A.10 Give details of any restriction on the transfer of securities and/or any restriction on voting rights, where applicable. Indicate, in particular, the existence of any type of restriction that could hinder the takeover of the company through the acquisition of shares on the market.

Yes No

Description of restrictions
-

A.11 Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent a public takeover bid under the terms of Act 6/2007.

Yes No

Where applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

A.12 Indicate whether the company has issued securities that are not traded in a regulated European Union market.

Yes No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

B GENERAL MEETING OF SHAREHOLDERS

B.1 Indicate and detail the differences, if any, between the required quorum for convening the General Shareholders' Meeting and the quorum required in the Spanish Capital Companies Act (LSC).

Yes No

	% quorum other than that established in article 193 of the LSC for general cases	% quorum other than that established in article 194 of the LSC for the special cases described in article 194 of the LSC
Quorum required for first call	-	-
Quorum required for second call	-	-

Description of differences
-

B.2 Indicate and, where applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the LSC:

Yes No

Describe how they differ from the rules established in the LSC.

	Qualified majority other than that established in article 201.2 of the LSC for the cases described in 194.1 of the LSC	Other cases requiring a qualified majority
% set by company for adopting corporate resolutions	-	-
Describe the differences		
-		

B.3 Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when amending the Bylaws.

The General Shareholders' Meeting is responsible for making amendments to the Bylaws under Article 285 *et seq.* of the Spanish Capital Companies Act.

The Regulations governing the General Shareholders' Meeting set out the rules that apply to amendment of the Company's Bylaws in Article 19, Constitution of the General Shareholders' Meeting.

"The General Shareholders' Meeting shall be validly constituted at first call when shareholders representing at least twenty-five per cent of the share capital with voting rights are present or represented. At second call, a General Meeting shall be validly constituted regardless of the share capital in attendance.

Notwithstanding the contents of the preceding paragraph, in order for an ordinary or extraordinary General Meeting to validly agree to a capital increase or reduction or any other modification of the Bylaws, the issue of bonds and securities for which competence has not been legally assigned to another Company body, the cancellation or restriction of the right of pre-emption over new shares, or the Company's transformation, merger or demerger or the global assignment of its assets and liabilities or the transfer of its registered office abroad, shareholders holding at least fifty percent of the subscribed share capital with voting rights must be either present or represented at the Meeting at first call. At second call, the presence of twenty-five per cent of the share capital shall be sufficient, but when shareholders representing less than fifty per cent of the subscribed share capital with voting rights are present, the company resolutions referred to in this paragraph may only be validly adopted if they receive a favourable vote from two thirds of the share capital that is either present or represented at the General Shareholders' Meeting.

The provisions set out in this present Article shall be understood to be without prejudice to any qualified majorities that may be established in the applicable legislation or these Bylaws in respect of the constitution of meetings and votes."

Article 29 of these Regulations establish that proposals for resolutions on items included in the agenda shall be submitted to a vote, and any issues that are substantially independent of one another shall be voted on separately so that shareholders can exercise their voting preferences separately. These include cases involving the amendment of the Bylaws.

"The General Shareholders' Meeting shall vote separately on any issues that are substantially independent of one another so that shareholders can exercise their voting preferences separately. In any case, even though they may be included in the same item on the Agenda, the following must be voted on separately: (i) the appointment, re-election or ratification (in the case of co-opting) of directors, who must be voted on individually; (ii) votes relating to consultation on the annual report on directors' pay; and (iii) in the event of the amendment of the Bylaws, each Article or group of Articles that is substantially independent. However, where the circumstances make it advisable, the Chairman may rule that proposals relating to several items on the Agenda should be voted on jointly, in which case the result of the vote will be understood to be individually reproduced for each proposal, so long as none of the attendees expresses a wish to modify the way in which he or she has voted in respect of one of these proposals. Otherwise, the minutes will reflect the way in which each attendee has modified his or her vote, along with the results of the vote in relation to each proposal as a consequence of such modifications."

The majorities required in order to amend the Bylaws are set out in Article 32 of the Regulations governing the General Shareholders' Meeting, along with the majorities required to adopt the resolutions referred to in Article 19.2 of the aforementioned Regulations, indicating that, "if the share capital present or represented exceeds fifty per cent, it will be sufficient for the resolution to be adopted by an absolute majority. However, a favourable vote from two thirds of the share capital present or represented at the Meeting shall be required at second call when shareholders representing at least twenty-five per cent but less than fifty per cent of the subscribed share capital with voting rights are present."

B.4 Indicate the attendance figures for the General Shareholders' Meetings held during the year to which this report relates and during the preceding year:

Date of General Meeting	Attendance data				Total
	% attending in person	% attending by proxy	% remote votes		
			Electronic vote	Others	
-	-	-	-	-	-

The Company was first listed for continuous trading on 20th of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018.

B.5 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings:

Yes No

Number of shares required to attend General Meetings	-
--	---

B.6 Section removed.

B.7 Indicate the address of your company's website and the way in which corporate governance content may be accessed, along with any other information on General Meetings which must be made available to shareholders on the website.

Information relating to corporate governance and general meetings is made available on the AEDAS Homes corporate website under the heading "Shareholders and Investors", which can be accessed via www.aedashomes.com.

This section sets out the most relevant information on corporate governance at the Company, and the different sections can be accessed under the following headings:

CORPORATE GOVERNANCE	Information
General Shareholders' Meeting	<ul style="list-style-type: none"> Regulations of the General Shareholders' Meeting Convening meetings, agenda and minutes
Board of Directors	<ul style="list-style-type: none"> Organisational structure Regulations governing the Board of Directors
Corporate Governance Reports	<ul style="list-style-type: none"> Annual Corporate Governance Report Audit Committee Report Remunerations Committee Report
Bylaws	<ul style="list-style-type: none"> Bylaws
Corporate policy	<ul style="list-style-type: none"> Code of Conduct Anti-Corruption Policy Policy on Communications with Shareholders and Investors Third Party Code of Conduct Corporate Social Responsibility Policy Regulations governing Internal Conduct in matters relating to the Stock Markets Quality and Environmental Protection Policy

The agenda for the meeting of the Board of Directors to be held on 22 March 2018 includes approving the holding of a General Shareholders' Meeting on a specific date in May, and if this is voted for, the announcement of the meeting will be published on the corporate website (www.aedashomes.com) under 'Corporate Governance', sub-heading 'General Shareholders' Meeting'.

C COMPANY MANAGEMENT STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of board members stipulated in the Bylaws:

Maximum number of Board Members	15
Minimum number of Board Members	5

C.1.2 Complete the following table with board members' details:

Personal or corporate name of board member	Representative	Category of Board Member	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
Ms. Cristina ÁLVAREZ ÁLVAREZ	-	Independent	Board Member	04/10/2017	04/10/2017	Sole Shareholder Decision
Mr. Evan Andrew CARRUTHERS	HIPOTECA 43 LUX S.A.R.L.	Proprietary	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Eduardo Edmundo D'ALESSANDRO CISHEK	HIPOTECA 43 LUX S.A.R.L.	Proprietary	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Santiago FERNÁNDEZ VALBUENA	-	Independent	Chairman of the Board	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Emile K. HADDAD	-	Independent	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Javier LAPASTORA TURPIN	-	Independent	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. David MARTÍNEZ MONTERO	-	Executive	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Merlin Properties, SOCIMI, S.A. ^(*)	HIPOTECA 43 LUX S.A.R.L.	Proprietary	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Miguel TEMBOURY REDONDO	-	Independent	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision

^(*) Represented by Ismael Clemente Orrego.

Total number of Board Members	9
--------------------------------------	---

C.1.3 Complete the following tables on Board Members and their respective categories:

EXECUTIVE DIRECTORS

Personal or corporate name of director	Position in company's organisational structure
Mr. David MARTÍNEZ MONTERO	Managing Director

Total number of executive directors	1
% of Board	11.11 %

EXTERNAL PROPRIETARY DIRECTORS

Personal or corporate name of director	Personal or corporate name of the significant shareholder that he/she represents or that proposed his/her appointment
Mr. Evan Andrew CARRUTHERS	HIPOTECA 43 LUX S.A.R.L.
Mr. Eduardo Edmundo D'ALESSANDRO CISHEK	HIPOTECA 43 LUX S.A.R.L.
Mr. Merlin Properties, SOCIMI, S.A. (*)	HIPOTECA 43 LUX S.A.R.L.

(*) Represented by Ismael Clemente Orrego.

Total number of proprietary directors	3
% of Board	33.33 %

EXTERNAL INDEPENDENT DIRECTORS

Personal or corporate name of director	Profile
Ms. Cristina ÁLVAREZ ÁLVAREZ	Independent Director Chairwoman of the Technology Committee
Mr. Santiago FERNÁNDEZ VALBUENA	Chairman of the Board
Mr. Emile K. HADDAD	Independent Director
Mr. Javier LAPASTORA TURPIN	Independent Director Chairman of the Audit and Control Committee
Mr. Miguel TEMBOURY REDONDO	Independent Director Chairman of the Appointments and Remuneration Committee

Total number of independent directors	5
% of Board	55.55 %

Indicate whether any director classified as independent receives any amount or benefit from the Company, or from the group, in any concept other than their remuneration as a Board Member, or whether he/she maintains or has maintained a business relationship with the Company or with any company within its group during the last financial year, in his/her own name or as a significant shareholder, Board Member or senior executive of a company that maintains or has maintained such a relationship.

No independent director receives any amount or benefit from the company or from the group, in any concept other than their remuneration as a Board Member, nor do they maintain or have they maintained a business relationship with the Company or with any company within its group during the last financial year, either in their own name or as a significant shareholder, Board Member or senior executive of a company that maintains or has maintained such a relationship.

Where applicable, include a statement from the Board detailing the reasons why it believes the said director may perform their duties as an independent director.

Personal or corporate name of board member	Description of the relationship	Reasons
-	-	-

C.1.4 Complete the following table with information on the number of female Board members at the close of the last 4 financial years and their category:

	Number of female Board Members				% of total directors of each type			
	2017	2016	2015	2014	2017	2016	2015	2014
Executive	0	-	-	-	0.00%	-	-	-
Proprietary	0	-	-	-	0.00%	-	-	-
Independent	1	-	-	-	11.11 %	-	-	-
Total:	1	-	-	-	11.11 %	-	-	-

C.1.5 Explain the measures adopted by the company, where applicable, to ensure the inclusion of women on the Board of Directors in an amount that will permit the attainment of a male/female equilibrium.

Explanation of measures

An attempt was made during the process for the election of Board Members at the end of the 2017 financial year to include a number of women on the Board of Directors in an amount that would permit the attainment of a male/female equilibrium.

In 2017, in preparation for the Company's flotation on the Stock Market, the Company's then Sole Shareholder decided to modify the Board of Directors in order to adapt it to the Company's future status of listed company.

The Company began a process to find four independent directors who met certain requirements (relating to level of professional experience, areas of know-how and specialisation, etc.), and women were, of course, considered for these positions.

During this search for directors, offers were made to a number of women who met the agreed requirements, but unfortunately almost all of them had to refuse the offer because they were not given the necessary consent by the companies at which they performed executive duties.

However, the Company did manage to reach an agreement with Cristina Álvarez Álvarez, who joined the Company's Board as an independent director.

It is established in Article 5 of the Regulations governing the Board of Directors that proposals for the appointment or re-election of board members must be based on a prior analysis of the Board's needs, with preference given to a diversity of known-how, experience and gender.

C.1.6 Explain the measures taken by the Appointments Committee, where applicable, to ensure that selection processes are not subject to any implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile:

Explanation of measures

Under the Board of Directors' Regulations, the Company formed an Appointments and Remuneration Committee on 27th of September 2017, the composition of which is described in Article 15 of the said Regulations, along with its powers and operational rules.

One of the basic duties of this Appointments and Remuneration Committee is "establishing a target for representation on the Board of Directors of the gender that is least represented, and preparing guidelines on how to meet this target", which will be encouraged for future board members.

When, despite the measures taken (where applicable), there are few or no female directors, explain the reasons:

Explanation of reasons

As explained in section C.1.5, the board members at the end of the 2017 financial year were selected during the period prior to the Company's flotation, and an attempt was made to include a number of women that would permit a balanced presence of men and women.

C.1.6.bis Explain the conclusions of the Appointments Committee on the verifiability of the director selection policy. In particular, explain how this policy pursues the goal of having at least 30% of all Board places occupied by women directors before the year 2020.

On the date of this Annual Corporate Governance Report, the Company is preparing a draft of a Director Selection Policy, subject to review and approval by the Appointments and Remuneration Committee, which will be submitted to the Board of Directors.

One of the express targets set out in this policy is to pursue the goal of having at least 30% of all seats on the Board of Directors occupied by women directors before 2020.

C.1.7 Explain how shareholders with significant shareholdings are represented on the board.

On 31st of December 2017, the only shareholder represented on the Company's Board of Directors is HIPOTECA 43 LUX S.A.R.L., which has three proprietary directors.

C.1.8 Explain, where applicable, the reasons why proprietary directors have been appointed at the request of shareholders who hold less than 3% of the share capital:

Personal or corporate name of shareholder	Reason
-	-

Detail any failure to address formal requests for Board representation from shareholders with stakes equal to or exceeding that of others at whose request proprietary members were appointed. If so, explain the reasons why the request was not entertained:

Yes No

Personal or corporate name of shareholder	Explanation
-	-

C.1.9 Indicate whether any Board member has resigned from office before their term of office has expired, whether reasons were given to the Board and through what channels. If made in writing to the entire Board, explain at least the reasons given by the Board member:

Name of Board Member	Reason for resignation
-	-

C.1.10 Indicate what powers, if any, have been delegated to the Managing Director(s).

Personal or corporate name of board member
Mr. David MARTÍNEZ MONTERO
Brief description

Pursuant to the Deed for the Appointment of a Managing Director dated 12th of September 2017, signed by the Company "Aedas Homes, S.L.", Sole Shareholder Company, which publicly recorded the resolution adopted on 11th of September 2017 by the Board of Directors, the Company appointed David Martínez Montero as Managing Director, permanently delegating all of its powers to him, except for the powers that cannot be delegated under the Law (Article 529 *ter* of the Spanish Capital Companies Act) or the Company's Bylaws (Articles 5.3 and 5.4 of Title II of the Board of Directors' Regulations).

Article 21 of the Bylaws establishes that the Board of Directors may permanently delegate all or some of its powers, except for those that may not be delegated under the Law, the Bylaws or the Board of Directors' Regulations, to an Executive Committee and/or one or more Managing Directors, and it may also choose the members of the Board of Directors who will sit on the delegated body, as well as, where appropriate, the way in which the powers delegated to the Managing Directors are to be exercised.

C.1.11 List the Board Members, if any, who hold office as directors or executives in other companies belonging to the listed company's group:

Personal or corporate name of board member	Name of the group company	Position	Does he/she have executive powers?
Mr. David MARTÍNEZ MONTERO	Aedas Homes, S.A.	Board Member	Yes.
Mr. David MARTÍNEZ MONTERO	Cornetala Servicios y Gestiones S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Damalana Servicios y Gestiones, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Danta Investments, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Delaneto Servicios y Gestiones, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 11, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 12, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 14, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 15, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 16, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 17, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 18, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 2, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 20, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 21, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 22, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 23, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 25, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 26, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 27, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 28, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 29, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 31, S.L.	Board Member	No

Personal or corporate name of board member	Name of the group company	Position	Does he/she have executive powers?
Mr. David MARTÍNEZ MONTERO	Espebe 32, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 34, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 35, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 4, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 7, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Farconata Servicios y Gestiones, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Landata Servicios y Gestiones, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Milen Investments, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 1, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 12, SL	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 14, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 15, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 17, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 18, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 2, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 26, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 5, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 6, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain 16, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain 17, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain 2, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain 7, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain Project 1, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Servicios Inmobiliarios Licancabur, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Epavena Promociones y Servicios, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Servicios Inmobiliarios Mauna Loa, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Servicios Inmobiliarios Clegane, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Desarrollo Empresarial Licancabur, S.L.	Board Member	No

C.1.12 List, where applicable, any company board members who sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company:

Personal or corporate name of board member	Name of the listed company	Position
Mr. Evan Andrew CARRUTHERS	Five Point Holdings L.L.C.	Board Member
Mr. Santiago FERNÁNDEZ VALJUENA	Ferrovial, S.A.	Board Member
Mr. Emile K. HADDAD	Five Point Holdings L.L.C.	Board Member
Mr. Javier LAPASTORA TURPÍN	Mostostal Warszawa, S.A.	Board Member

C.1.13 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit.

Yes No

Explanation of rules

Pursuant to Article 33 of the Board of Directors' Regulations, company Board Members may not sit on more than four boards (or administrative bodies) of other companies that do not belong to the Company's Group.

C.1.14 Section removed.

C.1.15 List the total remuneration paid to the Board of Directors in the year:

Board remuneration (thousands of euros)	7,120
Value of rights accumulated by current board members in respect of pensions (thousands of euros)	0
Value of rights accumulated by former board members in respect of pensions (thousands of euros)	0

C.1.16 List any members of senior management who are not executive directors and indicate the total remuneration paid to them during the year:

Name or corporate name	Position
Mr. Alberto DELGADO MONTERO	Director of Operations
Mr. Hernando DE SOTO FITZ-JAMES STUART	Director of Investor Relations
Mr. Esther DUARTE I MACARRO	Director of Corporate Resources
Mr. Sergio GÁLVEZ CAPÓ	Director of Strategy and Investment
Mr. Enrique GRACIA COLLDEFORNS	Financial Director
Ms. Coro MORALES ASÚA	Director of Legal Affairs
Ms. Raquel PILARES GUTIÉRREZ	Director of Internal Auditing
Ms. Javier SÁNCHEZ GUTIÉRREZ	Director of Marketing and Communications
Ms. Alberto SOTO VICENTE	Director of Risk & Compliance

Total remuneration received by senior management (thousands of euros)	14,995
--	--------

C.1.17 List, where applicable, the names of those board members who are in turn members of the boards of directors of companies that own significant holdings and/or of group companies:

Personal or corporate name of board member	Company name of significant shareholder	Position
Mr. Evan Andrew CARRUTHERS	CASTLELAKE L.P.	Managing Director

List, where appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies.

Name or corporate name of linked board member	Name or corporate name of linked significant shareholder	Description of relationship
-	-	-

C.1.18 Indicate whether any changes have been made to the board regulations during the year

Yes No

Description of changes
-

C.1.19 Indicate the procedures for appointing, re-electing, evaluating and removing directors. List the competent bodies, the procedures to be followed and criteria used in each of these procedures.

Pursuant to Article 18 of the Board of Directors' Regulations, Board Members shall be appointed by the General Meeting of Shareholders or by the Board of Directors by co-option, following a report from the Appointments and Remuneration Committee or, in the case of independent directors, following a proposal from the Appointments and Remuneration Committee, pursuant to the provisions set out in the applicable legislation, the Company's Bylaws and the aforementioned Regulations.

The Board of Directors shall ensure that the candidates selected are people of known solvency, competence and experience, and the strictest rigour must be observed in relation to those who are selected to take up the position of independent director.

Before proposing the re-election of board members to the General Meeting of Shareholders, the Board of Directors shall assess (with the abstention of any of the persons affected) the quality of the work carried out and the devotion to duty of the proposed board members during their previous mandate.

Pursuant to Article 19 of the Board of Directors' Regulations, board members shall remain in their post for a period of three years, at the end of which they may be re-elected on one or more occasions for periods of the same maximum duration. A board member's appointment shall end when, following the expiry of his or her mandate, the next General Shareholders' Meeting has been held, or the deadline set out in law for the holding of the Meeting at which a resolution is to be adopted on the approval of the annual accounts has passed.

Board members appointed by co-option shall remain in their post until the first General Shareholders' Meeting held after their appointment, and they must resign their position in the event that the General Shareholders' Meeting in question does not ratify their appointment. If the position becomes vacant after the General Meeting has been convened but before it is actually held, the Board may appoint a board member up to the time at which the following General Meeting is held.

Independent directors may not remain in this capacity for a continuous period of more than 12 years.

Pursuant to Article 20 of the Board of Directors' Regulations, the mandate of a board member shall end when the period for which they were appointed expires and when this is decided by the General Shareholders' Meeting pursuant to the powers vested in it by Law or the Company's Bylaws.

Article 15.2 of the Bylaws of AEDAS Homes indicates that the General Shareholders' Meeting is responsible for determining the number of members of the Board of Directors, and to this end it may set the number either by express agreement or, indirectly, by leaving vacancies or appointing new board members, within the limits established in Article 15.1. Article 15.1 establishes that the Company shall be administered by a Board of Directors comprising a minimum of five and a maximum of fifteen members.

Article 7, point (iii) of the Regulations governing the General Shareholders' Meeting establishes that the General Meeting's powers include the appointment and dismissal of members of the Board of Directors, as well as the ratification or revocation of the appointment of members of the Board of Directors by co-option.

C.1.20 Explain the extent to which the annual evaluation of the Board has prompted significant changes in its internal organisation and the procedures that apply to its activities:

Description of changes

There has not yet been any annual evaluation of the Board of Directors, as it was formed on 27th of December 2017 and a full year has not yet passed since its formation, nor have there been any events that would give rise to changes in its internal organisation or the procedures that apply to its activities.

C.1.20.bis Describe the evaluation process and the areas of the Board evaluated by an external facilitator with respect to the diversity of Board membership and competences, the performance and membership of its committees, the performance of the chairman of the Board of Directors and the company's chief executive, and the performance and contribution of individual directors.

We refer to section C.1.20.

C.1.20.ter Detail any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group.

We refer to section C.1.20.

C.1.21 Indicate the cases in which board members must resign.

Pursuant to Article 20 of the Board Regulations, board members must place themselves at the disposal of the Board of Directors and, where deemed necessary by the Board, submit their resignation in the following cases:

- (i) When they cease to hold the executive positions associated with their appointment as board member.
- (ii) When they are affected by any of the grounds for incompatibility or disqualification set out in Law or the Company's Bylaws.
- (iii) When they are severely reprimanded by the Board of Directors because they have infringed their obligations as board members.
- (iv) When their presence on the Board could endanger or harm the interests, credit or reputation of the Company, or when the reasons for their appointment no longer apply, including (though not limited to) the occurrence of significant changes to their professional situation or to the conditions under which they were appointed to the position of board member.
- (v) When they are convicted of a criminal offence or are the subject of disciplinary proceedings by the supervisory authorities as the result of a serious or very serious misdemeanour.
- (vi) In the case of proprietary directors: (i) when the shareholder they represent sells its entire stake or reduces it significantly, and (ii) in the corresponding number, when the shareholder reduces its stake to a level that requires a reduction in the number of proprietary directors.
- (vii) When they sit on the boards of directors of more than four other listed companies (apart from the Company).
- (viii) When for reasons attributable to the board member in question their presence on the Board causes serious harm to the Company's corporate worth or reputation in the Board's opinion.

C.1.22 Section removed.

C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes No

If so, describe the differences.

Description of differences	
-	

C.1.24 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman of the Board of Directors.

Yes No

Description of requirements	
-	

C.1.25 Indicate whether the Chairman has a casting vote:

Yes No

Matters in which the Chairman has a casting vote	
-	

C.1.26 Indicate whether the Bylaws or the board regulations set any age limit for directors:

Yes No

Age limit for Chairman
Age limit for Managing Director **Age limit for board members**

C.1.27 Indicate whether the Bylaws or the board regulations set a limited term of office for independent directors, other than set out in law:

Yes No

Maximum number of years in office	-
-----------------------------------	---

C.1.28 Indicate whether the Bylaws or the Board regulations stipulate specific rules for delegating voting rights on the Board of Directors, how this is done and, in particular, the maximum number of times that voting rights may be delegated to a board member, as well as whether there is any limitation on the categories to which proxies can be delegated, in addition to any restrictions imposed by law. If so, provide brief details of the said rules.

Pursuant to Article 17 of the Board of Directors' Regulations, board members shall make every effort to attend Board Meetings, and when they are unavoidably unable to attend in person, they shall grant a proxy, in writing and specifically for each session, to another member of the Board, including the relevant instructions and notifying the Chairman of the Board of Directors of the grant of this proxy. In the case of non-executive directors, they may only be represented by another member of the Board of Directors who is classified in the same category. A record of the number of absences from meetings of the Board of Directors shall be included in the annual corporate governance report.

C.1.29 Indicate the number of board meetings held during the year. Also indicate, where applicable, how many times the board has met without the Chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	4
---------------------------------	---

Number of board meetings held without the Chairman's attendance	0
--	---

If the chairman is also the company's chief executive, indicate the number of meetings held without the attendance, in person or by proxy, of any executive director chaired by the lead independent director.

Number of meetings	0
---------------------------	---

Indicate the number of meetings held by the different board committees during the financial year:

Number of meetings of the Audit and Control Committee	2
Number of meetings of the Appointments and Remuneration Committee	2
Number of meetings of the Technology Committee	2

C.1.30 Indicate the number of board meetings held during the year with all members in attendance. Attendance is also understood to include proxies appointed with specific instructions:

Number of meetings with all members in attendance	3
% attendance over total votes cast during the year	75 %

All board members were present at all board meetings, except at the meeting held on 17th of October 2017, which one of the independent directors (Emile K. Haddad) was unable to attend for personal reasons.

C.1.31 Indicate whether the consolidated and individual financial statements submitted for authorisation by the board are previously certified:

Yes No

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements for authorisation by the board:

Name	Position
-	-

C.1.32 Explain the mechanisms, if any, put in place by the Board of Directors to ensure that the individual and consolidated financial statements prepared by the Board are not presented at the General Meeting of Shareholders with a qualified audit report.

Article 38.2 of the Board of Directors' Regulations establishes that "The Board of Directors shall endeavour to prepare the annual accounts definitively in a way that does not give rise to reservations or qualifications by the auditor. In the exceptional case that such qualifications exist, both the Chairman of the Audit and Control Committee and the external auditors should give a clear account to shareholders of such reservations or qualifications. However, when the Board believes that its own criteria should prevail, it shall publicly explain the scope and contents of the disagreement".

In this regard, the Audit and Control Committee, comprising mostly independent external directors, holds a meeting with the external auditors in order to review the Company's annual accounts and some of the periodic financial information that must be supplied by the Board of Directors to the markets and their supervisory authorities, confirming compliance with the legal requirements and the correct application of generally accepted accounting principles in the preparation of the accounts. Such meetings anticipate, where relevant, any debate or difference of opinion between the Company's Management and the external auditors, in such a way that the Board of Directors may take the appropriate measures to ensure that the auditor's report is issued without reservations.

C.1.33 Is the Board Secretary also a member of the board?

Yes No

Complete the following table if the Board Secretary is not a board member:

Personal or corporate name of Board Secretary	Representative
Mr. Alfonso BENAVIDES GRASES	-
Personal or corporate name of Deputy Board Secretary	Representative
Ms. Coro MORALES ASÚA	-

C.1.34 Section removed.

C.1.35 Indicate, where applicable, the specific mechanisms implemented by the company to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies.

Under Article 38 of the Board of Directors' Regulations, the Audit and Control Committee is responsible for submitting a proposal to the Board of Directors, which will in turn submit it to the General Shareholders' Meeting, for the appointment (with details of the contractual conditions and the scope of the professional duties engaged), or the renewal or revocation of the auditor for the Company's annual accounts. It is also responsible for overseeing compliance with the auditing agreement under Article 14 of the Regulations and the terms of the Committee's own internal regulations, which in the latter case are approved by the Board of Directors.

The Audit and Control Committee shall refrain from proposing to the Board of Directors (and the latter shall in turn refrain from proposing to the General Shareholders' Meeting) the appointment as the Company's auditors of any auditing firm that is affected by reasons of incompatibility pursuant to the regulations governing accounts auditors, or any firm that charges the Company fees, in respect of all items, that exceed five per cent of its total income during the last financial year.

The Board of Directors shall provide a full itemised breakdown, publicly and in the manner set out in the applicable regulations, of the fees paid for accounts auditing and any other services provided by the auditor, along with details of the fees paid to people or organisations connected with the said auditor.

In addition, under Article 14 of the Board of Directors' Regulations, the Audit and Control Committee must ensure the independence of the accounts auditor in the performance of its duties.

C.1.36 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors.

Yes No

Outgoing auditor	Incoming auditor
-	-

If there have been disagreements with the outgoing auditor, give the reasons:

Yes

No

Explain the disagreements
-

C.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:

Yes

No

	Company	Group	Total
Fees for non-audit work (thousands of euros)	240	-	240
Fees for non-audit work/total amount invoiced by the audit firm (%)	48,64%	-	48,64%

C.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes

No

Explanation of reasons
-

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Company	Group
Number of consecutive years	2	2

	Company	Group
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	100 %	100 %

C.1.40 Indicate and give details of any procedures through which directors may receive external advice:

Yes

No

Description of procedure

Under Article 23 of the Board of Directors' Regulations, for the purposes of receiving assistance in the performance of their duties, all directors may obtain any advice they need to comply with their duties from the Company. To this end, the Company will provide suitable channels which, under special circumstances, may include external advice charged to the Company. Such advice must necessarily relate to specific problems of a certain importance and complexity that arise during the performance of their duties.

A decision to engage external advisers at the Company's expense must be notified to the Chairman of the Company's Board of Directors, and it may be vetoed by the Board of Directors if it is shown:

- that it is not required for the proper performance of the duties entrusted to external directors;
- that its cost is unreasonable given the importance of the problem and the Company's assets or income; or
- the technical assistance sought could be adequately provided by the Company's own experts and technical personnel.

C.1.41 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies and, where applicable, give details:

Yes No

Description of procedure

Article 16 of the Board of Directors' Regulations establishes that notices convening meetings of the Board of Directors shall be sent out at least seventy-two hours before the date of the meeting. The notice will always include the agenda for the meeting and will be accompanied by the relevant information, duly prepared and summarised.

C.1.42 Indicate and, where applicable, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be:

Yes No

Explanation of rules

Pursuant to Article 20 of the Board of Directors' Regulations, board members must place their position at the disposal of the Board of Directors when their presence on the Board could endanger or harm the interests, credit or reputation of the Company, or when the reasons for their appointment no longer apply, including (though not limited to) the occurrence of significant changes to their professional situation or to the conditions under which they were appointed to the position of board member.

C.1.43 Indicate whether any director has notified the company that they have been indicted or tried for any of the offences stated in article 213 of the Spanish Capital Companies Act:

Yes No

Name of Board Member	Criminal proceedings	Remarks
-	-	-

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, where applicable, give details of the actions taken to date by the board and any actions that it plans to take.

Yes No

Decision/action taken	Reasoned explanation
-	-

C.1.44 List the significant agreements that have been signed by the company and have come into force, have been modified or have been terminated in the event of a change in the company's control through a hostile takeover bid, and their effects.

Development loan agreements usually contain standard clauses relating to the change of control over a Company. These clauses may apply in the event of a change of control over AEDAS Homes, but they do not apply to the company's internal restructuring. However, the most important aspect of these agreements is the guarantee of the Company's assets, not the control structure.

C.1.45 Identify, in aggregate form, and provide detailed information on agreements between the company and its officers, executives and employees that provide compensation, guarantees or protection clauses in the event of their resignation, unfair dismissal or termination as a result of a takeover bid or other kinds of operations.

Number of beneficiaries	1
--------------------------------	---

Type of beneficiary	Managing Director
----------------------------	-------------------

Description of the agreement

In the potential event of the agreement's termination as a result of the Managing Director's unilateral resignation, the Managing Director will not be entitled to receive any compensation or indemnification, unless his/her resignation is caused by a change in control over the Company. To this end, it shall be understood that there has been a change of control when either of the following two situations arises: (i) a third party directly or indirectly acquires more than 50% of the Company's voting rights; or (ii) a third party appoints half plus one of the members of the Board of Directors. In this case, provided that the Managing Director's resignation occurs within six months of the date of the change of control, the Managing Director shall be entitled to receive gross compensation equivalent to two years' fixed salary in the amount he is receiving at the time of termination.

In the event of the agreement's termination at the unilateral request of the Company, the Managing Director shall be entitled to receive gross compensation equivalent to two years' fixed salary in the amount he is receiving at the time of termination.

In cases in which the agreement is terminated at the sole request of the Company, as set out in a resolution by the Board of Directors or as the result of the partial or total revocation by the Board of Directors of the powers delegated by the Board or the Company in the Managing Director's favour, three months' advance notice must be given. During the advance notice period, the Company may release the Managing Director from the performance of his/her duties, though it shall continue to pay him/her the relevant salary. In the event of a breach of the obligation to give the required advance notice, the Company must compensate the Managing Director in an amount equivalent to the fixed payment that applies at the time of the Agreement's termination for the period of advance notice not given.

Notwithstanding the foregoing, the Managing Director shall not be entitled to receive any compensation or indemnification, nor shall the Company be obliged to respect any advance notice term, in the event that his/her termination is caused by an infringement of the Law, the Company's Bylaws, the Board of Directors' Regulations, the Regulations governing the General Shareholders' Meeting or any other company rule or resolution that applies to the performance of his/her duties, or that is caused by a breach of his/her obligations under the terms of this Agreement, including the duty of good contractual faith, provided that the infringement or breach in question is classified as very serious and can be attributed to the Managing Director in the form of a serious or wilful offence.

By way of compensation for the obligation not to compete, the Managing Director shall receive a gross amount equivalent to one year's fixed salary in the amount he/she is being paid at the time of termination. This amount shall be paid in full at the time at which the Agreement is terminated.

Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group:

	Board of Directors	General Meeting of Shareholders
Body that authorises clauses	-	-
	YES	NO
Is the General Shareholders' Meeting informed of such clauses?		X

C.2 Fees of the Board of Directors

C.2.1 Give details of all of the fees paid to the Board of Directors, its members, and the proportion of executive, proprietary, independent and other external directors that they represent:

AUDIT COMMITTEE

The Audit Committee of AEDAS Homes was appointed by the Board of Directors at a meeting held on 27th of September 2017. It first met [in written session without a physical meeting on 17th of October 2017. Its composition, general delegated powers and regulations are set out below.

Name	Position	Category
Mr. Javier LAPASATORA TURPÍN	Chairman	Independent
Mr. Eduardo Edmundo D'ALESSANDRO CISHEK	Member	Proprietary
Mr. Santiago FERNÁNDEZ VALBUENA	Member	Independent

% of proprietary directors	33.3 %
% of independent directors	66.6%
% other external members	0%

Explain the duties attributed to this committee, describe and provide a summary of its main actions carried out by the committee during the year.

Pursuant to Article 14 of the Board of Directors' Regulations, the Audit and Control Committee shall comprise a minimum of three and a maximum of five members, who shall be appointed by the Board of Directors and who must be non-executive directors. The majority of the members of the Audit and Control Committee shall be independent, and one of them shall be appointed with regard to his/her knowledge and experience in accounting or auditing matters, or both.

The Board of Directors shall also appoint a Chairman of the Audit and Control Committee from among the independent directors who sit on the said Committee. In addition, the Board of Directors may appoint a Deputy Chairman if it deems this appropriate, and the rules governing the appointment of the Deputy Chairman shall be the same as the rules governing the appointment of the Chairman.

Member of the Board of Directors who sit on the Audit and Control Committee shall continue in this post for the term of their appointment as directors of the Company, unless otherwise agreed by the Board of Directors. The renewal, re-election and dismissal of the Committee's members shall be governed by the decisions of the Board of Directors. The position of Chairman shall be held for a maximum of four years, and the same person may not be re-elected at the end of this term until a year has passed following their cessation, without prejudice to their continuation or re-election as a member of the Committee.

The Audit and Control Committee shall meet at least once every three months in order to review the periodic financial information that is to be submitted to the stock market authorities, along with any other information that the Board of Directors is required to approve and include among its annual public documentation. It shall also meet when requested to do so by any of its members and whenever it is convened by its Chairman, who shall convene a meeting whenever the Board or the Chairman of the Board requests the issue of a report or the adoption of proposals and, in all cases, when this is advisable for the proper performance of its duties.

The Audit and Control Committee shall issue an annual report on its own activities, making particular mention of any incidents that have arisen, where applicable, in relation to the duties for which it is responsible. In addition, when the Audit and Control Committee deems this appropriate, its report shall include proposals for the improvement of the Company's governance rules.

Notwithstanding any other tasks that may be assigned to it by the Board of Directors, the Audit and Control Committee shall be responsible for the following basic duties:

- (i) Informing the General Shareholders' Meeting on questions raised by shareholders at the Meeting, where such questions fall within its competence and, in particular, on the results of the audit, explaining how this has contributed to the integrity of the financial information and the role that the Audit and Control Committee played in the process.
- (ii) Overseeing the efficacy of both the Company's and the group's internal monitoring, internal audit and risk management systems, and discussing with the external accounts auditor any significant weakness in the internal monitoring system that it has detected during its own audit, without compromising its independence. To this end, in the event that it identifies significant weaknesses, it shall submit recommendations or proposals to the administrative body and indicate the corresponding term for monitoring such weaknesses.
- (iii) Overseeing the process for the preparation and submission of the regulatory financial information and submitting recommendations or proposals to the Board Of Directors, aimed at safeguarding the integrity of such information.
- (iv) Proposing to the Board of Directors, for submission to the General Shareholders' Meeting, the selection, appointment, re-election or replacement of the accounts auditors, pursuant to the applicable regulations, along with the conditions for their engagement, and regularly compiling information on the auditing plan and its execution, as well as ensuring its independence in the performance of its duties.
- (v) Establishing the appropriate relationship with the accounts auditors in order to receive information on any matters that could endanger its independence, so that such information may be examined by the Audit and Control Committee, along with any other matter relating to the accounts auditing process and, where applicable, authorising services other than those that are prohibited, in the terms set out in the applicable regulations, along with any other communications provided for in the auditing regulations and other provisions governing accounts audits. In any case, the Audit and Control Committee must receive an annual written declaration from the auditor confirming its independence, both direct and indirect, from the Company and its related organisations, together with detailed and personalised information on any additional services of any kind provided and the corresponding fees received from these organisations by the auditor, or by persons or organisations related to it, in accordance with the provisions contained in the legislation governing accounts audits.
- (vi) Issuing an annual report, prior to the external auditor's report, expressing an opinion as to whether the independence of the external auditors or auditing firms has been compromised. This report must contain information, in all cases, on the provision of the additional services referred to in the preceding paragraph, both individually and jointly considered, aside from the legal audit itself, with regard to the rules governing independence and the regulations governing accounts audits.
- (vii) Providing prior information to the Board of Directors regarding all the matters required in Law, the Company's Bylaws and the Board of Directors' Regulations, with particular regard to: (i) the financial information that the Company is required to publish

periodically; (ii) the creation or acquisition of shares in organisations with a particular purpose or organisations domiciled in countries or territories classified as tax havens; and (iii) operations with related parties.

- (viii) Overseeing the Company's internal auditing activities.
- (ix) With regard to internal reporting and monitoring systems:
 - a) monitoring the preparation and the integrity of the financial information relating to the Company and, where appropriate, the group, checking for compliance with legal provisions, the proper demarcation of the consolidation perimeter, and the correct application of accounting principles.
 - b) monitoring the independence of the unit handling internal auditing duties; proposing the selection, appointment, re-election and removal of the head of the internal audit service; proposing the service's budget; approving its guidelines and work programmes, receiving regular information on its activities, and checking that senior management take account of the findings and recommendations of its reports; and
 - c) establishing and overseeing a mechanism whereby staff can confidentially or anonymously report any potentially significant irregularities that they detect within the Company, particularly financial or accounting irregularities.
- (x) With regard to the external auditor:
 - a) in the event of the resignation of the external auditor, examining the circumstances that gave rise to its decision;
 - b) ensuring that its payment does not compromise its quality or independence.
 - c) ensuring that the Company notifies any change of external auditor to the CNMV as a significant event, accompanied, where applicable, by a statement regarding any potential disagreements with the outgoing auditor and the relevant reasons;
 - d) ensuring that the external auditor has an annual meeting with the Board of Directors in full session to inform it of the work undertaken and of any developments in the Company's situation;
 - e) ensuring that the Company and the external auditor adhere to current regulations on the provision of non-auditing services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.
- (xi) Monitoring compliance with the Company's internal codes of conduct and corporate governance rules, and any information relating to compliance therewith.
- (xii) Monitoring compliance with Corporate Social Responsibility Policy and evaluating relations with the various stakeholder groups.
- (xiii) Meeting with any Company employee or manager, even ordering their appearance without the presence of another senior officer.
- (xiv) Any other duties entrusted to it by the Board of Directors in the relevant Regulations.

The most important actions taken by the Audit and Control Committee of AEDAS Homes during the 2017 financial year are listed below:

- Two meetings were held, on 17th of October and 8th of November 2017.
- Coordination with the Internal Auditing and Risk & Compliance Departments.
- Design of a framework for relations between the Audit and Control Committee and the relevant officers within the Company.
- Approval of the appointment of Raquel Pilares Gutiérrez as Director of Internal Auditing.
- Approval of the Action Plan for the Audit and Control Committee for 2018. This plan will focus on the following areas for action:
 - a) Economic and financial information.
 - b) Relations with the accounts auditor.
 - c) Review of the annual accounts and Half-Yearly Financial Report.
 - d) Independence of accounts auditor.
 - e) Internal Monitoring Procedures.

- f) Internal Auditing.
- g) Risk analysis and systems for monitoring risk.
- h) Actions in the area of corporate governance and compliance.

Name the Board Member who has been appointed to sit on the Audit Committee, bearing in mind his/her knowledge and experience of accounting matters, auditing, or both and state how many years the Chairman of this Committee has been in the post.

Name of experienced Board Member	Mr. Javier LAPASTORA TURPÍN
Number of years Chairman has been in post	3 months

APPOINTMENTS AND REMUNERATION COMMITTEE

The Company's Appointments and Remuneration Committee was appointed by the Board of Directors at a meeting held on 27th of September 2017. It first met [in written session without a physical meeting on 17th of October 2017. Its composition, general delegated powers and regulations are set out below.

Name	Position	Category
Mr. Miguel TEMBOURY REDONDO	Chairman	Independent
Mr. Evan Andrew CARRUTHERS	Member	Proprietary
Ms. Cristina ÁLVAREZ ÁLVAREZ	Member	Independent

% of proprietary directors	33.3 %
% of independent directors	66.6%
% other external members	0%

Explain the duties attributed to this committee, describe and provide a summary of its main actions carried out by the committee during the year.

The Appointments and Remuneration Committee shall comprise a minimum of three and a maximum of five members, who shall be appointed by the Board of Directors at the proposal of the Chairman of the Board, and who must be non-executive directors. At least two members of the Appointments and Remuneration Committee shall be independent directors.

The Board of Directors shall also appoint a Chairman from among the independent directors who sit on the said Committee. In addition, the Board of Directors may appoint a Deputy Chairman if it deems this appropriate, and the rules governing the appointment of the Deputy Chairman shall be the same as the rules governing the appointment of the Chairman.

Directors who sit on the Appointments and Remuneration Committee shall continue in this post for the term of their appointment as directors of the Company, unless otherwise agreed by the Board of Directors. The renewal, re-election and dismissal of the Committee's members shall be governed by the decisions of the Board of Directors.

Notwithstanding any other tasks that may be assigned to it by the Board of Directors, the Appointments and Remuneration Committee shall be responsible for the following basic duties:

- (i) Assessing the skills, knowledge and experience required on the Board of Directors. To this end, it shall define the skills and duties require from candidates in order to fill each vacancy, as well as evaluating the time and dedication required for them to be able to effectively perform their duties.
- (ii) Establishing a target for representation on the Board of Directors of the gender that is least represented, and preparing guidelines on how to meet this target.
- (iii) Submitting proposals to the Board of Directors regarding the potential appointment of independent directors, either for appointment by co-option or for submission for deliberation by the General Shareholders' Meeting, along with proposals for the re-election or removal of such directors by the General Shareholders' Meeting.

- (iv) Providing information regarding proposals for the appointment of the remaining directors, either for appointment by co-option or for submission for deliberation by the General Shareholders' Meeting, along with proposals for the re-election or removal of such directors by the General Shareholders' Meeting.
- (v) Providing information on proposals for the appointment and removal of management personnel and the basic conditions for their engagement.
- (vi) Examining and organising the process for successors to the Chairman of the Board of Directors and the Company's chief executive and, where applicable, making proposals to the Board of Directors to ensure that succession occurs in a planned and orderly way.
- (vii) Submitting proposals to the Board of Directors regarding payment policy for directors and general management and for those people who perform senior management duties and report directly to the Board of Directors, Executive Committees or Managing Directors, and regarding the individual payment and other contractual conditions for executive directors, confirming and monitoring compliance with such conditions.
- (viii) Monitoring compliance with the Company's payment policy.
- (ix) Periodically reviewing the payment policy for directors and senior officers, including share-based payment systems and their application, and ensuring that their individual payment is proportionate to the amounts paid to other directors and senior officers.
- (x) Ensuring that conflicts of interest do not undermine the independence of any external advice the Committee engages.
- (xi) Verifying the information on director and senior officers' pay contained in the various corporate documents, including the annual directors' payment statement.

During Fiscal Year 2017, the more relevant actions taken by the Appointments and Remuneration Committee are the following:

- Two meetings held, the first one on the 17th of October, and the second one on the 8th of November
- Received a report from the Member of the Board of Directors Mr. Javier Lapastora Turpín on his private business activities and ruled the lack of conflicts of interest between them and his duties as Member of the Board of Directors of the Company
- Reviewed the Long-Term Incentive Plan (LTIP) of the Company and made some recommendations
- Arranged a benchmarking study on the LTIP in relation to similar sized companies in Spain and other countries

TECHNOLOGY COMMITTEE

The Technology Committee held its first meeting on 14th of November 2017. Its composition, general delegated powers and regulations are set out below.

Name	Position	Category
Ms. Cristina ÁLVAREZ ÁLVAREZ	Chairman	Independent
Mr. Oscar DE LA TORRE MUÑOZ DE MORALES	Member	Executive
Mr Eduardo Edmundo D'ALESSANDRO CISHEK	Member	Proprietary
Mr. David MARTÍNEZ MONTERO	Member	Delegate
Mr. Javier SÁNCHEZ GUTIÉRREZ	Member	Executive

% of executive directors	20 %
% of proprietary directors	20 %
% of independent directors	20 %
% other external members	40 %

Explain the duties attributed to this committee, describe and provide a summary of its main actions carried out by the committee during the year.

In 2017, there were no formally approved Regulations for the Technology Committee. However, on the date of this Annual Corporate Governance Report, there is an agreed draft of these Regulations which is pending approval at the next meeting of the Technology Committee. Notwithstanding any other tasks that may be assigned to it by the Board of Directors, this document establishes that the Technology Committee shall be responsible for the following basic duties:

- (i) Reviewing and submitting its recommendations regarding the Strategic Technology Plan to the Director of Technology, the Managing Director and, where applicable, the Board of Directors, in such a way that the Technology Committee may respond to the Company's needs and, in addition, offer a competitive advantage.
- (ii) Overseeing implementation of the Strategic Technology Plan, informing the Managing Director and the Board of Directors of its progress and proposing any changes or adjustments to the Plan that may be required in order to meet the Company's needs.
- (iii) Advising the Director of Technology with regard to the selection of staff, the design of tools and the implementation of technologies and corrective or preventive measures, inter alia, ensuring the incorporation of technological tools and trends that will provide optimum support for the operation of the Company's business and that will allow it to maintain a competitive and sustainable advantage for the Company.

During Fiscal Year 2017, the more relevant actions taken by the Technology Committee are the following:

- Two meetings held, the first one on the 14th of November and the second one on the 1st of December.
- Review of the action plan and projects planned for Fiscal Year 2018 with a view to integrate them into the Company's business targets.
- Action plan on cybersecurity agreed.
- Creation of a specific strategy for the governance of the Innovation area agreed.
- Launched control process for guaranteeing compliance with the General Data Protection Regulation (GDPR), which enters into force on the 25th of May 2018.
- Advised on the separation of the Technology Department from the Marketing Department, with direct report to the Company's CEO.
- Requested the Technology Director an update of the status of projects.

C.2.2 Complete the following table with information on the number of female Board members sitting on the Board's committees at the close of the last four financial years:

	Number of female Board Members							
	2017		2016		2015		2014	
	Number	%	Number	%	Number	%	Number	%
Audit Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Appointments and Remuneration Committee	1	33.33 %	0	0.00%	0	0.00%	0	0.00%
Technology Committee	1	20.00 %	0	0.00%	0	0.00%	0	0.00%

C.2.3 Section removed.

C.2.4 Section removed.

C.2.5 Indicate, where appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any changes have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Board of Directors' Regulations, approved on 11th of September 2017, include the regulation of the board's committees with regard to the Audit and Control Committee and the Appointments and Remuneration Committee.

The Board of Directors' Regulations are available for consultation on the Company's website (www.aedashomes.com) under the section headed 'Shareholders and Investors', sub-section 'Board of Directors', 'Board of Directors' Regulations'.

The Board of Directors' Regulations were approved on 11th of September 2017, before the Company was listed for trading on the markets, and they had not been changed in any way by the close of the 2017 financial year.

C.2.6 Section removed.

D RELATED PARTY TRANSACTIONS AND INTER-GROUP TRANSACTIONS

D.1 Explain, where applicable, the procedures for approving related-party or inter-group transactions.

Procedure for reporting approval of related party transactions

Pursuant to Article 34 of the Board of Directors' Regulations, the Company's engagement in any transaction with directors or shareholders that own shares in an amount considered significant under the terms of the stock market regulations in force from time to time or, where applicable, with directors or shareholders that have proposed the appointment of any of the Company's directors, or the Company's engagement in any transaction with the respective related parties (understood to mean the parties listed in Article 29 of these Regulations), shall be subject to authorisation by the Board of Directors or, in situations of extreme urgency, the Executive Committee or the Managing Director (where appointed), in each case following a report by the Audit and Control Committee.

Prior to authorising the Company's engagement in transactions of this nature, the Audit and Control Committee and the Board of Directors or the Executive Committee shall evaluate the transaction from the perspective of the equal treatment of all shareholders and current market conditions.

The Board's authorisation shall not, however, be required for related party transactions that simultaneously comply with the following three conditions:

- (i) they are governed by agreements containing standard conditions that apply en masse to a large number of clients;
- (ii) they are completed at prices or rates that are generally established by parties acting as a supplier of the goods or services in question; and
- (iii) their value does not exceed 1% of the Company's annual turnover.

Where these are transactions that fall within the Company's ordinary business and involve usual or recurring activities, a general authorisation from the Board of Directors shall be sufficient. Authorisation shall necessarily be agreed by the General Shareholder's Meeting when the transaction is made with a director or related party in a value exceeding 10% of the Company's assets.

The Company shall report any transactions engaged in with directors, significant shareholders and related parties when it publishes its half-yearly financial information, and it shall also report any such transactions in its Annual Corporate Governance Report, with the detail required by Law in each case. Similarly, the Company shall include information in the notes to its annual accounts relating to any transactions between the Company or Group Companies and directors or parties acting on their behalf, when these fall outside the Company's normal business or are not made under usual market conditions.

D.2 Give details of transactions deemed significant due to their value, or relevant due to their subject matter, carried out between the company or companies in its group and significant shareholders in the company:

The following table contains a breakdown of the transactions engaged in between the Company and its significant shareholders from the date it was floated on the Stock Market, 20th of October 2017 until 31st of December 2017:

Name or corporate name of significant shareholder	Name or corporate name of the group company or entity	Nature of the relationship	Type of operation	Amount (thousands of euros)
HIPOTECA 43 LUX S.A.R.L.	Aedas Homes, S.A.	Shareholder	Funds contribution	9,957

D.3 Give details of transactions deemed significant due to their value, or relevant due to their subject matter, carried out between the company or companies in its group and the company's directors or executives:

Name or corporate name of administrators or board members	Name or corporate name of the related party	Relationship	Nature of the operation	Amount (thousands of euros)
-	-	-	-	-

D.4 Give details of any significant transactions between the company and other entities in the same group, provided that they are not eliminated in the process of preparing the consolidated financial statements and do not form part of the company's normal business with regard to purpose and conditions.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

Name of the group company	Brief description of the operation	Amount (thousands of euros)
-	-	-

D.5 Indicate the value of operations engaged in with other related parties.

There have not been any related party transactions.

D.6 Provide details of any mechanisms in place to detect, determine and resolve possible conflicts of interest between the company and/or its group and its Board members, executives or significant shareholders.

Pursuant to the Conflict of Interest Policy established by AEDAS Homes, all the people subject to this Policy (board members, managers, employees and related parties) must adopt the measures required to ensure compliance with the criteria for action and decision-making set out in the Policy itself, in order to avoid situations that may result in a conflict between their own personal interests and the interest of the Company.

In this regard, all affected parties, particularly members of the Board of Directors, must refrain from the following:

- a) Entering into transactions with the company, unless these relate to ordinary operations, made in standard client conditions and of little importance (this being understood to mean operations that do not have a significant impact on the Company's net worth, financial position or results). In this regard, the affected parties may acquire housing developed by AEDAS Homes provided that it is acquired for their own use as a residence. All other requests (apart from those for acquisition as a primary residence) shall require the approval of the Compliance Committee, and when such requests are made by members of the Management Committee, the approval of the Audit and Control Committee shall be required.
- b) Using the name of the Company or referring to their condition as director, manager or employee to unduly influence the result of a private operation.
- c) Making use of the company's assets, including its confidential information, for private purposes.
- d) Taking advantage of the Company's business opportunities, whether current or under consideration.
- e) Obtaining benefits or payments from third parties other than the Company in relation to the performance of their duties, unless these are offered out of mere courtesy.
- f) Engaging in activities, either personally or on behalf of others, that effectively compete, either immediately or potentially, with the activities of the Company, or that in any other way place them in permanent conflict with the interests of the Company.
- g) Awarding any kind of agreement or mandate relating to AEDAS Homes to suppliers who have some kind of relationship with people who have a first or second degree of kinship with employees of the Company.

The foregoing provisions also apply in cases in which the beneficiary of the prohibited act or activity is a person related to the affected person. AEDAS Homes, and specifically its Board of Directors, may analyse and dispense with such prohibitions in specific cases, taking account in all cases of the principles contained in this Policy, and safeguarding the interests of AEDAS Homes.

Communication

The affected party must immediately give notice of any situation or circumstance that could give rise to a potential conflict of interest, giving details of its scope, the situation that has given rise to the potential conflict and any related parties, where applicable. If there are doubts regarding whether this involves a conflict of interest or not, the affected party must refrain from continuing to engage in any activity relating to the situation in question and seek advice.

In the case of employees, they must give notice of the situation to their direct superior, who will analyse and resolve the situation together with the Compliance Department. Where necessary, the Compliance Committee shall be asked to make a decision. In the case of members of the Board of Directors, they must give notice of the situation to the Secretary to the Board of Directors, preferably in writing, and the Secretary shall pass on any communications received to the Board of Directors, which shall decide on the situation and, where necessary, seek an opinion from the Audit and Control Committee.

In addition, AEDAS offers all affected parties an Incident Reporting Channel. This represents a further channel for reporting any circumstance involving a breach or infringement of the Code of Conduct, which includes the principle of objectivity and an obligation to prevent conflicts of interest.

Conflicts of interest that affect the Company's directors shall be reported in the notes to the Company's annual accounts and in the Annual Corporate Governance Report, which shall give details of all related party transactions between the Company and its shareholders or directors.

Management of conflicts of interest

AEDAS Homes has adopted a series of measures that are designed to ensure the correct management of conflicts of interest by the Board of Directors or the employees' immediate superiors, as appropriate under the terms of this Policy, thus ensuring the objectivity and transparency of the process. To this end, once the existence of a conflict of interest has come to light:

- a) We take all the measures necessary to distance the affected party from the management of the transaction or situation in question.

- b) We ensure independence in the decision-making process, in such a way that the affected party must take part in this process, and measures are employed to implement the appropriate controls to ensure impartiality.
- c) Where required, the Board of Directors will take a decision on the potential conflict of interest, recording its decision and taking the appropriate measures in this regard.

Related party transactions

In line with the general principles set out above, affected parties must avoid becoming involved in any situation from which a conflict of interest might arise in relation to their participation in related party transactions, and they must comply with the previously established rules.

The Company's Board of Directors is the body that is responsible for approving any related party transactions, following a positive report from the Audit Committee. In addition, the Board of Directors may analyse and dispense with such prohibitions in specific cases, taking account in all cases of the principles contained in this Policy.

In duly justified situations of urgency, approval may be given by the delegated bodies or people / the Company's management, though it must be ratified at the first meeting of the Board of Directors held after the decision is adopted.

However, authorisation is not required from the Board of Directors for related party transactions in which the following three conditions are simultaneously met:

- a) They are governed by agreements containing standard conditions that apply en masse to a large number of clients,
- b) They are completed at market prices or rates that are generally established by parties acting as a supplier of the goods or services in question, and
- c) Their value does not exceed 1% of the Company's annual turnover.

D.7 Is more than one of the companies in the group listed in Spain?

Yes

No

Identify the subsidiaries that are listed in Spain:

Listed subsidiaries
-

Indicate whether they have provided public information on the respective business activities in which they engage, and any business dealings between them, as well as between the listed subsidiary and other group companies;

Yes

No

Describe any potential business relations between the parent company and the listed subsidiary, and between the listed subsidiary and other companies in the group
-

Indicate the mechanisms in place to resolve potential conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to resolve any potential conflicts of interest
-

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Company's Risk Control and Management System, including measures relating to tax risk.

AEDAS Homes uses a risk management system that is regulated under the Company's Risk Management Policy. This Policy was approved by the Company's Board of Directors on 17th of October 2017.

The purpose of the risk management model is to identify, manage and report any risks that may affect AEDAS Homes's pursuit of its business objectives.

The risk management model is based on the following stages:

- Identification: any significant risk to AEDAS Homes is identified.
- Evaluation: inherent probability, inherent impact and the robustness of the control environment are evaluated for all significant risks. The AEDAS Homes risk management model includes three risk categories: "critical", "to be monitored" and "to be maintained".
- Management: risk classified as "critical" and "to be monitored" is included as part of the risk management mechanism, which means taking measures such as identifying material risk events, monitoring their development through the use of indicators and analysing response/control protocols, among other measures.
- Reporting: a report is submitted every six months to the Management Committee and the Audit and Control Committee on the way that the model is working.
- Updating: the model is subject to an annual review and update.

E.2 Identify the bodies responsible for preparing and implementing the Risk Control and Management System, including measures relating to tax risk.

Board of Directors

Defines, updates and approves the Risk Management and Control Policy at AEDAS Homes and sets the acceptable risk level at all times.

Audit and Control Committee

Oversees the internal monitoring and management of risk, ensuring that the main risks are identified, managed and maintained at the planned levels.

Management Committee

Assigns responsibility for risk, receives the results of risk assessments for the purposes of determining how critical the risk level is, and approves actions or responses to the risk defined.

Risk & Compliance Department

The Compliance Department provides support for the Audit and Control Committee and the Management Committee in the performance of its duties, particularly through the coordination of the activities set out in the Risk Management and Control Policy, ensuring the correct implementation of the risk management system and consolidating reports relating to the risk model.

Managers and other parties responsible for risk

Identify and evaluate the risks that fall within their area of responsibility. In addition, they propose and report on the indicators used to monitor risk, in addition to proposing and implementing plans of action to mitigate risk and reporting on the effectiveness of such plans.

E.3 Indicate the main risks, including tax risk, which may prevent the company from achieving its business targets.

Strategic risk

- Real estate market
- Portfolio of development land
- Competition
- Availability of financing
- Reputation
- Stock markets

Operational risk

- Acquisition of development land
- Transformation of development land
- Development
- Marketing
- Securing and retaining talent
- Technology
- Cyber security
- Safety in the workplace
- Asset security

Financial risk

- Interest rates
- Liquidity
- Credit risk
- Asset valuation
- Reliability of financial information

Compliance risk

- Breach of the Money Laundering Prevention Act
- Breach of criminal regulations
- Breach of the Spanish Stock Market Act
- Breach of tax regulations
- Breach of environmental regulations

E.4 Indicate whether the company has a risk tolerance level, including against tax risk.

Implementation of the AEDAS Homes risk management model is still in its relatively early stages, and the first exercise to establish the risk tolerance level is therefore scheduled to take place during 2018. Information may be reported in the Corporate Governance Report for the 2018 financial year.

E.5 Identify any risks, including tax risk, which have emerged during the year.

There is no record that any significant risk (identified and evaluated using the risk management model) emerged during the financial year in question.

E.6 Explain the plans for responding to and monitoring the main risks facing the company, including tax risk.

Plans to respond to and monitor significant risk are currently being developed at the present time, and information may therefore be reported in the Corporate Governance Report for the 2018 financial year.

F INTERNAL RISK MONITORING AND MANAGEMENT SYSTEMS RELATING TO THE FINANCIAL REPORTING (ICFR) PROCESS

Describe the mechanisms that form part of the risk monitoring and management system relating to the company’s financial reporting (Internal Control over Financial Reporting, ICFR) process.

F.1 The company’s control environment

Provide information on at least the following, describing their main characteristics:

F.1.1. The bodies and/or officers responsible for: (i) the existence and maintenance of appropriate and effective ICFR; (ii) its implementation; and (iii) its monitoring.

The ICFR process is one that affects all levels of the organisation and all the people working for it. The main duties relating to the Internal Monitoring System that deals with financial information at the Aedas Homes Group are summarised in the following points:

- The Board of Directors is responsible for approving ICFR.
- Overseeing ICFR is the responsibility of the Audit and Control Committee, through the internal auditor.
- The Finance Department is responsible for designing and implementing ICFR.

The following table contains a summary of the offices responsible for ICFR:

OFFICE		RESPONSIBILITIES
Management Bodies	Board of Directors	- Preparing Financial Information
	Audit and Control Committee	- Supervising financial information. - Supervising auditing activities. - Approving what to supervise and when, and how to evaluate supervision of ICFR. - Supervising the effectiveness of ICFR.
Finance Department	Financial Management	- Designing, implementing and evaluating ICFR and its overall monitoring. - Reporting on the operation of ICFR.
Departments and Divisions	Parties responsible for processes	- Identifying any risks in their processes that may affect the Financial Information. - Proposing and implementing the most suitable controls to mitigate risk. - Ensuring that these controls are working effectively. - Reporting on the operation of internal controls in their processes. - Resolving incidents in their processes.
	Parties responsible for control	- Executing the controls for which they are responsible. - Reporting on any incidents that arise.
Internal Auditing Department	Internal Auditing	- Planning audits. - Auditing ICFR and communicating the results. - Following up recommendations.

The Board of Directors, which is ultimately responsible for supervising ICFR, has established the organisational structure necessary to allow monitoring by delegating this duty to the Audit and Control Committee. Thus, the Audit and Control Committee must ensure due compliance with the responsibilities defined and assigned to the Finance Department and other departments and divisions with regard to the Company’s Internal Financial Control Reporting System.

The organisational structure that AEDAS Homes has defined with regard to the main duties involved in overseeing ICFR is as follows:

Audit and Control Committee

To achieve reasonable security with regard to the reliability of the financial information, the Audit and Control Committee will oversee:

- The proper demarcation of the consolidation perimeter.
- The correct application of accounting principles.
- The suitability of the control policies and procedures implemented.
- The process for the preparation and reporting of financial information, reviewing the correct design, implementation and efficient operation of the ICFR System and compliance with the regulatory requirements.

The Audit and Control Committee has various sources for establishing whether Management has implemented an effective system for supervising ICFR. The main sources for its analyses are:

- Asking questions and observing the way that Management manages the Company.
- Engaging specialists or specialist resources.
- External auditors.

The Audit and Control Committee will principally rely on the work of the internal auditor and hold any meetings with external auditors that may be necessary.

The duties entrusted to the Audit and Control Committee with regard to the internal controls set out in the AEDAS Homes Board of Directors' Regulations are as follows:

- Regularly reviewing the Company's internal monitoring and risk management systems and, in particular, the correct design of the internal monitoring system and the management of financial information (ICFR), to ensure that the main risks are identified, managed and adequately made known.
- Approving the internal auditing plan for evaluation of the ICFR System and its modifications and receiving regular information on the results of this work, as well as approving the action plan for correcting any weaknesses observed.
- Reviewing, analysing and commenting on the Financial Statements and other relevant financial information with senior management and internal and external auditors, in order to confirm that this information is reliable, comprehensible and relevant, and that the accounting principles followed are consistent with those applied at the close of the preceding year.

Finance Department

The Group's Finance Department is responsible for identifying any risk of error or fraud in the financial information using the whole range of the ICFR System. It is also responsible for designing the necessary controls. It is also responsible for informing the internal and external auditors of any changes to the perimeter of the Internal Monitoring System relating to Financial Information.

The AEDAS Homes Finance Department is responsible for establishing the design, implementation and global follow-up of the Internal Monitoring System for the Group's financial information. It will therefore establish the system and implement the structure required for its supervision, thus ensuring that the said system operates effectively.

In order to comply with this responsibility, the people in charge of each associated process or sub-process and any key controls must monitor these and report back to the AEDAS Homes Financial Management.

Internal Auditing Department

Internal Auditing will plan the supervision and evaluation of the ICFR System with the scope and frequency required to ensure its effectiveness, taking account of the duties included in the Annual Internal Auditing Plan.

Internal Auditing will determine the nature and extent of the tests to be carried out in order to identify any potential weaknesses in the relevant controls, and it will analyse the causes giving rise to these weaknesses in order to determine the control systems' level of compliance and efficacy. To this end, the people responsible for these controls must keep the relevant documentation and evidence to show both that controls have been carried out and that they have been reviewed.

Internal Auditing may also rely on the self-evaluation and direct supervision processes developed by those responsible for the control systems.

Part of the oversight process will involve communication of the results obtained, using the following procedure:

- Any results relating to control weaknesses must be notified to the person in charge of the process and the manager who is at least one rank higher than the person in charge of the process.
- Any significant weaknesses that have a material impact on the financial information must be notified to the AEDAS Homes Financial Management and to the Audit and Control Committee.
- The weaknesses identified must be resolved, dealing with them according to their priority and taking appropriate action for their correction.

It is important that this information is received by the appropriate personnel so that the relevant corrective action can be taken and so that each of the people responsible can provide sufficient oversight to ensure that such action is actually taken.

In the event of any suspicion of fraud, the person directly responsible for the control operation should not be notified, but this information should instead be passed on to higher levels including the General Management and the Audit and Control Committee.

F.1.2 The following elements, where they exist, especially in relation to the process of preparing the financial report:

- **Departments and/or mechanisms in charge of: (i) designing and revising the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of duties and tasks; and (iii) ensuring the existence of sufficient procedures for their correct reporting throughout the company.**

The design and review of organisational structure and lines of responsibility and authority within the Group is the responsibility of the Managing Director. This structure includes the departments charged with preparing the financial information.

The formulation and review of the criteria to be followed for the selection of the Group's senior executives will be carried out by the Appointments Committee, which is mostly made up of independent directors.

The structure, scope and description of the duties and tasks to be carried out by each person in the finance department is defined by the Financial Management and communicated by the Corporate Resources Department.

For the purposes of the process involved in preparing financial information, the Company has clearly defined lines of authority and responsibility. Principal responsibility for the preparation of financial information lies with the Financial Management.

The Group has financial organisational structures that are adapted to its needs and headed up by a Financial Director, whose duties include ensuring compliance with the procedures set out in the ICFR System.

- **Code of conduct, approval body, level of dissemination and instruction, principles and values included (indicating whether there is specific mention of the recording of transactions and the preparation of financial information), the body in charge of analysing breaches and of proposing corrective actions and sanctions.**

AEDAS Homes has a Code of Conduct that has been approved by the Company's Board of Directors. All of the Company's employees have been informed about this Code of Conduct, and it can be accessed via both the Employee Portal and on the investor pages of the AEDAS Homes website.

The AEDAS Homes Code of Conduct sets out the Company's values:

- Integrity: all members of AEDAS Homes undertake to behave with integrity and in a way that contributes to maintaining the Company's reputation.
- Excellence: AEDAS Homes has a team that has wide-ranging experience of the residential real estate sector and that is trained to offer an excellent client experience.

At AEDAS Homes we carry out our duties with professionalism, respect and impartiality. We are committed to achieving our objectives through honest means and do not tolerate any unethical behaviour.

- Transparency: the Company undertakes to provide stakeholders with comprehensive, appropriate and truthful information in order to facilitate the decisions they need to make, in each and every one of the markets in which we operate.
- Innovation: we try to ensure that our residential properties incorporate innovations that will improve the quality of life of the people who live in them, in terms of both their fittings and the materials used, equipping them with technologies that make life easier and more comfortable.

The Code of Conduct establishes the following principles:

- Compliance with regulations: AEDAS Homes's employees comply strictly with the provisions of the regulations in force in the performance of their duties.
- Combatting corruption: the company adopts a zero tolerance policy against any kind of corruption. We are entirely honest in our dealings with both the public and private sectors, and integrity is one of the fundamental values in the way we conduct our business.
- Responsibility in respect of taxes: AEDAS Homes complies rigorously with its tax obligations and works with the Tax Authorities to provide them with any information they may require.
- Healthy working environment: AEDAS Homes complies strictly with the regulations governing health and safety, and we have implemented initiatives both for the prevention of accidents and illness and for the promotion of healthy living. We reject any kind of violation of basic human rights or public freedoms.
- Equal opportunities: AEDAS Homes promotes activities to encourage the professional advancement of its employees. Principles of fair treatment, non-discrimination and equal opportunities all form part of the Company's relations with its employees.
- Objectivity: at AEDAS Homes we anticipate and manage conflicts of interest with the aim of ensuring the impartiality and objectivity of any decisions taken.
- Gifts, considerations and entertainment: as a general rule, we do not accept gifts, favours or considerations from third parties, either in cash or in kind, unless these are merely symbolic in nature and not offered with the aim of influencing the objectivity that must govern all of our actions. We completely forbid the offer of gifts, rewards, invitations or any other item of value to public officials, politicians and other representatives of public institutions that may compromise their independence or integrity. Similarly, no-one at AEDAS Homes may offer gifts or services in advantageous conditions to the employees of private institutions, aside from the consideration offered within the bounds of ordinary politeness whose corresponding financial value is symbolic and founded on principles of prudence and sensitivity.
- Use of AEDAS Homes equipment and assets: the items that AEDAS Homes makes available to its employees so that they may perform their duties may not be used for private or illegal purposes. The incurrence of any expense must conform to the principles of need and efficacy. The Company takes care to ensure that its assets do not suffer any damage that could affect their valuation.
- Protection of the image of AEDAS Homes: AEDAS Homes is committed to ensuring the proper use of the Company's name, brand, image and reputation, acting in a way that is always faithful to AEDAS Homes and in defence of its interests. We also respect the intellectual property rights of all third parties.
- Confidentiality and controlling information: at AEDAS Homes we regard information as an intangible asset of great worth, and we therefore believe that it is fundamental to preserve and manage it confidentially, especially where inside information is concerned. We also guarantee the protection of any personal data to which we have access as a result of the links between private individuals and our own business activities, and we undertake not to divulge their data unless we have obtained their consent or are bound by some kind of legal obligation.

- True picture of financial information: at AEDAS Homes we have a control environment and specific procedures that ensure that our financial information is prepared in accordance with the applicable principles and rules governing valuation, in such a way that all of our transactions are clearly and accurately reflected in our accounts ledgers and records and in the preparation of the relevant financial information.
- Free competition: at AEDAS Homes we ensure the exercise of free competition through the application of ethical business practices and observance of the law. With a view to avoiding any unfair competition, we safeguard our own confidential information, along with that of our co-workers, suppliers, clients and any other third parties.
- Collaboration with official institutions and public bodies: at AEDAS Homes we work together with official institutions and public bodies, undertaking to provide any information that they may require, transparently and clearly.
- Respect for the environment and planning ordinances: we comply at all times with the regulations governing protection of the environment and respect for planning ordinances. Furthermore, AEDAS Homes goes beyond mere compliance with the law and is committed to the rational use of natural resources and the design and construction of sustainable and energy-efficient building projects that respect the environment. AEDAS Homes only develops projects that have been granted the relevant licences, and it expressly prohibits the development of building projects in specially protected areas or construction in common planning zones.

The Compliance Committee is the body responsible for managing any complaints received in relation to breaches of the Code of Conduct, the Company's internal policy or the legislation in force. The Committee may act at the request of any complainant or on its own initiative, and it will take the necessary measures in respect of any complaints in the event that the circumstances in question are confirmed.

- **Whistle-blowing channel, which enables the reporting of irregularities of a financial and accounting nature to the Audit Committee, in addition to potential breaches of the code of conduct and irregular activities in the organisation, indicating whether these are confidential.**

AEDAS Homes has a complaints channel that can be used both by employees and by third parties who are unconnected with the Company to report any behaviour that contravenes the Code of Conduct, the Company's internal policy or the legislation in force, including financial and accounting irregularities. Any information received as a result of such complaints is treated by the Compliance Committee in the strictest confidence, and all of the Company's employees have been informed of this fact.

- **Training programmes and regular updates for the personnel involved in the preparation and revision of financial information and evaluation of the Internal Control over Financial Reporting (ICFR) System, which should at least cover accounting regulations, auditing, internal risk monitoring and management.**

The Corporate Resources Department works together with each of the areas that reports to the Finance Department to prepare training programmes and updates for the people involved in preparing and overseeing financial information. The programmes include both general training programmes designed to provide a knowledge of the business and the various inter-related departments from which the Company is formed, and specific programmes aimed at providing training and updates on any regulatory developments that have been newly introduced in relation to the preparation and supervision of financial information.

It is planned to provide a training course on ICFR-related issues for all the areas involved in the preparation and review of financial information.

F.2 Financial reporting risk assessment

Provide information on at least the following:

F.2.1. The main characteristics of the process for identifying risk, including risk of error or fraud, in respect of:

- **Whether the process exists and is documented.**

The Company has a risk identification process, which covers risks such as mistakes and fraud. This process is documented in the ICFR Policy of AEDAS Homes, which is currently being implemented.

- **Whether the process covers all financial reporting objectives (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how frequently.**

The evaluation process covers all financial reporting objectives: (i) existence and occurrence; (ii) integrity; (iii) evaluation; (iv) presentation and breakdown; (v) rights and obligations.

Once the potential risks have been identified, they are evaluated annually on the basis of the management's knowledge and understanding of the business and the criteria by which their severity is judged.

Evaluation criteria are established: (i) from a quantitative point of view, based on parameters such as turnover, total assets and pre-tax profits; and (ii) from a qualitative point of view, based on a variety of factors, such as the standardisation of operations and the automation of processes, composition, changes compared with the previous financial year, the complexity of the accounting process, possibility of fraud or error and the degree to which estimates are used in the accounting process.

- **The existence of a process for identifying the consolidation perimeter, considering, among other things, the potential existence of complex corporate structures, vehicle companies or special purpose entities.**

The Group has a corporate structure that is formed from all its individual organisations and that forms the basis for the consolidation perimeter. The management and review of the corporate structure is the responsibility of the Legal Department.

In the event of any change to the consolidation perimeter, the Legal Department provides information on the deeds for the new company and any operations involving holdings being taken in the share capital of other companies, or changes in the effective control of the company, together with a report on the operation and approval from the Finance Department.

Whenever a company is included within the Group's consolidation perimeter, the impact caused by this company on the different sections of the Financial Statements must be determined (under criteria of material effect), along with its impact on each of the processes and sub-processes in its sub-group.

Similarly, in the event that a company is removed from the Group's consolidation perimeter, the scope of the ICFR System must be updated, provided that the company in question was included within this scope on the date of its removal.

- **Whether the process takes account of the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) in the manner in which they affect the financial statements.**

Any potential risk identified through the ICFR Risk Template is taken into account when preparing the Company's Risk Map. This Map is updated on an annual basis by the Finance Department, with support from all areas of the organisation that are affected.

In this way, the Company can take account of the impact that other types of risk relating to categories such as business operations, reputation, legal and regulatory issues, human resources, financial operations, information required for decision-making, technology and IT systems and corporate governance may have on the financial statements.

- **Which corporate governance body supervises the process.**

Pursuant to Article 14 of the Board of Directors' Regulations, the Audit and Control Committee oversees the process for preparing and ensuring the integrity of the financial information. These duties include reviewing compliance with legal requirements, such as the accurate demarcation of the consolidation perimeter and the correct application of accounting principles.

F.3 Monitoring activities

Provide information on at least the following, describing their main characteristics:

F.3.1. Procedures for reviewing and authorising the financial information and the description of the ICFR to be disclosed to the markets, stating who is responsible in each case, along with the documentation describing the activities engaged in (including those relating to the risk of fraud) and the monitoring of the various types of transactions that could materially affect the financial statements, including account closure procedures and the specific revision of the relevant opinions, estimates, valuations and projections.

Pursuant to the Board of Directors' Regulations, the Audit and Control Committee is responsible for reviewing the annual accounts and the periodic financial information that must be supplied by the Company to the markets and their supervisory authorities, at all times ensuring compliance with the legal requirements and the correct application of generally accepted accounting principles in the preparation of the accounts.

The said Regulations also indicate that this Committee must meet at least once every three months in order to review the periodic financial information that is to be submitted to the stock market authorities, along with any other information that the Board of Directors is required to approve and include among its annual public documentation.

The Audit and Control Committee submits this information to the Board of Directors, which has ultimate responsibility for approving it before it is made public to the markets.

The Group has procedures for the documentation of those processes that it believes involve material risk in the preparation of the financial information. These procedures describe the controls required to allow a suitable response to the risks associated with achieving the objectives relating to the reliability and integrity of the financial information.

The procedures are also represented in the form of flow charts, risk templates and controls that identify all the relevant monitoring activities. Each monitoring activity is assigned to an individual who is responsible for that activity, along with the frequency at which it is to be carried out.

F.3.2. Policies and procedures for the internal monitoring of information systems (especially on safety and security of access, monitoring of changes, systems operation, operational continuity and separation of functions) that support the company's relevant processes relating to the preparation and publication of the financial report.

The Policy for Internal Controls over Financial Reporting (ICFR) establishes that safe access is defined on the basis of secure groups. The modification of any permit or role is organised through a system of written authorisations which is overseen by the Finance Director, in order to provide recorded evidence in relation to any change to user permits.

The positions and groups of users with individual permits allow for the maintenance of a separation of duties in the process of approving the information flows described. Any changes that may be made on the platform are recorded in the application to provide evidence of the successive versions.

There is also a contingency plan to guarantee the operational continuity of the ICFR System.

F.3.3. Policies and internal control procedures aimed at supervising the management of activities outsourced to third parties, including matters relating to valuation, calculation or assessment entrusted to independent experts, which could materially affect the financial statements.

Third parties are engaged by the people responsible for the relevant area, and care is taken to ensure the competence, technical and legal skills and independence of any professional staff engaged.

The Company has a Code of Conduct for third parties that sets out the principles that they must observe, and compliance with this Code may be subject to audit by AEDAS Homes.

F.4 Information and communication

Provide information on at least the following, describing their main characteristics:

F.4.1. A specific office that is responsible for defining and maintaining accounting policies (accounting policies division or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies that is regularly updated and communicated to all the company's operating units.

The Administrative Department that reports to the Finance Department is responsible for preparing, publishing, implementing and updating the Company's Accounting Standards Manual.

This department is charged, among others, with the following duties in relation to accounting policy: defining the accounting processes for the operations that the Company engages in as part of its business, defining and updating accounting practices, resolving doubts and conflicts arising from the interpretation of accounting standards and standardising the accounting practices used by the Company.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the company or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The process for the consolidation and preparation of the consolidated financial statements is carried out centrally by the Administrative Department that reports to the Finance Department.

Preparation of the consolidated financial information begins with the aggregation of the individual financial statements for each of the companies included within the consolidation perimeter, for subsequent consolidation under the accounting regulations.

La financial information reported to the National Securities Markets Commission (CNMV) is prepared from the consolidated financial statements that result from this process, and from some additional information that is reported by the Management Control Department and is required for the preparation of the annual and/or half-yearly report.

F.5 Monitoring the operation of the system

Provide information on at least the following, describing their main characteristics:

F.5.1. The ICFR monitoring activities undertaken by the Audit Committee, and whether the company has an internal audit function whose powers include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted during the year and the procedure used by the person in charge to communicate their findings. State also whether the company has an action plan specifying potential corrective measures, and whether it has considered their potential impact on its financial information.

As regards the monitoring of the ICFR, during the period covered by this report the Audit and Control Committee has engaged in the following activities:

- It has overseen the efficacy of both the Company's and the group's internal monitoring, internal audit and risk management systems, and discussed the internal monitoring system currently being implemented in 2017 with the external accounts auditor.
- It has monitored the process for the preparation and presentation of the regulatory financial information that must be submitted to the Board of Directors, the markets and the supervisory authorities, verifying compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- It has ensured the establishment of a mechanism whereby staff can confidentially or anonymously report any potentially significant irregularities that they detect within the Company, particularly financial or accounting irregularities. This mechanism is subject to its oversight.
- It has provided prior information to the Board of Directors regarding all the matters required in Law, the Company's Bylaws and the Board of Directors' Regulations, with particular regard to the financial information that the Company is required to publish periodically and operations with related parties.
- It has monitored compliance with the Company's codes of conduct, its corporate governance rules and its corporate social responsibility policy.
- It has overseen internal auditing activities and analysed and approved the internal auditing plan, which includes reviewing the efficacy of the internal system for monitoring the Company's financial information, among other lines of action.
- It will inform the General Shareholders' Meeting to be held during the first half of 2018 on questions raised by shareholders at the Meeting, where such questions fall within its competence and, in particular, on the results of the audit, explaining how this has contributed to the integrity of the financial information, and on the role that the Audit and Control Committee itself has played in the process.

As regards the way in which the Company's Internal Auditing process functions, its main purpose is to assist the Audit and Control Committee and the Group Management in evaluating and overseeing the internal control and risk management systems, including a review and assessment of the reliability of the information systems and, specifically, the system for the internal monitoring of economic and financial information, as set out in the Bylaws governing the Internal Auditing of AEDAS Homes.

To this end, the Internal Auditing Plan includes a review of both the efficacy and the effectiveness of the System (still being implemented in 2017) for the Internal Monitoring of Financial Information, in order to improve the efficacy of the ICFR and the control environment. The results of this work and the action plans will be reported to the Finance Department, the CEO and the Audit and Control Committee. Implementation of the plan of action will be subject to monitoring by Internal Auditing during the 2018 financial year.

F.5.2. Whether the company has a discussion procedure whereby the auditor (pursuant to TAS), the internal audit office and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments to the company's senior management and its Audit Committee or Board of Directors. State also whether the Company has an action plan to correct or mitigate any weaknesses found.

The Internal Auditing office will report any significant control weaknesses identified during its review processes to the Finance Department, the CEO and the Audit and Control Committee, along with the action plans proposed in order to mitigate such weaknesses. The Internal Auditing office will also be responsible for monitoring the proper implementation of any such actions plans introduced to resolve or mitigate these weaknesses.

F.6 Other relevant information

There is no further relevant information to report.

F.7 External auditor's report

State whether:

F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached as an appendix. Otherwise, explain the reasons for the absence of this review.

The AEDAS Homes Group has not submitted any information on the Internal System for the Monitoring of Financial Information for 2017 to the external auditor, since the Group was still in a process of implementing its agreed procedures following the listing of the parent company during the month of October 2017.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree to which the company complies with Corporate Governance recommendations for listed companies.

In the event that the company does not comply with any of the recommendations or complies only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant Explain

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they respectively engage in, and any potential business dealings between them, as well as between the subsidiary and other group companies.
- b) The mechanisms in place to resolve any potential conflicts of interest that may arise.

Compliant Partially compliant Explain N/A

3. During the annual general meeting, as a supplement to the written information circulated in the annual corporate governance report, the Chairman of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, in particular:

- a) Any changes that have taken place since the previous annual general meeting.
- b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead, where applicable.

Compliant Partially compliant Explain

The Company was first listed for continuous trading on 20th of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018. The Company intends to comply with this recommendation.

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant Partially compliant Explain

5. The Board of Directors should not make a proposal to the General Meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When the Board approves an issue of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant Partially compliant Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not compulsory:

- a) Report on auditor independence.
- b) Reports on the operation of the audit committee, the appointments committee and the remuneration committee.
- c) Audit committee report on third-party transactions.
- d) Report on corporate social responsibility policy.

Compliant Partially compliant Explain

The Company was first listed for continuous trading on 20th of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018.

7. The company should broadcast its general meetings live on the corporate website.

Compliant Explain

The Company was first listed for continuous trading on 20th of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018.

8. The audit committee should strive to ensure that the Board of Directors can present the company's accounts to the General Meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of the scope and content of such limitations or qualifications.

Compliant Partially compliant Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings of shareholders and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant Partially compliant Explain

The Company was first listed for continuous trading on 20th of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018. The Company intends to comply with this recommendation.

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals for agreement prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals for agreement.
- b) Publish the standard form of attendance card or proxy appointment or remote voting form with the necessary modifications so that new items on the agenda and alternative proposals can be voted on in the same terms as those submitted by the Board of Directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on these supplementary items or alternative proposals.

Compliant Partially compliant Explain Not applicable

11. In the event that a company plans to pay for attending general shareholders' meetings, it should first establish a general, long-term policy in this regard and this policy should remain stable.

Compliant Partially compliant Explain Not applicable

12. The Board of Directors should perform its duties with a unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interests, understood as the creation of a profitable and sustainable business over the long term, and the maximisation of the company's economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to the principles of good faith, ethics and respect for commonly accepted customs and good practices, but should also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as reconciling the impact of its activities on the broader community and the natural environment.

Compliant Partially compliant Explain

13. The Board of directors should have an optimal size to promote its efficient operation and participation. The recommended range is between five and fifteen members.

Compliant Explain

14. The Board of Directors should approve a director selection policy that:

- a) Is specific and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the Board's needs.
- c) Favours a diversity of know-how, experience and gender.

The results of the prior analysis of the Board's needs should be written up in the appointments committee's explanatory report, to be published when the general meeting is convened to ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total Board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant Partially compliant Explain

We refer to section C.1.6.

15. Proprietary and independent directors should represent a broad majority on the Board of Directors, while the number of executive directors should be the minimum necessary, bearing in mind the complexity of the corporate group and the percentage of share capital that they hold.

Compliant Partially compliant Explain

16. The percentage of proprietary directors over all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion may be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold to be considered a significant shareholding.
- b) In companies in which a plurality of shareholders is represented on the Board and they are not related to one another.

Compliant Explain

17. Independent directors should account for at least half of all Board members.

However, when the company does not have a high level of capitalisation, or when a company with a high level of capitalisation has one or more shareholders that individually or jointly control over 30 percent of the share capital, independent directors should occupy at least a third of all Board positions.

Compliant Explain

18. Companies should post the following information about their directors on their websites, and keep them permanently updated:

- a) Background and professional experience.

- b) Directorships held in other companies, listed or otherwise, and any other paid activities that they may engage in, of whatever nature.
- c) Information on the director category to which they belong and, in the case of proprietary directors, information on the shareholder they represent or have links with.
- d) Dates of their first appointment as a Board member and subsequent re-elections.
- e) Shares that they hold in the company, and any options thereover.

Compliant Partially compliant Explain

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons why proprietary directors have been appointed at the request of shareholders who control less than 3 percent of capital; and explain the reasons why formal requests for a seat on the board has been refused to shareholders whose equity stake is equal to or greater than that of others that have applied successfully for a proprietary directorship.

Compliant Partially compliant Explain Not applicable

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant Partially compliant Explain Not applicable

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, as agreed by the Board of Directors itself based on information from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them from allocating sufficient time to the duties inherent in their position as Board Member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent, pursuant to the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided that the changes in membership of the Board of Directors ensue from the proportionality criterion set out in recommendation 16.

Compliant Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the Board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board should give a reasoned account of all such deliberations in the annual corporate governance report.

Compliant Partially compliant Explain

23. Directors should express their clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the following recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant Partially compliant Explain Not applicable

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant Partially compliant Explain Not applicable

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The Board of Directors' regulations should lay down the maximum number of company boards on which directors can serve.

Compliant Partially compliant Explain

26. The Board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant Partially compliant Explain

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. Where they must be absent, directors should delegate their powers of representation with the appropriate instructions.

Compliant Partially compliant Explain

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant Partially compliant Explain Not applicable

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense. (Article 23 of the RdC)

Compliant Partially compliant Explain

30. Regardless of the knowledge directors must possess in order to perform their duties, companies should also offer directors refresher programmes to update their knowledge, when circumstances so advise.

Compliant Explain Not applicable

31. The agendas of Board meetings should clearly indicate on which points the Board of Directors must reach a decision or adopt a resolution, so they can study the matter beforehand or gather together the information they need in this regard.

When, exceptionally and for reasons of urgency, the chairman wishes to present decisions or resolutions for Board approval that are not on the meeting's agenda, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant Partially compliant Explain

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant Partially compliant Explain

33. In addition to the functions assigned to him/her by law and the company's Bylaws, the chairman, as the person charged with the efficient functioning of the Board of Directors, should prepare and submit to the Board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the Board and, where appropriate, the company's chief executive officer; exercise leadership of the Board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant Partially compliant Explain

34. When a lead director has been appointed, the Bylaws or Board of Directors' regulations should grant him or her the following powers over and above those conferred by law: the power to chair the Board of Directors in the absence of the chairman or vice chairmen; the power to give voice to the concerns of non-executive directors; the power to maintain contacts with investors and shareholders, hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and the power to coordinate the chairman's succession plan.

Compliant Partially compliant Explain Not applicable

35. The secretary to the Board of Directors should strive to ensure that the Board's actions and decisions are informed by the governance recommendations of the Good Governance Code where they apply to the company.

Compliant Explain

36. The Board sitting in full session should conduct an annual evaluation, adopting, where necessary, an action plan to correct any weaknesses detected in respect of:

- a) The quality and efficiency of the Board’s actions.
- b) The performance and membership of its committees.
- c) The diversity of Board membership and skills.
- d) The performance of the chairman of the Board of Directors and the company’s chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairs of Board committees.

The evaluation of Board committees should start from the reports they submit to the Board of Directors, while that of the Board itself should start from the report prepared by the appointments committee.

Every three years, the Board of Directors should engage an external consultant to aid in the evaluation process. This consultant’s independence should be verified by the appointments committee.

Any business dealings that the consultant or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant Partially compliant Explain

The Company was first listed for continuous trading on 20th of October 2017 as Aedas Homes, S.A. As a result, there was no annual evaluation of the Board of Directors or its delegated committees during the 2017 financial year.

The Company intends to comply with this Corporate Governance recommendation once a year has elapsed following its listing on the Stock Market, when it will make assessments of the Board of Directors and its committees, based on their operation, composition and skills and the performance of the Company’s directors and chief executive. These assessments will be submitted to the relevant governing bodies.

37. When an executive committee exists, its membership structure by director category should resemble that of the Board. The secretary to the Board should also act as secretary to the executive committee.

Compliant Partially compliant Explain Not applicable

38. The Board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all Board members should receive a copy of the committee’s minutes.

Compliant Partially compliant Explain Not applicable

39. All members of the audit committee, particularly its chairman, should be appointed with consideration for their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant Partially compliant Explain

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the Board’s non-executive chairman or the chairman of the audit committee.

Compliant Partially compliant Explain

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant Partially compliant Explain Not applicable

42. The audit committee should have the following functions over and above those legally assigned:

1. With regard to internal control and reporting systems:

- a) Monitoring the preparation and the integrity of the financial information relating to the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitoring the independence of the unit handling the internal audit function; proposing the selection, appointment, re-election and removal of the head of the internal audit service; proposing the service's budget; approving its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receiving regular information on its activities; and verifying that senior management take account of the findings and recommendations contained in its reports.
- c) Establishing and overseeing a mechanism whereby staff can report, confidentially and, where possible and considered appropriate, anonymously, any significant irregularities that they detect within the Company, particularly financial or accounting irregularities.

2. With regard to the external auditor:

- a) In the event of the resignation of the external auditor, examining the circumstances that gave rise to its decision.
- b) Ensuring that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensuring that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any potential disagreements with the outgoing auditor and the reasons for such disagreements.
- d) Ensuring that the external auditor has a yearly meeting with the Board of Directors in full session to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensuring that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant Partially compliant Explain

43. The audit committee should be able to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant Partially compliant Explain

44. The audit committee should be informed of any structural or corporate modifications the company is planning, so the committee can analyse the operation and report to the Board of Directors beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant Partially compliant Explain Not applicable

45. Risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risk), with the inclusion under financial or economic risk of contingent liabilities and other off-balance-sheet risk.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of identified risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risk.

Compliant Partially compliant Explain

46. Companies should establish a risk control and management office that is run by one of the company's internal department or units and that falls under the direct supervision of the audit committee or, where applicable, some other dedicated Board committee. This office should be expressly charged with the following responsibilities:

- a) Ensuring that risk control and management systems are functioning correctly and, specifically, that any major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participating actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensuring that risk control and management systems are mitigating risk effectively within the framework of the policy drawn up by the Board of Directors.

Compliant Partially compliant Explain

47. Members of the Appointments and Remuneration Committee (or the appointments committee and remuneration committee, if separately constituted) should have the right balance of knowledge, skills and experience for the duties they are called on to discharge, and the majority of their members should be independent directors.

Compliant Partially compliant Explain

48. Large cap companies should operate separately constituted appointments and remuneration committees.

Compliant Explain Not applicable

49. The appointments committee should consult with Chairman of the Board of Directors and the Company's chief executive, especially on matters relating to executive directors.

When there are vacancies on the Board, any director may approach the appointments committee to propose candidates that it may consider suitable.

Compliant Partially compliant Explain

50. The Remuneration Committee should operate independently and have the following functions in addition to those assigned by law:

- a) Proposing standard conditions for senior officer contracts to the Board .

- b) **Monitoring compliance with the remuneration policy set by the company.**
- c) **Periodically reviewing the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensuring that their individual remuneration is proportionate to the amounts paid to other directors and senior officers in the company.**
- d) **Ensuring that conflicts of interest do not undermine the independence of any external advice provided to the committee.**
- e) **Verifying the information on director and senior officers' pay contained in the various corporate documents, including the annual statement on directors' pay.**

Compliant Partially compliant Explain

51. The Remuneration Committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant Partially compliant Explain

52. The terms of reference of supervision and control committees should be set out in the Board of Directors' regulations and aligned with those governing the legally mandatory committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) **Committees should be formed exclusively by non-executive directors, with a majority of independent directors.**
- b) **They should be chaired by independent directors.**
- c) **The Board should appoint the members of such committees in consideration of the knowledge, skills and experience of its directors and the duties to be performed by each committee; discuss their proposals and reports; and they should submit an account to the first full meeting of the board of directors after the committee in question has met, detailing their activities in response to the work carried out.**
- d) **Committees may engage external advice, when they feel it necessary for the performance of their duties.**
- e) **Meetings should be minuted and a copy made available to all Board members.**

Compliant Partially compliant Explain Not applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one Board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the Board of Directors under its powers of self-organisation, and the committee in question shall be attributed with the following minimum duties:

- a) **Monitoring compliance with the company's internal codes of conduct and corporate governance rules.**
- b) **Overseeing the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.**
- c) **Periodically evaluating the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest, taking account, as required, of the legitimate interests of the remaining stakeholders.**

- d) **Reviewing the company's corporate social responsibility policy, ensuring that it is geared to value creation.**
- e) **Monitoring corporate social responsibility strategy and practices and assess compliance in this regard.**
- f) **Monitoring and evaluating the company's interaction with its stakeholder groups.**
- g) **Evaluating all aspects of the non-financial risk the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risk.**
- h) **Coordinating non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.**

Compliant Partially compliant Explain

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) **The goals of its corporate social responsibility policy and the supporting instruments developed.**
- b) **The corporate strategy with regard to sustainability, the environment and social issues.**
- c) **Specific practices in matters relating to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal behaviour.**
- d) **The methods or systems for monitoring the results of the practices referred to above, their associated risk and its management.**
- e) **The mechanisms for supervising non-financial risk, ethics and business conduct.**
- f) **Channels for stakeholder communication, participation and dialogue.**
- g) **Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.**

Compliant Partially compliant Explain

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology for this purpose.

Compliant Partially compliant Explain

The Company was first listed for continuous trading on 20th of October 2017 as Aedas Homes, S.A., and it plans to comply with this corporate governance recommendation in respect of the issue of a Corporate Social Responsibility report during the 2018 financial year.

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive director.

Compliant Explain

57. Variable remuneration linked to the company and to individual performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans, retirement schemes or other welfare provisions should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant Partially compliant Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the sector in which the company operates, or other similar circumstances.

In particular, variable remuneration items should meet the following conditions:

- a) They should be linked to predetermined and measurable performance criteria that factor in the risk assumed in order to obtain a given outcome.
- b) They should promote the long-term sustainability of the company and include non-financial criteria that are relevant to the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) They should be designed to achieve a balance between the delivery of short, medium and long-term objectives, in such a way that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to sustainable value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant Partially compliant Explain Not applicable

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Compliant Partially compliant Explain Not applicable

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that might reduce their amount.

Compliant Partially compliant Explain Not applicable

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant Partially compliant Explain Not applicable

62. Following the award of shares, share options or other rights on shares resulting from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights over shares for at least three years after their award.

This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant Partially compliant Explain Not applicable

63. Contractual arrangements should include provisions that permit the company to reclaim variable remuneration components when payment is out of step with the director’s actual performance or based on data subsequently found to be misstated.

Compliant Partially compliant Explain Not applicable

64. Termination payments should not exceed a fixed amount equivalent to two years of the director’s total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant Partially compliant Explain Not applicable

[H] OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the corporate governance practices followed by your company or companies in its group that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or its group, explain briefly.
2. This section may include any other information, clarification or observation related to the above sections of this report, to the extent that they are relevant and do not repeat information already provided.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. The Company may also indicate whether it voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the code in question and the date of its adoption. In particular, state whether the company has signed up to the Good Tax Practices Code of 20 July 2010.

This annual corporate governance report was approved by the company’s Board of Directors at its meeting held on 22th of March 2018.

Indicate whether any director abstained or voted against the approval of this Report.

Yes No

Personal or corporate name of board member that did not vote in favour of approving this report	Reasons (against, abstention, non-attendance)	Explain the reasons
-	-	-

Aedas Homes, S.A. and subsidiaries
(formerly Aedas Homes Group, S.L.U. and subsidiaries)

Consolidated financial statements for the year ended December 31, 2017 prepared under the International Financial Reporting Standards (IFRS) adopted by the European Union, Group Management Report and Independent Auditor's Report

AEDAS HOMES, S.A. and subsidiaries
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2017

(Euros)

ASSETS	Note	Dec 31, 2017	Dec 31, 2016	EQUITY AND LIABILITIES	Note	Dec 31, 2017	Dec 31, 2016
NON-CURRENT ASSETS:				EQUITY:			
Intangible assets	7	315,819	48,775	Capital		47,966,587	3,000
Software		207,001	48,775	Share capital		47,966,587	3,000
Other intangible assets		108,818	-	Share premium		500,076,721	-
Property, plant and equipment	8	705,771	348,071	Parent company reserves		(310,653,657)	(355)
Land and buildings		72,193	129,090	Parent company retained earnings (prior-period losses)		(2,241,561)	-
Plant and other PP&E		489,269	217,583	Reserves at fully-consolidated companies		(91,876)	(3,632)
Construction work in progress and prepayments		144,309	1,398	Other owner contributions		740,071,256	9,372,875
Non-current financial assets	9	578,782	31,938	Profit/(loss) for the year attributable to equity holders of the parent		(40,078,380)	(2,369,805)
Other non-current financial assets		578,782	31,938	Non-controlling interests		2,245,802	507,280
Deferred tax assets	16	12,602,937	51,488	Total equity	13	937,294,892	7,509,363
Total non-current assets		14,203,309	480,273	NON-CURRENT LIABILITIES:			
				Non-current borrowings	9	137,326	-
				Derivatives		137,326	-
				Non-current borrowings from related companies and associates	14 & 19	-	28,213,625
				Total non-current liabilities		137,326	28,213,625
				CURRENT LIABILITIES:			
CURRENT ASSETS:				Current provisions		367,913	-
Inventories	10	880,669,169	31,720,592	Borrowings classified as current due in the long term	14	28,455,143	8,834,522
Trade and other receivables	11	52,592,622	2,245,958	Current borrowings	14	33,080,996	-
Trade receivables		5,963,497	22,914	Other financial liabilities	14	500	2,815,889
Sundry receivables		8,774,024	-	Current borrowings from related companies and associates	14	8,309,370	-
Current tax assets		353,721	-	Trade and other payables	15	121,373,760	927,995
Other receivables from public authorities		37,501,380	2,223,044	Trade and other payables		64,237,741	-
Current financial assets	9	5,996,527	-	Trade payables, group companies and associates		88,716	-
Other current financial assets		5,996,527	-	Payable for services received		5,696,255	558,465
Prepayments and accrued income		3,122,811	27,545	Employee benefits payable		1,500,600	-
Cash and cash equivalents	12	172,435,462	13,827,027	Current tax liabilities		3,007,741	-
				Other payables to public authorities		13,713,730	369,530
				Customer prepayments		33,128,977	-
Total current assets		1,114,816,591	47,821,121	Total current liabilities		191,587,682	12,578,405
TOTAL ASSETS		1,129,019,900	48,301,394	TOTAL EQUITY AND LIABILITIES		1,129,019,900	48,301,394

The accompanying notes 1 to 23 are an integral part of the consolidated balance sheet at December 31, 2017.

AEDAS HOMES, S.A. and subsidiaries
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

(Euros)

	Note	Year ended December 31, 2017	Year ended December 31, 2016 (*)
CONTINUING OPERATIONS			
Revenue	18.a	38,694,305	15,017
Revenue from sales		38,558,157	-
Revenue from services rendered		136,148	15,017
Changes in inventories of finished goods and work in progress	18.b	3,428,477	-
Changes in inventories of finished goods and work in progress		3,960,581	-
Inventory impairment losses		(532,104)	-
Cost of sales	18.b	(29,201,190)	-
Consumption of goods for resale		(27,370,234)	-
Inventory impairment losses		(1,830,956)	-
Other operating income		112,293	-
Non-trading and other operating income		112,293	-
Employee benefits expense	18.c	(33,769,775)	(871,873)
Wages, salaries and similar		(32,646,184)	(729,423)
Employee benefits		(1,123,591)	(142,450)
Other operating expenses	18.d	(15,308,470)	(1,436,427)
External services		(14,804,199)	(1,430,699)
Taxes other than income tax		(487,173)	(5,728)
Other operating expenses		(17,098)	-
Depreciation and amortization	7 & 8	(137,371)	(10,777)
Impairment of and gains/(losses) on disposal of fixed assets		(104,211)	-
Impairment and write-downs		(104,211)	-
OPERATING PROFIT/(LOSS)		(36,285,942)	(2,304,059)
Finance income		134,413	419
Other finance income		134,413	419
Borrowing costs capitalized in inventories	10	996,603	-
Finance costs	18.e	(11,236,901)	(83,221)
Borrowings from Group companies and associates		(9,301,643)	(75,893)
Third-party borrowings		(1,935,258)	(7,328)
Change in fair value of financial instruments	9	(137,326)	-
Held-for-trading portfolio and other securities		(137,326)	-
Impairment of and gains/(losses) on disposal of financial instruments		567,132	-
Gains/(losses) on disposals		567,132	-
NET FINANCE INCOME/(COST)		(9,676,079)	(82,802)
PROFIT/(LOSS) BEFORE TAX		(45,962,021)	(2,386,861)
Income tax		5,639,269	13,111
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(40,322,752)	(2,373,750)
DISCONTINUED OPERATIONS		-	-
Profit/(loss) after tax for the period from discontinued operations		-	-
PROFIT/(LOSS) FOR THE YEAR		(40,322,752)	(2,373,750)
Attributable to:			
Non-controlling interests		(244,372)	(3,945)
Equity holders of the parent		(40,078,380)	(2,369,805)
Earnings/(loss) per share from continuing operations (in euros):			
Basic		(0.84)	(790)
Diluted		(0.84)	(790)

(*) Corresponds to the period from the date of the Company's incorporation until December 31, 2016.

The accompanying notes 1 to 23 are an integral part of the consolidated income statement for the year ended December 31, 2017.

AEDAS HOMES, S.A. and subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(Euros)

	Note	Year ended December 31, 2017	Year ended December 31, 2016 (*)
PROFIT/(LOSS) FOR THE PERIOD (I)		(40,322,752)	(2,373,750)
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)		(40,322,752)	(2,373,750)
Total recognized income and expense attributable to equity holders of the parent		(40,078,380)	(2,369,805)
Total recognized income and expense attributable to non-controlling interests		(244,372)	(3,945)

(*) Corresponds to the period from the date of the Company's incorporation until December 31, 2016.

The accompanying notes 1 to 23 are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2017.

AEDAS HOMES, S.A. and subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

B) STATEMENT OF TOTAL CHANGES IN EQUITY

(Euros)

	Capital (note 13.a)	Share premium (note 13.c)	Reserves of the parent	Retained earnings (prior- period losses)	Reserves at fully- consolidated companies	Shareholder/owner contributions (note 13.e)	Profit/(loss) for the year	Non- controlling interests	TOTAL
OPENING BALANCE AT JUNE 9, 2016 (*)	-	-	-	-	-	-	-	-	-
Total recognized income and expense	-	-	-	-	-	-	(2,369,805)	(3,945)	(2,373,750)
Transactions with shareholders	3,000	-	(355)	-	(3,632)	9,372,875	-	511,225	9,883,113
Incorporation	3,000	-	(355)	-	-	-	-	-	2,645
Shareholder contribution	-	-	-	-	(3,632)	9,372,875	-	-	9,369,243
Other transactions with equity holders or owners	-	-	-	-	-	-	-	511,225	511,225
OPENING BALANCE AT DECEMBER 31, 2016	3,000	-	(355)	-	(3,632)	9,372,875	(2,369,805)	507,280	7,509,363
Total recognized income and expense	-	-	-	-	-	-	(40,078,380)	(244,372)	(40,322,752)
Distribution of prior-period profit	-	-	-	(2,241,561)	(128,244)	-	2,369,805	-	-
Transactions with shareholders	47,963,587	500,076,721	(310,930,826)	-	-	730,698,381	-	1,982,893	969,790,756
Non-cash proceeds from shares issued (note 1.2)	47,963,587	500,076,721	(310,930,826)	-	-	-	-	-	237,109,482
Shareholder contribution (note 13.e)	-	-	-	-	-	730,698,381	-	-	730,698,381
Other transactions with equity holders or owners	-	-	-	-	-	-	-	1,982,893	1,982,893
Consolidation scope and other changes	-	-	277,524	-	40,000	-	-	-	317,524
CLOSING BALANCE AT DECEMBER 31, 2017	47,966,587	500,076,721	(310,653,657)	(2,241,561)	(91,876)	740,071,256	(40,078,380)	2,245,801	937,294,891

(*) Unaudited; presented for comparative purposes only.

The accompanying notes 1 to 23 are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2017.

AEDAS HOMES, S.A. and subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017

(Euros)

	Note	Year ended December 31, 2017	Year ended December 31, 2016 (*)
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(45,962,021)	(2,386,861)
Adjustments to profit/(loss):		18,349,796	93,579
Depreciation and amortization charges	7 & 8	137,372	10,777
Impairment and write-downs		104,211	(419)
Inventory impairment losses	10	2,363,060	-
Finance income		(134,413)	(419)
Finance costs	18.e	11,236,901	83,221
Borrowing costs capitalized in inventories	10	(996,603)	-
Other gains/(losses)		5,639,268	-
Other cash flows (used in)/from operating activities		(1,568,524)	419
Interest received		134,412	419
Interest paid		(1,702,936)	-
Changes in working capital:		(130,613,193)	(23,101,130)
Increase/(decrease) in inventories		(148,486,098)	(21,685,459)
Increase/(decrease) in trade receivables		(40,409,781)	(2,245,958)
Increase/(decrease) in trade payables		65,487,376	890,442
Increase/(decrease) in other current assets and liabilities		1,570,990	(27,545)
Increase/(decrease) in other non-current assets and liabilities		(8,775,680)	(32,610)
Net cash used in operating activities (1)		(159,793,942)	(25,393,993)
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments disposals		21,608,397	(407,623)
Intangible assets	7	(314,821)	(48,775)
Property, plant and equipment	8	(551,506)	(358,848)
Business unit		22,474,724	-
Net cash from/(used in) investing activities (2)		21,608,397	(407,623)
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments for equity instruments		217,214,940	9,883,143
Incorporation of the parent		-	2,645
New contributions secured from shareholders	13	217,214,940	9,369,243
Other transactions with external shareholders		-	511,255
Proceeds from and repayment of financial liabilities		79,579,040	29,745,500
New financing obtained from banks		69,410,269	1,531,875
New financing obtained from shareholders	14	9,396,797	28,213,625
Other borrowings		771,974	-
Net cash from financing activities (3)		296,793,980	39,628,643
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)		158,608,435	13,827,027
Cash and cash equivalents at beginning of year		13,827,027	-
Cash and cash equivalents, closing balance		172,435,462	13,827,027

(*) Corresponds to the period from the date of the Company's incorporation until December 31, 2016. The accompanying notes 1 to 23 are an integral part of the consolidated statement of cash flows for the year ended December 31, 2017.

Aedas Homes, S.A. and subsidiaries (formerly Aedas Homes Group, S.L.U. and subsidiaries)

Notes to the 2017 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 Parent was incorporated under the name of SPV Spain 19, S.L.U. as a result of the subscription and payment of 3,000 indivisible equity interests (*participaciones sociales*), numbered sequentially, with a unit par value of 1 euro. They were paid for in cash. Hipoteca 43 Lux, S.A.R.L. purchased 100% of these interests on July 5, 2016. The Company's name was changed to Aedas Homes Group, S.L.U. on July 18, 2016. It assumed its current name in the wake of the restructuring transaction outlined in note 1.1 below.

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

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

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

1.1 Corporate Restructuring Transaction

On May 23, 2017, pursuant to resolutions adopted by the then Sole Shareholder, the Parent (Transferee) merged with one of its subsidiaries, Aedas Homes (Transferor). The related merger deeds were formally registered on June 29, 2017 and the name and registered office of the Transferee were changed to those of the Transferor, so that the Company's name was changed from Aedas Homes Group to Aedas Homes.

The merger by absorption implied: (i) the dissolution and extinguishment of the Transferor; (ii) the *en bloc* transfer of all the latter's assets and liabilities to the Transferee, which has acquired all of its rights and obligations by universal succession. Note that the merger deeds were publicly notarized and registered with the Madrid Companies Register on June 29, 2017.

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

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

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:

- c) The acquisition, development and refurbishment of all manner of properties, whether for holding, use, disposal or lease.
- d) 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.

1.2 Business contribution

In 2017, the Parent's then Majority Shareholder continued to contribute its Spanish property development business, specifically contributing the entities through which it had been carrying out this business (note 6).

As stipulated in paragraph 2 thereof, IFRS 3 *Business combinations* does not apply to a combination of entities or businesses under common control. Paragraph 10 of IAS 8 *Accounting policies, changes in accounting estimates and errors* states that "In the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgment in developing and applying an accounting policy that results in information that is". The Company's directors have analyzed whether the contributions constitute a business and whether the transactions qualify as transactions involving entities under common control, all of which with the aim of accounting for them as a common control combination.

In terms of determining whether the contributions made by the then Majority Shareholder constitute a business, 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 changed as a result of the reorganization; moreover, the reorganization does not result in a change of control.

In reaching their conclusion as to whether the contributions constitute a business, the directors based their analysis on the contents of paragraphs 17 and 18 of *Basis for Conclusions on IFRS 3*. As for whether the transactions qualify as common control combinations, they based their analysis on the *IFRS 3 Appendix B - Application guidance appendix*, paragraph B1, which states that "A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory".

The Parent's directors concluded that the contributions did indeed constitute a real estate development business as well as a combination involving entities under common control, opting accordingly, in keeping with the terms of paragraph 10 of IAS 8 regarding the development of an appropriate accounting policy for transactions not specifically contemplated in IFRS-EU, to recognize the contributions at the amounts at which the assets and liabilities received were carried in the financial statements of the then Sole Shareholder rather than at the amounts at which the contributions were actually made. The difference arising between the amounts at which the contributions were made and the carrying amounts of the assets and liabilities received has been charged against "Voluntary reserves" (note 6).

The Parent's directors decided not to present the business contribution as if it had taken place in the earliest comparative reporting period as so doing would not have added meaningful information for the purposes of the consolidated 2017 financial statements.

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

	Euros		
	Amounts at which contributed	Carrying amounts in the books of the entities contributed (*)	Impact on voluntary reserves (note 6)
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, the Group recognized non-current borrowings from the then Sole Shareholder of 470,173,453 and 22,714,507 euros, respectively, and current borrowings of 4,845,163 and 257,657 euros, respectively; these borrowings were subsequently capitalized and contributed to the Company's equity (note 14).

At December 31, 2017, 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, 2017 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, 2017, before making the corresponding standardization adjustments, as appropriate, to their separate financial statements in order to adapt them for IFRS-EU reporting purposes. The figures disclosed in Appendix I were provided by the Group entities and their equity positions are those stated in their accounting records as of the reporting date.

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

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

The consolidated financial statements of the Group comprising Aedas Homes, S.A. and its subsidiaries for the year ended December 31, 2017 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, 2017 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, 2017 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, 2017.

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

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

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

The accounting standards used to prepare these consolidated financial statements are the same as those used to prepare the 2016 consolidated financial statements, as the European Union has not yet approved any of the amendments issued by the IASB that are applicable for the first time in annual periods beginning on or after January 1, 2017.

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

The Group intends to apply the standards, interpretations and amendments issued by the IASB whose application is not mandatory in the European Union as at the date of authorizing the accompanying consolidated financial statements for issue when they are effective, to the extent applicable to the Group. Although the Group is still in the process of analyzing their impact, based on the analysis performed to date, it estimates that their first-time application will not have a significant impact on its consolidated financial statements.

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, 2017 make occasional use of estimates made by the senior executives of the Group and of its consolidated companies, later ratified by their respective directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations recognized therein. Essentially, these estimates refer to:

- The market value of the Group's properties, determined on the basis of an assessment carried out by independent expert appraisers. Specifically, Savills Consultores Inmobiliarios, S.A. appraised the Group's portfolio of real estate assets as at December 31, 2017. The assets were appraised using the 'market value' assumption, in keeping with the Valuation - Professional Standards and Guidance notes published by Great Britain's Royal Institution of Chartered Surveyors (RICS) (note 4.3). The estimation of the net realizable value of the Group's inventories: the Group has assessed at the reporting date the realizable value of its inventories, understood as their estimated sale price less all of the estimated costs necessary to complete their construction (which methodology is described in note 4.3).

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

Although these estimates were made on the basis of the best information available at December 31, 2017 regarding the facts analyzed, future events could make it necessary to revise these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with IAS 8, recognizing the effects of the change in estimates in the related consolidated income statement.

e) Basis of consolidation

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

The universe of companies included in the consolidation scope in the years ended December 31, 2017 and 2016 is listed in Appendix I.

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

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

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

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

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

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

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

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

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

The Parent has notified all the companies in which it has ownership interests of 10% or more, directly or indirectly through subsidiaries, of this fact, in keeping with article 155 of Spain's Corporate

Enterprises Act. The list of non-Group companies that hold an equity interest in any of the fully-consolidated subsidiaries of 10% or more is provided in Appendix II.

f) First-time consolidation differences

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

The Group has not recognized any such goodwill or gains to date.

g) Comparative information

For comparative purposes, the information contained in the accompanying consolidated financial statements for the year ended December 31, 2017 is presented alongside the information at December 31, 2016 in respect of the consolidated balance sheet and for the 2016 reporting period (starting on the date of incorporation of the Parent) in respect of the consolidated income statement, consolidated statement of changes in equity and the consolidated statement of cash flows.

Any comparison with the information provided in these consolidated financial statements should also take into consideration the fact that the 2016 reporting period began on June 9, 2016. Further, any comparison should consider the changes in the Group's capital structure outlined in notes 1.1 and 1.2.

A summary of the significant accounting policies applied is provided in note 4.

3. Appropriation of profit/(loss)

The appropriation of loss proposed by the Parent's directors for the year ended December 31, 2017, pending ratification at the Annual General Meeting, is as follows:

	Euros
	2017
Basis of appropriation:	
Profit/(loss) for the year	(26,655,593)
Appropriation:	
To retained earnings (prior-year losses)	(26,655,593)

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, 2017:

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 or production cost and subsequently measured at cost less any accumulated amortization and impairment losses.

a) *Software*

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

4.2 Property, plant and equipment

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

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

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

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

The work that the Group performs on its own assets is recognized at cost, which is external costs plus internal costs, determined on the basis of in-house consumption of warehouse materials, direct labor costs incurred and general manufacturing costs allocated based on throughput rates similar to those used to value inventories.

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

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

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

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

Impairment of intangible assets and property, plant and equipment

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets for indications of impairment. If any such indication exists, the recoverable amount of

the asset is estimated in order to determine the extent of the impairment loss (if any). If the asset does not generate cash flows that are independent from those of other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

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

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

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

4.3 Inventories

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

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

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

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

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

The amount of capitalized borrowing costs stood at 996,603 euros at December 31, 2017; the balancing entry is recognized in profit and loss under "Borrowing costs capitalized in inventories" within "Net finance income/(cost)". These borrowing costs are associated with developments in progress (note 4.11).

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

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

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

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

The fair value of the Group's inventories is estimated based on appraisals performed by independent experts not related to the Group (Savills Consultores Inmobiliarios, S.A.). Those appraisals calculate fair

value primarily using the dynamic residual method for land and the discounted cash flow method for developments in progress and finished developments, in keeping with the Valuation and Appraisal Standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain, and the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC).

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

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

At December 31, 2017, the majority of 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. For assets subject to a sale option, the price of the option was used as the benchmark for impairment testing purposes as the directors believe this is the best evidence of the net realizable value of its inventories.

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 12.49% (12.61% at June 30, 2017). The decrease is attributable to the progress made on executing the works and off-plan sales percentages at December 31, 2017.

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 six 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. The average sale price assumed was 2,635 euros per square meter.

- As a general rule, it has been assumed that it takes between 33 and 39 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.

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 recognized initially at their acquisition cost, including transaction costs.

The financial assets held by the Group companies are classified as follows:

- 1 Held-to-maturity financial assets: those with fixed or determinable payments and fixed maturity. The Group must have the positive intention and ability to hold these assets to maturity. This category does not include loans or trade receivables originated by the Group.
2. Loans and receivables originated by the Group: financial assets originated by Group companies in exchange for supplying cash, goods or services directly to a debtor. They are measured at amortized cost.

Held-to-maturity financial assets and loans and receivables are measured at amortized cost.

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 whether there is objective evidence that the Group's financial assets may be impaired.

4.6.2 Financial liabilities and equity

Financial liabilities and equity instruments are classified in accordance with the substance of the contractual arrangement. 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 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

All of the shares of the Parent owned by the consolidated companies are presented as a deduction from equity. None of the Group's subsidiaries or associates held own shares at either December 31, 2017 or December 31, 2016.

4.8 Provisions and contingent liabilities

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

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

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

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

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

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

There were no contingent liabilities, contingent assets or penalties for delays in delivering houses at either reporting date.

Provision for warranties

Provisions for warranty costs, particularly after-sales expenses, other costs and the ten-year guarantee required under article 19 of Spanish Law 38/1999 on Building Ordinance, are recognized at the date of sale of the relevant products, in line with the best estimate of the expenditure required to settle the Group's potential liability, based on experience.

At year-end 2017, the Group did not have to recognize any provisions for warranties due to the still-early stage of completion of its housing developments under construction.

4.9 Income tax

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

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

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

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

However:

1. Deferred tax assets are only recognized to the extent that it is probable that the consolidated entities will generate sufficient taxable profit in the future against which these assets can be utilized, factoring in the outlook for the sector as a constraining factor such that such assets are only capitalized once the recovery of the relevant segments (residential) of the real estate market is deemed to have gained sufficient traction.
2. Under no circumstances are deferred taxes recognized in connection with goodwill arising in a business combination.

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

4.10 Revenue and expenses

Revenue and expenses are recognized on an accrual basis. Specifically, revenue is measured at the fair value of the consideration received or receivable in exchange for the goods delivered and services rendered in the ordinary course of the Group's activities, less discounts, value added tax and other sales taxes.

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.

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

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

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

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

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

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

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

4.11 Borrowing costs

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

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

4.12 Operating profit/(loss)

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

4.13 Termination benefits

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

No provision has been recognized in the accompanying consolidated financial statements in this connection at either December 31, 2017 or December 31, 2016 as no workforce restructuring is currently contemplated.

4.14 Director and key management personnel remuneration

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

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

4.15 Environmental assets and liabilities

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

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

4.16 Related-party transactions

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

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

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

4.17 Distinction between current and non-current

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

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

Notwithstanding the above, 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, 2017	Dec. 31, 2016
Inventories (long production cycle)	822,275,465	31,720,592
Inventories (short production cycle)	48,317,794	-
Total current assets	1,114,816,591	47,821,121
Borrowings secured to finance inventories (long cycle) – note 14	36,236,992	8,834,522
Total current liabilities	191,587,683	12,578,405

4.18 Business combinations

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

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

The cost of a business combination is the aggregate of:

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

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

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

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

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

4.19 Share-based payments

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

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

4.20 Segment information

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

5. Earnings/(loss) per share

a) *Basic earnings/(loss) per share*

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

Accordingly:

	Euros	
	2017	2016
Profit/(loss) for the period attributable to equity holders of the parent	(40,078,380)	(2,369,805)
Number of shares outstanding (note 13)	47,966,587	3,000
Basic earnings/(loss) per share	(0.84)	(790)

b) Diluted earnings/(loss) per share

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

The Parent did not have any dilutive equity instruments at either December 31, 2017 or December 31, 2016.

6. Changes in the Group's composition

Over the course of 2017, the Majority Shareholder contributed its Spanish real estate development business to the Company. More specifically, it made the following contributions:

- On March 30, 2017, the Majority Shareholder made a non-monetary equity injection into the Parent in the amount of 314,032,037 euros, a transaction that materialized in the creation of 31,403,231 shares with a unit par value of one euro and an increase in the share premium account of 282,629,106 euros. That contribution primarily implied the first-time recognition of inventories with a net carrying amount of 596,293,156 euros (stated at the Group's ownership interest therein) which were mainly financed by a loan extended by the Majority Shareholder in the amount of 475,018,616 euros (note 1.2). The companies added to the consolidation scope as a result of this contribution:
 - o ESPEBE 12, S.L.U.
 - o ESPEBE 14, S.L.U.
 - o ESPEBE 16, S.L.U.
 - o ESPEBE 17, S.L.U.
 - o ESPEBE 18, S.L.U.
 - o ESPEBE 20, S.L.U.
 - o ESPEBE 22, S.L.U.
 - o ESPEBE 23, S.L.U.
 - o ESPEBE 25, S.L.U.
 - o SPV SPAIN 7, S.L.U.
 - o SPV SPAIN 17, S.L.U.
 - o ESPEBE 26, S.L.U.
 - o ESPEBE 27, S.L.U.
 - o ESPEBE 29, S.L.U.
 - o ESPEBE 28, S.L.U.
 - o ESPEBE 32, S.L.U.
 - o ESPEBE 34, S.L.U.
 - o ESPEBE 7, S.L.U.
 - o ESPEBE 35, S.L.U.
 - o ESPEBE 15, S.L.U.
 - o SPV SPAIN 16, S.L.U.
 - o SPV SPAIN PROJECT 1, S.L.U.
 - o DAMALANA SERVICIOS Y GESTIONES, S.L.U. Y
 - o MILEN INVESTMENT, S.L.U.
 - o CORNETALA SERVICIOS Y GESTIONES, S.L.U. Y
 - o SPV SPAIN 2 S.L. (the Group has a 65% interest in this entity)

- On June 29, 2017, the Majority Shareholder made a non-monetary equity injection into the Parent in the amount of 23,140,283 euros, a transaction that materialized in the creation of 2,314,028 shares with a unit par value of one euro and an increase in the share premium account of 20,826,255 euros. That contribution primarily implied the first-time recognition of inventories with a net carrying amount of 43,691,035 euros (stated at the Group's ownership interest therein) which were financed by a loan extended by the Majority Shareholder in the amount of 22,972,164 euros (note 1.2). The companies added to the consolidation scope as a result of this contribution:
 - o ESPEBE 31, S.L.
 - o DELANETO SERVICIOS Y GESTIONES, S.L.
 - o ESPEBE 11 S.L. (the Group has an 80% interest in this entity)
 - o ESPEBE 21, S.L.
 - o FACORNATA SERVICIOS Y GESTIONES, S.L. (the Group has a 94.68% interest in this entity)

- On August 16, 2017, the Majority Shareholder made a non-monetary equity injection into the Parent in the amount of 110,867,709 euros, a transaction that materialized in the creation of 11,086,771 shares with a unit par value of one euro and an increase in the share premium account of 99,780,938 euros. That contribution primarily implied the first-time recognition of inventories with a net carrying amount of 49,687,116 euros (the balancing entry for that contribution consisted of

the transfer of 95% of the shares of Danta Investment S.L.U. and a credit claim against FAB related to a loan that was cancelled on August 21, 2017). FAB MAY was subsequently liquidated on September 15, 2017, all of its liabilities were cancelled and 100% of its assets were allocated to Danta Investments, S.L.U. In a single act, Danta Investments, S.L.U. paid SAREB (the acronym in Spanish for the management company for assets arising from bank restructuring, more popularly known as the bad bank) consideration totaling 4,800,000 euros plus VAT. The company that was added to the scope of consolidation as a result:

- o DANTA INVESTMENT, S.L.U.
- The difference between the amount at which the businesses were contributed and the amount at which the related net assets were carried in the books of the entities contributed gave rise to a difference of 310,930,826 euros that has been recognized against parent company reserves in the accompanying consolidated financial statements.

No contingent liabilities have been identified in respect of the above-listed contributions.

Appendix I provides details about the Group's subsidiaries and their salient information (including their names, domiciles and the Parent's direct and indirect shareholdings).

Appendix III provides the aggregated balance sheets of the companies contributed by the Majority Shareholder (note 1.2).

7. Intangible assets

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

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

	Euros	
	Software	Total
Cost:		
Balance at June 9, 2016	-	-
Additions	48,775	48,775
Derecognitions	-	-
Balance at December 31, 2016	48,775	48,775
Accumulated amortization:		
Balance at June 9, 2016	-	-
Charges	-	-
Derecognitions	-	-
Carrying amount at Dec. 31, 2016	48,775	48,775

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

No items of intangible assets had been pledged as collateral at either December 31, 2017 or December 31, 2016.

Nor were any intangible assets fully amortized and still in use at either reporting date. Lastly, none of the Group's intangible assets had an indefinite useful life at December 31, 2017 or 2016.

The Group recognized an intangible asset amortization charge of 47,777 euros in 2017.

8. Property, plant and equipment

The reconciliation of the movements under this heading during the year ended December 31, 2017 and 2016:

	Euros						
	Buildings	Other plant	Furniture & fittings	Computer equipment	Other items of PP&E	Prepayments for PP&E	Total
Cost:							
Balance at January 1, 2017	133,308	28,391	93,166	101,613	972	1,398	358,848
Additions	60,490	10,039	50,753	238,348	48,964	142,911	551,776
Derecognitions	(112,725)	-	-	-	-	-	(112,996)
Balance at December 31, 2017	81,072	38,430	143,919	339,961	49,936	144,309	797,628
Accumulated depreciation:							
Balance at January 1, 2017	(4,219)	(964)	(3,068)	(2,494)	(32)	-	(10,777)
Charges	(13,176)	(6,666)	(11,948)	(53,562)	(4,242)	-	(89,595)
Derecognitions	8,515	-	-	-	-	-	8,785
Total accumulated depreciation	(8,880)	(7,630)	(15,016)	(56,056)	(4,274)	-	(91,587)
Carrying amount at Dec. 31, 2017	72,192	30,800	128,903	283,905	45,662	144,309	705,771

	Euros						
	Buildings	Other plant	Furniture & fittings	Computer equipment	Other items of PP&E	Prepayments for PP&E	Total
Cost:							
Balance at June 9, 2016	-	-	-	-	-	-	-
Additions	133,308	28,391	93,166	101,613	972	1,398	358,848
Balance at December 31, 2016	133,308	28,391	93,166	101,613	972	1,398	358,848
Accumulated depreciation:							
Balance at June 9, 2016	-	-	-	-	-	-	-
Charges	(4,219)	(964)	(3,068)	(2,494)	(32)	-	(10,777)
Carrying amount at Dec. 31, 2016	129,090	27,427	90,098	99,119	939	1,398	348,071

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

The balances derecognized in the amount of 104,211 euros correspond to the impairment charges recognized by the Parent's directors against the Group's former office headquarters.

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

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, 2017 or 2016.

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

The Group recognized asset depreciation of 89,595 euros in 2017.

9. Current and non-current financial assets and liabilities

The breakdown of the Group's financial assets and liabilities at December 31, 2017 and 2016 is provided in the table below:

	Euros			
	Dec. 31, 2017		Dec. 31, 2016	
	Non-current	Current	Non-current	Current
Guarantees and deposits extended	578,782	-	31,938	-
Trade and other receivables (note 11)	-	52,592,622	-	2,245,958
Current financial assets	-	5,996,527	-	-
Current provisions	-	(367,913)	-	-
Borrowings from related parties (note 14)	-	(8,309,370)	(28,213,625)	-
Current borrowings (note 14)	(137,326)	(500)	-	(2,815,889)
Bank borrowings classified as current due in the long term (note 14)	-	(61,536,139)	-	(8,834,522)
Trade and other payables (note 15)	-	(121,373,761)	-	(927,995)
Total	441,456	(132,998,535)	(28,181,687)	(10,332,448)

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

10. Inventories

The breakdown of the Group's inventories at December 31, 2017 and December 31, 2016 is as follows:

	Euros	
	Dec. 31, 2017	Dec. 31, 2016
Land and sites	694,199,047	21,392,051
Developments in progress (*)	167,957,642	100,000
Completed buildings	8,436,570	-
Prepayments to suppliers	10,075,910	10,228,541
Total	880,669,169	31,720,592

(*) At December 31, 2017, "Developments in progress" includes the cost of the land on which the developments are being carried out in the amount of 117,335,239 thousand euros.

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

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

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

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

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

- On January 11, 2017, SPV Reoco 17, S.L., an Aedas Group company, agreed to buy some land for 17,250,000 euros plus VAT of 3,622,500 euros. The payment was structured into an initial payment of 9,000,000 plus all of the VAT due on the purchase, i.e., 12,622,500 euros in total, and a second payment of 8,250,000 euros, payable by the buyer 18 months from the acquisition date.
- On April 27, 2017, SPV Spain 7, S.L., an Aedas Group company, acquired some land for 10,349,400 euros plus VAT of 2,173,374 euros. That purchase will be paid for as follows:
 - o The sum of 4,234,254 euros, equivalent to 20% of the purchase price plus the entire VAT balance associated with the transaction, has been paid for in cash.
 - o A first deferred payment of 4,139,760 euros, equivalent to 40% of the purchase price, is due 12 months from the purchase date.
 - o A second deferred payment of 4,139,760 euros, equivalent to the remainder of the purchase price, is due 24 months from the purchase date.
- On May 16, 2017, SPV Reoco 2, S.L., an Aedas Group company, agreed to buy some land for 13,100,000 euros plus VAT of 2,751,000 euros. The buyer paid 7,205,000 euros plus all of the VAT due on the transaction (for a total sum of 9,956,000 euros) upon purchase. The acquisition price had been settled in full at December 31, 2017.
- On May 16, 2017, SPV Reoco 2, S.L., an Aedas Group company, agreed to buy some land for 9,367,285 euros. The buyer paid for this land in full upon purchase.
- On May 16, 2017, SPV Reoco 2, S.L., an Aedas Group company, agreed to buy some land for 18,549,123 euros. The buyer paid 9,350,000 euros upfront in order to partially cancel the related financing agreements; the sum of 7,650,000 euros is payable by means of partial assumption of those financing agreements; and the remaining 1,549,123 euros is payable in cash.
- On July 5, 2017, ESPEBE 23, S.L.U., an AEDAS Group company, closed the sale of some land for 8,967,000 euros plus VAT of 1,883,070 euros, of which 542,503.50 had been collected upfront on October 6, 2016. The rest of the agreed price, 10,307,566.50 euros, was paid when the deeds were exchanged.
- On August 3, 2017, Delaneto Servicios y Gestiones, S.L.U., an AEDAS Group company, closed the sale of some land for 16,000,000 euros plus VAT of 3,360,000 euros, of which 1,936,000 euros had been collected upfront on August 3, 2016. The rest of the agreed price, 17,424,000 euros, was collected at the close.

- On August 23, 2017, SPV Reoco 26, S.L., an Aedas Group company, agreed to buy some land for 8,732,185 euros plus VAT of 1,833,758.85 euros. The buyer paid for this land in full upon purchase.
- On September 21, 2017, ESPEBE 22, S.L., an Aedas Group company, agreed to buy some land for 21,981,000 euros plus VAT of 4,616,010 euros, paying 20,002,710 euros on that date. The remaining 6,594,300 euros is due before September 25, 2018.
- On December 21, 2017, ESPEBE 16, S.L.U., an AEDAS Group company, closed the sale of some land for 6,456,100 euros plus VAT of 1,355,781 euros, of which 781,188.10 euros had been collected upfront on December 21, 2016. The rest of the agreed price, 7,030,692.90 euros, was paid by the buyer at the close.
- On December 29, 2017, SPV SPAIN PROJECT 1, S.L.U., an Aedas Group company, agreed to buy some land for 8,353,000 euros plus VAT of 1,754,130 euros, paying for it at the close.

The amount pending payment for the sites contributed to the Group and/or acquired in 2017 stood at 53,547,945 euros at December 31, 2017 (note 15).

The additions recognized in FY16 corresponded to the following acquisitions:

- On September 14, 2016, an Aedas Group company agreed to buy some land for 5,100,000 euros plus VAT of 1,071,000 euros, free of liens and encumbrances.
- On December 1, 2016, an Aedas Group company agreed to buy a number of estates for 13,200,000 euros, 3,164,867 euros of which was paid upfront by means of the assumption of a bank loan. The estates purchased are all free of liens and encumbrances except for the 10,035,133 euro mortgage taken over (note 14). As a result of its assumption of the above-mentioned mortgage, the Aedas Group company in question committed to deposit 220,000 euros at the lender bank to secure payment of the corresponding interest.
- On December 22, 2016, the Group sold PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L. 600 shares representing a 20% interest in the company that holds the land described in the next paragraph (SPV REOCO 15, S.L.U.) for the price of 600 euros, so that at December 31, 2016, the Aedas Group owned 80% of this subsidiary (note 13.f). On that same date, the above-mentioned minority shareholder contributed 510,625 euros to the said subsidiary.
- On December 22, 2016, the Aedas Group acquired some land in Spain's *Costa del Sol* for which it paid an initial sum of 10,000,000 euros, an amount that is repayable to the Company, at its behest, in the event that the land to be bought does not meet the terms negotiated between the parties by December 31, 2020. To secure performance of the obligations in respect of the land subject to the purchase agreement between the parties, the seller extended the Aedas Group a mortgage guarantee. At the reporting date, that balance continued to be recognized under "Prepayments to suppliers" and there are no indications of impairment.
- On December 22, 2016, SPV REOCO 14, S.L.U., an Aedas Group company, agreed to buy some land for 2,950,000 euros plus VAT of 619,500 euros. At the time of the acquisition, that land presented an encumbrance of 636,432 euros.

In 2017, the Group capitalized 996,603 euros of borrowing costs in inventories (note 4.3). The average cost of the borrowings capitalized was approximately 2.23%.

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

	Euros	
	Dec 31, 2017	Dec 31, 2016
Madrid	310,053,004	2,387
Catalonia	124,726,718	200
Costa del Sol	204,733,212	-
Rest of Andalusia	59,044,552	18,538,868
Balearic Islands and Spanish east coast	172,035,772	2,950,596
Total	870,593,258	21,492,051

No inventories were derecognized or transferred in 2017 other than the inventories sold in the amount of 38,558,157 euros (note 18.a), triggering the derecognition of inventories carried at 23,409,654 euros.

At December 31, 2017, the Group had not contractually committed to the purchase of plots of land of material amount other than those already committed to at December 31, 2016.

At December 31, 2016, it was contractually committed to the purchase of plots for 13,200 thousand euros (the Group was not contractually committed to selling any plots at either reporting date).

Other the total recognized under "Trade and other accounts payable - Customer prepayments" within current liabilities on the consolidated balance sheet at December 31, 2017, the sum of 2,097,400 euros corresponded to options to sell land and 31,031,577 euros to down payments from customers for house unit reservations and private house contracts.

The carrying amount of the assets subject to a land sale option amounts to 4,890,306 euros, while that of assets subject to a sale option amounts to 6,893,500 euros. The above options are exercisable at the Company's choice. The above sales options do not indicate that any of the Group inventories' net realizable values are less than their carrying amount.

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

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

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

The net realizable value assigned by Savills Consultoría Inmobiliaria, S.A. to the portfolio of inventories (without considering supplier prepayments of 10,075,910 euros or assets subject to a sale option carried at 4,890,306 euros, as the directors have assumed there is no indication that these assets are impaired), considering the Group's ownership interest therein, stood at 1,436 million euros at December 31, 2017 (1,468 million euros assuming a 100% interest). In light of the appraiser methodology described in note 4.3, the key valuation hypotheses are the discount rate and sales prices modeled. As a result of the above, the Group recognized an impairment charge of 2,363,060 euros at December 31, 2017 (nil at December 31, 2016).

The inventory impairment charge breaks down as follows by region:

	Euros	
	Dec 31, 2017	Dec. 31, 2016
Madrid	(1,552,259)	-
Catalonia	(278,697)	-
Costa del Sol	(532,104)	-
Rest of Andalusia	-	-
Balearic Islands and Spanish east coast	-	-
Total	(2,363,060)	-

The breakdown of the inventory impairment charge by inventory category:

	Euros	
	Dec 31, 2017	Dec. 31, 2016
Land and sites	(1,830,956)	-
Developments in progress	-	-
Completed buildings	(532,104)	-
Total	(2,363,060)	-

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 modeling variations of +/-1%, +/-5% and +/-10%, even though they believe it is unlikely that sales prices will differ by 10% (in either direction) with respect to the prices used for valuation purposes.

The sensitivity analysis was run keeping all other variables constant.

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

Assumption	Thousands of euros	
	Discount rate	
	+1%	-1%
	Increase/(decrease)	
Change in carrying amount (*)	(1,847)	757

Assumption	Thousands of euros					
	Sale price					
	-1%	+1%	-5%	+5%	-10%	+10%
	Increase/(decrease)					
Change in carrying amount (*)	(756)	483	(5,990)	807	(24,495)	855

(*) 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 41 million euros, while a 100 basis point increase would decrease it by 40 million euros.
- A 1% decrease in sales prices would decrease the expert's valuation by 28 million euros, while a 1% increase would increase it by 28 million euros.
- A 5% decrease in sales prices would decrease the expert's valuation by 138 million euros, while a 5% increase would increase it by 138 million euros.
- A 10% decrease in sales prices would decrease the expert's valuation by 276 million euros, while a 10% increase would increase it by 275 million euros.

11. Trade and other receivables

"Trade and other receivables" broke down as follows at year-end 2017 and 2016:

	Euros	
	Dec. 31, 2017	Dec. 31, 2016
Trade receivables	5,963,497	22,914
Sundry receivables	8,774,024	-
Current tax asset (note 16.b)	353,721	-
Taxes payable (note 16.b)	37,501,380	2,223,044
Total	52,592,622	2,245,958

The Group regularly analyzes its credit risk in respect of its accounts receivable, updating the corresponding provision for impairment accordingly. The Parent's directors believe that the carrying amounts of the Group's trade and other receivables approximate their fair value. The balance of 5,963,497 euros of trade bills recognized under "Trade receivables" includes a balance in respect of customer remittances not due until 2019 in the amount of 1,464,374 euros.

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

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

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, 2017	Dec. 31, 2016
Demand deposits in current accounts	172,435,462	13,827,027
Total	172,435,462	13,827,027

The amount pledged to secure mortgage loans amounted to 71,683 euros at December 31, 2017 (year-end 2016: 301,540 euros). For guarantees delivered to customers amounted to 1,648,526 euros (year-end 2016: 0 euros).

There were no restrictions on the use of the Group's cash at December 31, 2017 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 14,794,184 euros at year-end 2017 (zero at year-end 2016). The amount of cash that was restricted at year-end 2017 accordingly totaled 14,865,867 euros (301,540 euros at year-end 2016).

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 which were subscribed and paid for by Structured Finance Management (Spain), S.L.

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

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

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

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

On October 19, 2017, the Company completed its initial public offering, raising 99,999,979.05 euros (via the issuance of 3,159,557 shares with a unit par value of one euro, with the remainder allocated to the share premium account).

At December 31, 2017, the Parent's share capital accordingly consisted of 47,966,587 shares (December 31, 2016: 3,000 equity interests), with a par value of one euro each. The shares are fully subscribed and paid in.

None of the Company's shares was pledged at either December 31, 2017 or December 31, 2016.

b) Legal reserve

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

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

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

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

c) Share premium

The movements in the share premium account are as follows:

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

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

d) Distribution of dividends

No dividends were paid out in 2017. However, there were no restrictions on the payment of dividends at December 31, 2017.

e) Owner contributions

On July 29, 2016, the Company's Majority Shareholder decided to contribute all of the credit claims it held over the Parent by virtue of a 3,000 euro loan extended to it. The purpose of the contribution was to convert the loan granted by the Majority Shareholder on July 20, 2016 to finance the acquisition of 3,000 equity interests of Aedas Homes, S.A., which represented 100% of the latter's share capital, into equity. As a result, the loan was extinguished in the amount contributed to the Company's equity, as the Company then held the related creditor and debtor rights.

Subsequently, between September 13 and December 29, 2016, the Majority Shareholder, Hipoteca 43 Lux, S.A.R.L., injected equity into the Parent in the form of cash on several occasions (totaling 8,837,875 euros) to fund the Company's business activities. Specifically:

On December 29, 2016, the Majority Shareholder resolved to capitalize certain loans totaling 7,000 euros, which had been deposited at the Company by means of two bank wires, one on July 19, 2016 in the amount of 5,000 euros, and the other on August 1, 2016 in the amount of 2,000 euros. Note that this contribution qualified as a contribution by the then Sole Shareholder to the Company's equity. The purpose of the contribution was to finance the acquisition by the Company of 3,000 equity interests in SPV REOCO 1, S.L.U. and the associated transaction costs as well as to cover the expenses deriving from the acquisition of another 3,000 equity interests of Aedas Homes.

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

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

- On May 9, 2017, it contributed 8,085,000 euros in cash.
- On May 21, 2017, it contributed 1,400,000 euros in cash.
- On June 22, 2017, it contributed 635,000 euros in cash.
-

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

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

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

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

f) 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 during year ended December 31, 2017:

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

The increase in this heading in 2017 was driven mainly by the addition to the consolidation scope of certain companies as part of the contributions made by the then Sole Shareholder (notes 1.2 & 6).

The reconciliation of the opening and closing balances of non-controlling interests in 2016:

	Euros			
	June 9, 2016	Profit/(loss) attributable to non-controlling interests	Other changes	Dec 31, 2016
SPV REOCO 15, S.L.U. (note 10)	-	(3,945)	511,225	507,280
Total	-	(3,945)	511,225	507,280

14. Borrowings and other financial liabilities

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

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

The Group had the following borrowings at December 31, 2016:

	Euros				
	Dec 31, 2016				
	Limit	Current liabilities		Non-current	Total
Due in the long term		Due in the short term			
Mortgage loans secured by inventories	10,035,133	7,219,244	2,815,889	-	10,035,133
Shareholder Master Credit Facility Agreement	100,000,000	-	-	28,213,625	28,213,625
Shareholder Loan Agreement with External Shareholder (SPV Reoco 15)	1,531,875	1,531,875	-	-	1,531,875
Interest accrued but not due	-	83,403	-	-	83,403
Total	111,567,008	8,834,522	2,815,889	28,213,625	39,864,036

Loans from the Majority Shareholder

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

- A Shareholder Master Facility Agreement with a limit of 100 million euros recognized in the amount of 98.9 million euros at the contribution date (principal drawn down of 97.6 million euros and 1.2 million euros of accrued interest).
- Borrowings from the Majority Shareholder in the context of the restructuring effort which resulted in the contribution to the Company of certain subsidiaries and credit claims against them. Those transfers were set down in the Loan Transfer Agreements entered into by and between the Company and Hipoteca 43, Lux. S.à r.l. on March 30, 2017 and June 29, 2017 in an amount on the date of capitalization of 505.8 million euros (492.8 million of principal and 12.9 million of accrued interest).
- The deferred portion of the price corresponding to the transfer made by Hipoteca 43, Lux. S.à r.l. to the Company under the Credit Claim Transfer Agreement entered into by them on October 2, 2017 and corresponding to the deferred portion of an investment agreement entered into by Hipoteca 45 Lux S.à r.l. and Espebe 31, S.L. on September 21, 2017, in the amount of 8.7 million euros.
- The 10 million euro intragroup loan extended by Hipoteca 43, Lux. S.à r.l. by means of a bank transfer on September 18, 2017 carrying interest at 1-month Euribor plus 3.5%.

Loans from non-controlling shareholders

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

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

- On September 30, 2016, Group subsidiary FACORNATA SERVICIOS Y GESTIONES, S.L. borrowed 657,895 euros from its non-controlling shareholder, OPTIMIZA ASSET MANAGEMENT, S.L.; the loan is due March 31, 2018. The amount drawn under that loan at December 31, 2017 amounted to 285,743 euros. This facility carries interest at an annual rate of Euribor plus 3.5%.
- On December 30, 2015, Group subsidiary SPV Spain 2, S.L. borrowed 1,924,615 euros from its non-controlling shareholder, Promociones y Propiedades Inmobiliarias Espacio, S.L.U.; the loan is due December 31, 2019. The amount drawn under that loan at December 31, 2017

amounted to 1,692,376 euros. This facility carries interest at an annual rate of Euribor plus 3.5%.

- On March 2, 2016, Group subsidiary SPV Spain 2, S.L. borrowed 2,694,033 euros from its non-controlling shareholder, Bigchange Gestión, S.L.; the loan is due December 30, 2019. The amount drawn under that loan at December 31, 2017 amounted to 3,006,172 euros. This facility carries interest at an annual rate of Euribor plus 3.5%.
- Group subsidiary Espebe 11, S.L. had the following loans at year-end 2017:
 - o On August 7, 2015, it borrowed 984,073 euros for a 48-month term from its non-controlling shareholder, Promociones y Propiedades Inmobiliarias Espacio, S.L.U. This facility carries interest at an annual rate of Euribor plus 3.5%.
 - o On September 14, 2016, it borrowed 175,000 euros for a term of 48 months. This facility carries interest at an annual rate of Euribor plus 3.5%.
 - o On October 18, 2016, it borrowed 40,000 euros for a term of 48 months. This facility carries interest at an annual rate of Euribor plus 3.5%.
 - o On February 29, 2016, it borrowed 240,000 euros for a term of 48 months. This facility carries interest at an annual rate of Euribor plus 3.5%.
 - o On March 21, 2016, it borrowed 50,000 euros for a term of 48 months. This facility carries interest at an annual rate of Euribor plus 3.5%.

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

Developer loans

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

Loans taken on to purchase land

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

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

- On February 23, 2016, Group subsidiary SPV Spain 7, S.L.U. acquired a plot of land which it financed by assuming the mortgage which the seller had taken out over the site. That mortgage amounts to 11,500,000 euros and falls due on February 23, 2018.
- On August 31, 2016, Group subsidiary SPV Spain 17, S.L.U. acquired a plot of land which it financed by assuming the mortgage which the seller had taken out over the site. That mortgage amounts to 14,000,000 euros and falls due in full on August 23, 2018. It carries interest at 12-month Euribor plus a spread of 3.25%.

- On December 1, 2016, Group subsidiary SPV Reoco 5, S.L.U. acquired a series of plot of land on which fell a loan which was subrogated to the society. The amount of the loan amounted to 10,035,133 euros, of which 2,800,000 euros were matured on October 28, 2017, leaving a capital pending to amortization at December 31, 2017 of 7,235,133 euros.

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

Loans classified as current due in the long term

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

Year	Euros	
	Non-current	
	Dec. 31, 2017	Dec. 31, 2016
2019	6,992,567	7,219,244
2020	961,844	-
2021	982,443	1,531,875
2022 and beyond	27,300,138	28,297,028
	36,236,992	37,048,147

15. Trade and other payables

The next table provides the breakdown of this heading at year-end 2017 and 2016:

	Euros	
	Dec 31, 2017	Dec 31, 2016
Trade and other payables	64,237,741	-
Trade payables, group companies and associates	88,716	-
Payable for services received	5,696,255	558,465
Employee benefits payable	1,500,600	-
Current tax liabilities (note 16)	3,007,741	-
Other payables to public authorities (note 16)	13,713,730	369,530
Customer advances (note 10)	33,128,977	-
Total	121,373,760	927,995

The increase in "Trade and other payables" and "Payable for services received" is due to the first-time consolidation of the companies contributed by the Majority Shareholder in the course of 2017.

The largest item within "Trade and other payables" relates to mainly payments due for the land contributed and/or acquired during the reporting period in the amount of 53,547,945 euros (note 10).

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

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

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

	2017	2016
	Days	Days
Average supplier payment term	30.51	19.47
Paid transactions ratio	28.95	15.32
Outstanding transactions ratio	36.92	34.78
	Euros	Euros
Total payments made	6,523,180	1,807,256
Total payments outstanding	1,589,096	489,460

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

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

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

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

16. Taxes payable and receivable and tax matters

a) Applicable legislation and years open to inspection

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period has elapsed. At December 31, 2017, the Parent and other Group companies had all their tax returns open to inspection as the authorities have no time limit for checking and investigating the tax credits and tax losses used in the returns open to inspection.

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

b) Taxes payable and receivable

The breakdown of taxes payable to and receivable from the tax authorities is as follows:	Euros			
	2017		2016	
	Current	Non-current	Current	Non-current
Taxes payable:				
VAT payable	(2,052,299)	-	(157,871)	-
Payable in respect of withholdings	(10,558,942)	-	(129,846)	-
Corporate tax payable	(957,856)	-	(37,553)	-
Tax refunds payable to the tax authorities	-	-	-	-
Social security contributions payable	(144,633)	-	(44,260)	-
Taxes payable (note 15)	(13,713,730)	-	(369,530)	-
Taxes receivable:				
Tax refunds receivable from the tax authorities - VAT	36,668,651	-	2,223,024	-
Social security contributions receivable	800,000	-	-	-
Tax refunds receivable from the tax authorities	32,532	-	-	-
Withholdings and interim payments receivable	197	-	20	-
Taxes receivable (note 11)	37,501,380	-	2,223,044	-
Deferred tax assets	-	12,602,937	-	51,488
Deferred tax liabilities	-	-	-	-
Net deferred tax assets	23,787,650	12,602,937	1,853,514	51,488

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

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

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

	Euros	
	2017	2016
Profit/(loss) before tax	(45,962,021)	(2,386,861)
Permanent differences	27,896,356	2,331,120
Temporary differences	-	3,296
Taxable income/(tax loss) before utilization of tax losses/credits	(18,065,665)	(52,445)
Unrecognized tax credits utilized	-	-
Taxable income/(tax loss)	(18,065,665)	(52,445)
Tax rate	25%	25%
Tax accrued (expense)	4,516,416	13,111
Tax credits generated during the reporting period not recognized	1,122,852	-
Restatement due to change in tax rate	-	-
Current income tax (expense)/income (*)	(*) (3,085,819)	(*) (37,553)
Deferred tax (expense)/income	8,725,088	50,664

(*) The Group does not file its taxes under the consolidated tax regime. The current tax expense corresponds to the generation of taxable income by the Group subsidiaries.

d) Unrecognized deferred taxes

The breakdown of tax losses not recognized as tax assets at December 31, 2017:

	Euros
	Dec. 31, 2017
AEDAS HOMES S.A.	-
Other Group companies	21,749,600
TOTAL	21,749,600

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

e) Deferred taxes

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

	Euros
	Dec. 31, 2017
AEDAS HOMES S.A.	929,228
Other Group companies	11,673,709
TOTAL	12,602,937

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

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

The movement in recognized tax assets with respect to December 31, 2016 relates to (i) the recognition of tax assets based on the recoverability analysis conducted by the Group; and (ii) the contributions made by the Majority Shareholder (note 1.2).

At December 31, 2017, the Board of Directors resolved to avail of the consolidated tax regime (contemplated in article 55 *et seq.* of the Spanish Corporate Income Tax - Law 27/2014) in 2018 and thereafter, Aedas Homes, S.A. being the parent of the tax group.

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

- The projections drawn up by the Company for 2017-2023; and
- The appraisal of its inventories provided by Savills which indicates a gross asset value (GAV) of 1,436 million euros (1,468 million euros assuming a 100% ownership interest).

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

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

The balance of sureties extended to customers to guarantee their down payments stood at 24,211,961 euros. The total limit on surety lines extended stood at 84,942,760 euros at December 31, 2017 (zero at December 31, 2016). In addition, surety bonds have been created for the same reason, the amount of which as of December 31, 2017 amounted to 3,508,800 euros (0 euros as of December 31, 2016). The total limit of the insurance line formalized is 11,370,000 euros as of December 31, 2017 (0 euros as of December 31, 2016).

Performance bonds amounted to 2,727,363 euros at the reporting date.

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

18. Income and expenses

a) Revenue

The breakdown of revenue in 2017 and the reporting period ended December 31, 2016 is provided below:

	Euros	
	2017	2016
By business segment		
Land sales	37,349,157	-
Development sales	1,209,000	-
Services rendered	136,148	15,017
Total	38,694,305	15,017

In 2017, the Group companies sold land for 37 million euros. The most significant sales were the following:

- On August 3, 2017, Group subsidiary Delaneto Servicios y Gestiones, S.L.U. sold an estate for 16 million euros.
- On July 5, 2017, Group subsidiary Espebe 23, S.L. sold an estate for 9 million euros.
- On December 21, 2017, Group subsidiary Espebe 16, S.L. sold an estate for 6 million euros.
- And on December 20, 2017, Group subsidiary SPV Spain 16 sold an estate for 5 million euros.

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 year ended December 31, 2017 and the reporting period ended December 31, 2016 is shown below:

	Euros	
	Group total	
	2017	2016
Purchase of goods for resale	(27,370,234)	-
Change in inventories	3,960,581	-
Reversal of inventory impairment losses	-	-
Inventory impairment losses (note 10)	(2,363,060)	-
Total	(25,772,713)	-

c) Employee benefits expense and average headcount

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

	Euros	
	2017	2016
Wages, salaries and similar		
Salaries and wages	(19,577,016)	(729,423)
Share-based payment transactions	(12,940,532)	-
Termination benefits	(128,636)	-
Employee benefits	(32,646,184)	(729,423)
Social security	(962,095)	(141,639)
Other benefit expense	(161,496)	(810)
	(1,123,591)	(142,449)
Total	(33,769,775)	(871,872)

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

The average number of people employed by the various Group companies in 2017 was 85 (2016: an average of 11). The breakdown, by job category, of the year-end 2017 and 2016 headcounts is shown below:

	2017			2016		
	Women	Men	Total	Women	Men	Total
Graduates	35	45	80	9	22	31
Diploma holders	10	13	23	5	2	7
Other	11	12	23	-	-	-
Total	56	70	126	14	24	38

The Group did not employ anyone with a disability of a severity of 33% or higher at either December 31, 2017 or 2016.

d) Other operating expenses

The breakdown of "Other operating expenses" in the income statements for the year ended December 31, 2017 and the reporting period ended December 31, 2016 is shown below:

	Euros	
	2017	2016
Independent professional services	(5,607,346)	(576,376)
Insurance premiums	(64,921)	(1,466)
Banking and similar services	(2,098,862)	(1,189)
Rent and fees	(667,221)	(52,259)
Repairs and upkeep	(380,675)	(9,687)
Advertising, publicity and public relations	(4,568,866)	(80,007)
Utilities	(6,660)	(6,499)
Other services	(1,426,746)	(703,216)
Other taxes	(487,173)	(5,728)
Total	(15,308,470)	(1,436,427)

Sales and marketing expenses amounted to 4,568,866 euros in 2017.

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

had funded part of them before the IPO. After 2017 closing, the Company will charge an amount of 1.4 million euro to the Majority Shareholder.

e) Finance costs

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

	Euros	
	2017	2016
Finance costs, borrowings from Group companies	(9,301,643)	(75,893)
Finance costs, other borrowings	(1,935,258)	(7,328)
Total	(11,236,901)	(83,221)

The Group accrued 9,050,754 euros of interest on its borrowings from the Majority Shareholder during the year ended December 31, 2017 (note 14). The remaining amount corresponds to loans with minority shareholders. Said expenses were accrued prior to the capitalization of the debt mentioned in note 13.

19. Related-party transactions

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

- Merlin Properties SOCIMI, S.A., by virtue of the existing relationship between a senior executive of that entity and a member of the Parent's Board of Directors.
- FAB MAY, due to the provision of services by the Company to the former. Note that FAB MAY is owned by entities related to the Parent.

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

- The assets contributed to the Company by the Majority Shareholder (note 1.2).
- The financing extended to the Company by the Majority Shareholder (note 6).
- The services provided by Merlin Properties SOCIMI, S.A. amounted to 250,000 euros plus VAT during the year ended December 31, 2017.
- The lease over the Company's offices at Castellana 83-85, Madrid with Merlin Properties SOCIMI, S.A. (dated June 15, 2016) implied expenditure of 70,426 euros. That contract was terminated early on May 3, 2017.
- On April 25, 2017, the Parent transferred the lease over the offices located at Castellana 42 in Madrid. It was transferred from Merlin Properties SOCIMI, S.A. to RREEF Investment GMBH, Sucursal en España. As a result, the Company paid Merlin a security deposit of 74,745 euros and received from Merlin the sum of 81,822 euros corresponding to two months' rent as grace. The agreement with RREEF Investment GMBH, Sucursal en España terminates on December 1, 2023; it is mandatory for the first five years, until December 1, 2020.
- The lease over the Company's offices in Barcelona with Merlin Properties SOCIMI, S.A. (dated October 15, 2016) implied expenditure of 37,331 euros in 2017. That lease terminates on September 30, 2021.

- The sum of 54,325 euros invoiced to FAB MAY and the administration and management of the assets of Fondo de Activos Bancarios May pursuant to the agreement entered into on November 1, 2016.
- One member of the Company's senior management team received remuneration in cash from Merlin Properties SOCIMI, S.A. for work performed for the latter until September 15, 2017, when that relationship was terminated. However, the economic rights accrued until the date of termination of his employment contract remain valid.
- The Majority Shareholder approved a management incentive plan (MIP) to be settled in a mix of cash and shares. The amount payable under the MIP was tied to the internal rate of the return obtained as a result of the IPO. The total paid out under the MIP was 26 million euros. Fifty per cent was paid in cash and the remaining 50% in Company shares.

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

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

	Euros					
	Trade and other receivables	Borrowings from shareholders (note 6)	Bank borrowings	Prepayments to suppliers	Trade and other current accounts payable	Customer prepayments
Merlin Properties, SOCIMI, S.A.	-	-	-	-	75,625	-
	-	-	-	-	75,625	-

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

Changes to the governing bodies

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

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

Disclosures regarding director conflicts of interest

Neither the current nor former directors of the Parent transacted with the Company or any of its Group companies other than in the ordinary course of business or other than on an arm's length basis during the year ended December 31, 2017.

Nor did the members of the Parent's Board of Directors or their related parties, as defined in Spain's Corporate Enterprises Act, relate with other companies whose business activities could represent a conflict of interest for them or the Parent during the year ended December 31, 2017 or the reporting period ended December 31, 2016 on the basis that none of the notices required under article 229 of that Act have been filed with the competent authorities. Accordingly, there are no related disclosures in these consolidated financial statements.

Director remuneration and other benefits

The compensation accrued by the members of the Company's Board of Directors amounted to 7,119,700 euros in 2017 (including CEO MIP) and 0 euros in 2016.

KMP remuneration and other benefits

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

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

No. of individuals	Euros		
	2016		
	Fixed and variable remuneration	Other remuneration	Total
2016	-	-	-

The Parent has no pension obligations to its key management personnel nor has it extended these professionals any advances, loans or guarantees. There were no special incentive plans over shares of Aedas Homes, S.A. at December 31, 2017.

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

Auditor fees

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

	Euros		
	2017	2016	Total
Audit and related services			
Audit services	215,400	38,000	253,400
Other assurance services	240,000	-	240,000
Total	455,400	38,000	493,400

21. Environmental disclosures

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

22. Risk management

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

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

Qualitative disclosures-

Credit risk:

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

Liquidity risk:

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

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

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

Market risk: interest rate risk

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

Quantitative disclosures-

Credit risk:

No accounts receivable from Group companies, related parties or third parties were past due at December 31, 2017.

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.

Interest-rate risk:

A 100 basis point movement in interest rates would have increased finance costs by 3,487,372 euros in 2017 (and by 26,607 euros in FY16).

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 15, 2018, Group subsidiary Danta Investments, S.L.U. sold an estate for 3 million euros.
- On February 8, 2018, Group subsidiary Landata Servicios y Gestiones, S.L. bought an estate for 9 million euros.
- On March 14, 2018, ESPEBE 34, S.L.U. closed the sale of some land for 3,993,500 plus VAT of 838,635 euros, of which 1,932,854 euros had been collected upfront on March 17, 2017. The rest of the agreed Price, 2,899,281 euros, was paid by the buyer at the close.
- On March 15, 2018, SPV REOCO 26, S.L.U agreed to buy some land for 11,350,000 euros, of which 11,189,688.78 euros was paid at the close and the rest of the price, 160,311.22 euros, was retained and deposit in the notary as guarantee of the fulfillment of some obligations of the seller.
- On March 16, 2018, Group subsidiary SPV Reoco 2, S.L.U. has formalized a sale option that has involved the collection of a premium of 432,465 euros plus VAT, in case of execution of said sale option the price of the plot will be 4,324,650 plus VAT, the amount paid in concept of premium will be deducted.

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

Company	Registered office	Business activity	Shareholding		Shareholder	Auditor
			Dec 31, 2017			
SPV REOCO 1, S.L.U.	Madrid	Holding company	100%	Direct	AEDAS HOMES S.A.	-
DAMALANA SERVICIOS Y GESTIONES, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
CORNETALA SERVICIOS Y GESTIONES, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
MILEN INVESTMENTS, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 4, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 7, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 12, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 15, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 14, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 18, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 17, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 16, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 20, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 2, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 22, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 23, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 26, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 25, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 27, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SPV SPAIN 7, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 28, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-

ESPEBE 29, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 34, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 32, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SPV SPAIN 16, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SPV SPAIN 17, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SPV REOCO 6, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 35, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SPV REOCO 5, S.L.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SPV SPAIN PROJECT 1, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SPV REOCO 15, S.L.	Madrid	Development	80%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SPV REOCO 14, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SPV REOCO 17, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SPV SPAIN 2, S.L.	Madrid	Development	65%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SPV REOCO 2, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SPV REOCO 12, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SPV REOCO 18, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SPV REOCO 26, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
LANDATA SERVICIOS Y GESTIONES, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 31, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
DELANETO SERVICIOS Y GESTIONES, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 11, S.L.	Madrid	Development	80%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
ESPEBE 21, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
FACORNATA SERVICIOS Y GESTIONES, S.L.U.	Madrid	Development	94.70%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-

DESARROLLO EMPRESARIAL LICANCABUR, S.L.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SERVICIOS INMOBILIARIOS LICANCABUR S.L.U	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SERVICIOS INMOBILIARIAS MAUNA LOA, S.L.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
DANTA INVESTMENTS, S.L.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SERVICIOS INMOBILIARIOS CLEGANE, S.L.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
EPAVENA PROMOCIONES Y SERVICIOS, S.L.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-

Subsidiaries included in the scope of consolidation at December 31, 2016

Company	Registered office	Business activity	Ownership interest, %		Shareholder	Auditor
			2016			
SPV REOCO 1, S.L.U.	Madrid	Development	100%	Direct	AEDAS HOMES, S.A.U.	-
AEDAS HOMES, S.A. (refer to note 24)	Madrid	Development	100%	Direct	AEDAS HOMES, S.A.U.	-
SPV REOCO 2, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A.U., through SPV REOCO 1, S.L.U.	-
SPV REOCO 5, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A.U., through SPV REOCO 1, S.L.U.	-
SPV REOCO 6, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A.U., through SPV REOCO 1, S.L.U.	-
SPV REOCO 14, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A.U., through SPV REOCO 1, S.L.U.	-
SPV REOCO 15, S.L.	Madrid	Development	80%	Indirect	AEDAS HOMES, S.A.U., through SPV REOCO 1, S.L.U.	-
SPV REOCO 17, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A.U., through SPV REOCO 1, S.L.U.	-
SPV REOCO 18, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A.U., through SPV REOCO 1, S.L.U.	-

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

Company	Equity at December 31, 2017 (euros) (*)						
	Capital	Share premium	Reserves	Retained earnings (prior-year losses)	Profit/(loss) for the year	Other owner contributions	Total equity
SPV REOCO 1, S.L.U.	44,807,030	403,236,299	(310,992,338)	(30,965)	8,107,472	31,878,627	177,006,124
DAMALANA SERVICIOS Y GESTIONES, S.L.U.	3,010	-	(353)	(1,465,508)	(811,905)	8,000,000	5,725,245
CORNETALA SERVICIOS Y GESTIONES, S.L.U.	3,010	-	(334)	(584,605)	(81,028)	2,275,000	1,612,043
MILEN INVESTMENTS, S.L.U.	3,000	-	(426)	(1,421,886)	(833,269)	8,202,500	5,949,920
ESPEBE 4, S.L.U.	3,000	-	(406)	(669,469)	(373,259)	2,941,001	1,900,867
ESPEBE 7, S.L.U.	3,000	-	(340)	(223,196)	(261,750)	2,063,125	1,580,839
ESPEBE 12, S.L.U.	3,000	-	(418)	(1,111,846)	(1,566,267)	9,750,000	7,074,470
ESPEBE 15, S.L.U.	3,000	-	(349)	(389,386)	(316,068)	2,350,000	1,647,198
ESPEBE 14, S.L.U.	3,000	-	(354)	(1,212,072)	(1,331,054)	10,804,007	8,263,527
ESPEBE 18, S.L.U.	3,000	-	(458)	(464,849)	(909,922)	1,740,000	367,771
ESPEBE 17, S.L.U.	3,000	-	(403)	(803,674)	(834,753)	2,352,500	716,670
ESPEBE 16, S.L.U.	3,000	-	(395)	(378,546)	1,057,208	2,600,000	3,281,267
ESPEBE 20, S.L.U.	3,000	-	(412)	(612,782)	(694,548)	4,750,000	3,445,258
ESPEBE 2, S.L.U.	3,000	-	(405)	(454,152)	(511,431)	4,050,000	3,087,011
ESPEBE 22, S.L.U.	3,000	-	(350)	(463,085)	(710,119)	10,250,000	9,079,445
ESPEBE 23, S.L.U.	3,000	-	(355)	(31,203)	2,892,360	-	2,863,803
ESPEBE 26, S.L.U.	3,000	-	(365)	(234,962)	(420,271)	3,041,250	2,388,651
ESPEBE 25, S.L.U.	3,000	-	(365)	(638,608)	(1,372,182)	8,047,500	6,039,345
ESPEBE 27, S.L.U.	3,000	-	(440)	(390,357)	(1,307,614)	4,050,000	2,354,590
SPV SPAIN 7, S.L.U.	3,000	-	(323)	(745,569)	(2,367,982)	9,385,000	6,274,126
ESPEBE 28, S.L.U.	3,000	-	(440)	(287,237)	(925,808)	7,750,000	6,539,515
ESPEBE 29, S.L.U.	3,000	-	(346)	(104,255)	(365,468)	1,375,000	907,931
ESPEBE 34, S.L.U.	3,000	-	(353)	(128,556)	(137,657)	1,425,000	1,161,434
ESPEBE 32, S.L.U.	3,000	-	(347)	(86,763)	(3,214,790)	11,160,525	7,861,625
SPV SPAIN 16, S.L.U.	3,000	-	(437)	(105,388)	392,382	2,743,750	3,033,306
SPV SPAIN 17, S.L.U.	3,000	-	(408)	(1,204,150)	(6,170,652)	13,157,500	5,785,290
SPV REOCO 6, S.L.U.	3,000	-	(479)	(76,063)	(461,153)	2,777,000	2,242,305
ESPEBE 35, S.L.U.	3,000	-	(353)	(71,678)	(10,467,322)	11,419,421	883,069
SPV REOCO 5, S.L.	3,000	-	(479)	(74,492)	(566,929)	977,000	338,100
SPV SPAIN PROJECT 1, S.L.U.	3,010	-	(325)	(8,456)	(439,433)	3,918,750	3,473,545
SPV REOCO 15, S.L.	3,000	-	(344)	(19,724)	(356,697)	2,555,125	2,181,360
SPV REOCO 14, S.L.U.	3,000	-	(344)	(17,350)	(154,368)	919,500	750,438

SPV REOCO 17, S.L.U.	3,000	-	(361)	(15,640)	(417,027)	3,247,375	2,817,347
SPV SPAIN 2, S.L.	100,000	978,848	(405)	(167,410)	(287,477)	4,124,175	4,747,731
SPV REOCO 2, S.L.U.	3,000	-	(374)	(10,853)	(2,492,340)	11,473,250	8,972,683
SPV REOCO 12, S.L.U.	3,000	-	(387)	(24)	(242,251)	1,402,000	1,162,338
SPV REOCO 18, S.L.U.	3,000	-	(361)	(236)	(153,894)	1,827,000	1,675,509
SPV REOCO 26, S.L.U.	3,000	-	(369)	(10)	(281,360)	2,752,000	2,473,260
LANDATA SERVICIOS Y GESTIONES, S.L.U.	3,010	-	(317)	(237)	(14,360)	27,000	15,097
ESPEBE 21, S.L.U.	3,000	-	(368)	(187,403)	(97,412)	1,275,000	992,818
ESPEBE 31, S.L.U.	3,000	-	(347)	(19,151)	(404,038)	2,262,133	1,841,597
DELANETO SERVICIOS Y GESTIONES, S.L.U.	3,010	-	602	-	5,817,125	-	5,820,737
DANTA INVESTMENTS, S.L.	27,716,927	22,241,273	(452)	-	(488,627)	2,500,000	51,969,121
DESARROLLO EMPRESARIAL LICANCABUR, S.L.	3,000	-	-	-	(366)	-	2,634
SERVICIOS INMOBILIARIOS LICANCABUR, S.L.	3,000	-	-	-	(746)	-	2,254
EPAVENA PROMOCIONES Y SERVICIOS, S.L.	3,000	-	-	-	(358)	-	2,642
SERVICIOS INMOBILIARIOS CLEGANE, S.L.	3,000	-	-	-	(1,126)	-	1,874
SERVICIOS INMOBILIARIAS MAUNA LOA, S.L.	3,000	-	-	-	(676)	-	2,324
ESPEBE 11, S.L.	3,000	-	(411)	(698,213)	(316,957)	1,640,121	627,540
FACORNATA SERVICIOS Y GESTIONES, S.L.	3,010	-	(538)	(1,871,091)	(169,633)	3,220,000	1,181,748

(*) Unaudited figures

Company	Equity at December 31, 2016 (euros) (*)					Total equity
	Capital	Reserves	Retained earnings (prior-year losses)	Profit/(loss) for the year	Other owner contributions	
SPV REOCO 1, S.L.U.	3,000	(415)	-	(30,965)	8,815,375	8,786,995
AEDAS HOMES, S.A. (refer to note 24)	3,000	(475)	-	113,133	25,000	140,658
SPV REOCO 2, S.L.U.	3,000	(374)	-	(10,853)	2,000	(6,227)
SPV REOCO 5, S.L.U.	3,000	(479)	-	(74,492)	977,000	905,029
SPV REOCO 6, S.L.U.	3,000	(479)	-	(76,063)	1,602,000	1,528,458
SPV REOCO 14, S.L.U.	3,000	(344)	-	(17,350)	919,500	904,806
SPV REOCO 15, S.L.U.	3,000	(344)	-	(19,724)	2,555,125	2,538,057
SPV REOCO 17, S.L.U.	3,000	(361)	-	(15,640)	3,247,375	3,234,374
SPV REOCO 18, S.L.U.	3,000	(361)	-	(236)	2,000	4,403

(*) Unaudited figures

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

Company invested in	Shareholder	Ownership interest, %
SPV SPAIN 2, S.L.	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L	12.50%
SPV SPAIN 2, S.L.	BIGCHANGE GESTIÓN, S.L.	22.50%
SPV REOCO 15, S.L.	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.	20%
ESPEBE 11, S.L.	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.	20%

List of non-Group companies that hold an equity interest in any of the fully-consolidated subsidiaries of 10% or more at December 31, 2016

Company invested in	Shareholder	Ownership interest, %
SPV REOCO 15, S.L.	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.	20%

Appendix III.a – Aggregated balance sheets of the companies constituting the Business Contribution of March 30, 2017

Heading	March 30, 2017 (*)
TOTAL ASSETS (A+B)	634,223,595
A) NON-CURRENT ASSETS	3,837,733
V. Non-current financial assets	56,611
VI. Deferred tax assets	3,781,121
B) CURRENT ASSETS	630,385,863
I. Inventories (**)	603,946,451
II. Other assets	26,439,412
TOTAL EQUITY AND LIABILITIES (A+B+C)	634,223,595
A) EQUITY (**)	81,681,504
B) NON-CURRENT LIABILITIES	512,765,906
II. Non-current borrowings	37,747,290
III. Non-current borrowings from group companies	470,173,453
C) CURRENT LIABILITIES	39,776,185
III. Current borrowings from group companies	5,010,057
IV. Trade and other accounts payable	39,611,290

Appendix III.b – Aggregated balance sheets of the companies constituting the Business Contribution of June 29, 2017

Heading	June 29, 2017 (*)
TOTAL ASSETS (A+B)	55,695,433
A) NON-CURRENT ASSETS	11,467
B) CURRENT ASSETS	55,683,966
I. Inventories (**)	48,350,999
II. Other assets	7,332,967
TOTAL EQUITY AND LIABILITIES (A+B+C)	55,695,434
A) EQUITY (**)	6,706,777
B) NON-CURRENT LIABILITIES	37,156,745
II. Non-current borrowings	14,184,581
III. Non-current borrowings from group companies	22,972,164
C) CURRENT LIABILITIES	11,831,912
III. Current borrowings from group companies	295,586
IV. Trade and other accounts payable	11,536,325

**Appendix III.c – Aggregated balance sheets of the companies constituting the Business
Contribution of August 20, 2017**

Heading	August 20, 2017 (*)
TOTAL ASSETS (A+B)	49,957,739
A) NON-CURRENT ASSETS	269,764
B) CURRENT ASSETS	49,687,976
III. Trade and other receivables	29
IV. Current investments in group companies and associates (**)	49,684,116
3. Debt securities	49,684,116
V. Current financial assets	1,630
VII. Cash and cash equivalents	2,201
TOTAL EQUITY AND LIABILITIES (A+B+C) (**)	49,957,769
A) EQUITY	49,957,748
A-1) Capital and reserves	49,957,748
I. Capital	27,716,927
II. Share premium	22,241,273
III. Reserves	-452
C) CURRENT LIABILITIES	21

(*) Unaudited figures

(**) The aggregate figures have been adjusted to reflect their cost of acquisition for the former Sole Shareholder rather than the carrying amounts recognized in the books of each of the companies added as part of the common control business combination.

MANAGEMENT REPORT

Aedas Homes, S.A. and subsidiaries (formerly Aedas Homes Group, S.L.U. and subsidiaries)

For the year ended December 31, 2017

1. The Group: Organizational and operating structure

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

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.:

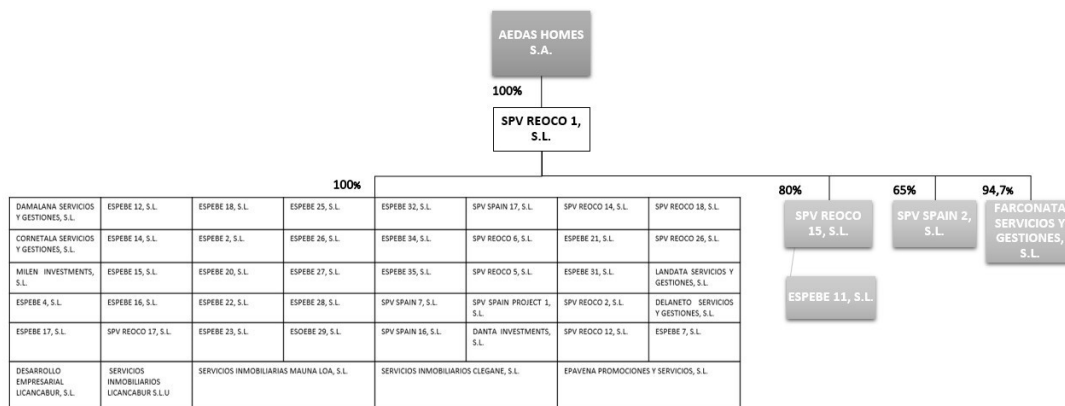
- On March 30, 2017, the Majority Shareholder made a non-monetary equity injection into the Parent in the amount of 314,032,337 euros, a transaction that materialized in the creation of 31,403,231 shares with a unit par value of one euro and an increase in the share premium account of 282,629,106 euros. 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 Aedas Homes Group, 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 consisting of the Majority Shareholder's interest in FAB MAY, a company that had inventories at various stages of development, tax credits and cash. The balancing entry for that contribution consisted of the transfer of 95% of the shares of Danta Investment S.L.U. and a credit claim against FAB related to a loan that was cancelled on August 21, 2017. FAB MAY was subsequently liquidated on September 15, 2017, all of its liabilities were cancelled and 100% of its assets were allocated to Danta Investments, S.L.U. In a single act, Danta Investments, S.L.U. paid SAREB (the acronym in Spanish for the management company for assets arising from bank restructuring, more popularly known as the bad bank) consideration totaling 4,800,000 euros plus VAT.

The merger between Aedas Homes Group (Transferee) and Aedas Homes (Transferor) closed on June 29, 2017 and the name and registered office of the Transferee were changed to those of the Transferor, so that the Company's name was changed from Aedas Homes Group to Aedas Homes. The merger by absorption implied: (i) the dissolution and extinguishment of the Transferor; (ii) the *en bloc* transfer of all the latter's assets and liabilities to the Transferee, which has acquired all of its rights and obligations by universal succession.

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

At 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, 2017 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:

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

2. **Business performance and financial results - key measures**

At December 31, 2017, the Group's assets totaled 1,129,019,900 euros, liabilities (current and non-current) amounted to 191,725,008 euros and equity stood at 937,294,891 euros, 623,497,318 euros of which corresponded to loans extended to the Parent by the Majority Shareholder and then capitalized.

Revenue and EBITDA

In 2017, the Group recognized revenue of 1,209,000 euros, which was generated by the sale by Espebe 18, S.L. of the Galera Sun development.

The Group subsidiaries also sold land in 2017 for a total of 37,349,157 euros.

EBITDA

EBITDA amounted to a negative 36,044,361 euros in 2017, reflecting the Group's early stage of development.

Profit/(loss)

The Group reported a loss of 40,322,752 euros in 2017. That figure includes an expense of 26,181,063 euros associated with the management incentive plan (MIP), which was settled in full by the Majority Shareholder, as disclosed in note 13.

That payment, which was paid for in full by the Majority Shareholder, is reflected in the Company's income statement as an employee benefits expense, in keeping with the principles set down in IFRS 2, recognizing an additional owner contribution in equity in the same amount as the balancing entry.

Note that the negative impact on profit and loss is offset in full by the increase in shareholder contributions.

Financial situation

At December 31, 2017, liabilities - current and non-current - stood at 191,725,008 euros, compared to 40,792,030 euros at December 31, 2016 (implying an increase of 150,932,978 euros), due mainly to new bank borrowings at year-end 2017 (51,427,058 euros) and deferred payments due on land acquired (53,547,945 euros).

The Group nevertheless presented very solid leverage ratios at December 31, 2017, specifically a LTV ratio of -2.20% and a LTC ratio of -3.72%.

Borrowings

Borrowings stood at 69,983,334 euros at year-end 2017.

Group borrowings break down as follows:

- Shareholder Loan Agreement with External Shareholders: 8,309,370 euros
- Developer loans: 28,735,628 euros
- Loans taken over as part of land purchase: 32,800,510 euros
- Derivatives: 137,326 euros
- Other loans: 500 euros

3. Environmental and staff matters

As disclosed in note 1 of the consolidated financial statements, given the business activities it performs, the Aedas Homes Group has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or performance. Nor does the Group have any obligations related with greenhouse gas emission allowances.

The number of people employed by the various Group companies at December 31, 2017 was 126. The breakdown of the reporting-date headcount by region, department and job category is provided below:

Region	Dec 31, 2017
Madrid	90
Catalonia	9
Eastern Spain and Balearic Islands	7
Costa del Sol	10
Rest of Andalusia	10
Total	126

Department	Dec 31, 2017
Business	74
Investment	5
Finance	13
Corporate	34
Total	126

Job category	Dec 31, 2017
Management team	23
Middle management	32
Technical and clerical staff	71
Total	126

4. Liquidity and capital resources

Note 22 of the consolidated financial statements outlines the Group's capital and liquidity risk management policies.

Note that the Group has sufficient cash and cash equivalents to fund its business activities.

On the financing front, in 2017 it is worth highlighting the 28,735,628 euro developer loan obtained and the assumption of existing loans originally obtained to fund the acquisition of land with an outstanding balance of 32,800,510 euros at December 31, 2017.

The Group plans to obtain additional developer loans to fund its investments under construction.

5. Key risks and sources of uncertainty

The Parent has drawn up a risk map. To this end, it has analyzed the organization's procedures, identifying the potential sources of risk, quantifying the related exposures and taking the opportune measures to prevent their materialization.

The most significant financial risks to which the Group is exposed are:

Market risk

Exposure to share price risk

On October 17, 2017, AEDAS Homes arranged an equity swap with Goldman Sachs to hedge the exposure arising from its obligation to deliver a certain number of shares to employees of AEDAS Homes under the long-term incentive plan (LTIP) approved by the Board of Directors on September 26, 2017.

Exposure to interest-rate risk

Most of its loans are benchmarked against Euribor.

Exposure to credit risk

The Group is not significantly exposed to third-party credit risk as a result of its property development business as it collects virtually all sales made at the time the deeds are exchanged, at which time the buyer either assumes the commensurate part of the corresponding developer loan or opts to use a different payment arrangement. Credit risk as a result of the deferral of payments in land or finished building sale transactions is mitigated by obtaining collateral from the buyer or stipulating termination clauses in the event of default that would lead to the recovery by the Group of title to the asset sold and collection of a penalty payment.

In general, the Group holds its cash and cash equivalents at financial entities with high credit ratings.

Exposure to solvency risk

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

Exposure to exchange-rate risk

Given the Group's scant exposure to markets outside the eurozone, exposure to foreign exchange risk is considered immaterial.

6. R&D activities

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

7. Own shares

The Group did not trade in own shares in 2017.

8. Alternative performance measures

As indicated in notes 1 and 2 of the consolidated financial statements, the Group draws up its financial statements in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU). In addition, it 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 the Group's ability to take decisions and monitor its performance. Financial information users should treat the APMs as complementary to the measures presented in accordance with the rules used to prepare the consolidated financial statements and under no circumstances as a substitute for the latter.

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).

Reconciliation: the reconciliation between this APM and the consolidated financial statements is provided below:

	2017	2016
Revenue from sales	38,558,157	-
Change in inventories (note 18.b)	3,960,581	-
Cost of sales	-	-
<i>Purchase of goods for resale (note 18.b)</i>	(27,370,234)	-
<i>Change in inventories</i>	-	-
<i>Reversal of inventory impairment losses</i>	-	-
Gross Development Margin	15,148,504	-

Rationale for usage: the 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 realized on the sale of land.

Comparative information: The Parent does not present comparative information for the prior reporting period as it did not generate any sales (or Gross Development Margin, by extension) in FY16.

Net Development Margin

Definition: Gross Development Margin – Sales & marketing expenses, which are included under 'Other operating expenses'

Reconciliation: the reconciliation between this APM and the consolidated financial statements is provided below:

	2017	2016
Gross Development Margin	15,148,504	-
Sales & marketing expenses (note 18.d)	(4,568,866)	(80,007)
Net Development Margin	10,579,638	(80,007)

Rationale for its usage: the Net Development Margin is used by the 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 and sale of the relevant developments. Note that the Net Development Margin does not include any gains realized on the sale 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.

Reconciliation: the reconciliation between this APM and the consolidated financial statements is provided below:

	2017	2016
Net Development Margin	10,579,638	(80,007)
Gains on sales of land (note 18.a)	-	-
Change in inventories due to sales of land (note 18.a)	-	-
Inventory impairment losses	(2,363,060)	-
Revenue from services rendered	136,147	15,017
Other operating income	112,293	-
Employee benefits expense	(33,769,775)	(871,873)
Other operating expenses net of sales & marketing expenses (note 18.d)	(10,739,603)	(1,356,420)
EBITDA	(36,044,361)	(2,293,283)

Rationale for usage: the Company's directors use EBITDA to measure its performance as it provides information for analyzing profitability (before interest, tax, depreciation and amortization) 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

Reconciliation: the reconciliation between this APM and the consolidated financial statements is provided below:

	2017	2016
EBITDA	(36,044,361)	(2,293,283)
Inventory impairment losses	2,363,060	-
Adjusted EBITDA	(33,681,301)	(2,293,283)

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

Borrowings

Definition: Borrowings and other financial liabilities – the Shareholder Master Credit Facility Agreement (refer to note 14 of the 2017 consolidated financial statements).

Reconciliation: the reconciliation between this APM and the consolidated financial statements is provided below:

	Dec. 31, 2017	Dec. 31, 2016
Borrowings and other financial liabilities (note 14)	69,983,334	39,864,036
Shareholder Master Credit Facility Agreement	-	(28,213,625)
Borrowings	69,983,334	11,650,411

Rationale for usage: Borrowings 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.

Comparative information: At December 31, 2017, the Parent recognized Borrowings totaling 69,983,334 euros, compared to 11,650,411 euros at December 31, 2016, an increase of 58,332,923 euros, attributable mainly to the developer loans and land acquisition financing loans consolidated by the Aedas Homes Group for the first time in the wake of the corresponding contributions by the then Sole Shareholder in March and June 2017.

Net Debt/(Cash)

Definition: Borrowings – Deferred payments due on the acquisition of inventories (refer to note 10 of the consolidated financial statements) – 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) (note 12 of the consolidated financial statements) and the cash pledged to cover debt service obligations under mortgages.

Reconciliation: the reconciliation between this APM and the consolidated financial statements is provided below:

	Dec. 31, 2017	Dec. 31, 2016
Borrowings	69,983,334	11,650,411
Deferred payments due on the acquisition of inventories (note 15)	53,547,945	-
Cash and cash equivalents - restricted cash (note 12) (*)	(155,921,069)	(13,525,487)
Net Debt/(Cash)	(32,389,790)	(1,875,076)

(*) "Cash and cash equivalents" stood at 172,435,462 euros at December 31, 2017 (year-end 2016: 13,827,027 euros). The balance of cash that was restricted at year-end 2017 stood at 16,514,393 euros (year-end 2016: 301,540 euros).

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

Comparative information: At December 31, 2017, the Parent presented Net Cash totaling 32,389,790 euros, compared to Net Cash of 1,875,076 euros at December 31, 2016, due mainly the deferred payments due in respect of the inventory acquisitions detailed in note 15 of the consolidated financial statements.

Leverage

Definition: Borrowings / Total assets

Reconciliation: the reconciliation between this APM and the consolidated financial statements is provided below:

	Dec. 31, 2017	Dec. 31, 2016
Borrowings	69,983,334	11,650,411
Total assets	1,129,019,900	48,301,394
Leverage	6.20%	24.12%

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

Comparative information: At December 31, 2017, the Parent's Leverage ratio stood at 6.20%, compared to 24.12% at December 31, 2016, due mainly to the fact that growth in total assets outpaced the increase in Borrowings, driving a reduction in leverage during the reporting period.

Return on capital employed (ROCE)

Definition: Adjusted EBITDA / (the sum of the average balances of Equity and Net Debt between December 31, 2017 and December 31, 2016)

Reconciliation: the reconciliation between this APM and the consolidated financial statements is provided below:

	Dec. 31, 2017	Dec. 31, 2016
Adjusted EBITDA	(33,681,301)	-
Equity (*)	472,402,127	-
Net Debt/(Cash) (**)	(17,132,433)	-
ROCE	(7.40)%	N/A

(*) Equity stood at 937,294,891 euros at December 31, 2017 and at 7,509,363 euros at December 31, 2016, such that the average balance was 472,402,127 euros.

(**) Net Cash stood at 32,389,790 euros at December 31, 2017 and at 1,875,076 euros at December 31, 2016, such that the average Net Cash balance was 17,132,433 euros.

Rationale for usage: ROCE is used by the 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.

Comparative information: The Parent does not present comparative information for the prior reporting period as it did not generate any sales (or Adjusted EBITDA, by extension) in FY16.

Loan to Value (LTV)

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

Reconciliation: the reconciliation between this APM and the consolidated financial statements is provided below:

	Dec. 31, 2017	Dec. 31, 2016
Net Debt/(Cash)	(32,389,790)	N/A
Sale options over inventories (note 10)	6,893,500	
Market value of inventory portfolio assuming 100% ownership interest (GAV) (note 10)	1,468,294,000	N/A
LTV	(2.20)%	N/A

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

Comparative information: The Parent does not provide comparative information for the prior reporting period as there was no asset valuation (or LTV, by extension) available at December 31, 2016.

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

Reconciliation: the reconciliation between this APM and the consolidated financial statements is provided below:

	Dec. 31, 2017	Dec. 31, 2016
Net Debt/(Cash)	(32,389,790)	(1,875,076)
Inventories (note 10)	880,669,169	31,720,592
Prepayments to suppliers (note 10)	(10,075,910)	(10,228,541)
LTC	(3.72)%	(8.72)%

Comparative information: At December 31, 2017, the Parent's LTC ratio stood at -3.72%, compared to -8.72% at December 31, 2016, due mainly to the fact that growth in Net Cash outpaced the increase in inventories as a result of the increase in deferred payments for land purchased.

9. Significant events after the reporting date

As outlined in note 23 of the consolidated financial statements for the year ended December 31, 2017, no events have taken place since the end of the reporting period that could have a material impact on the information presented in the financial statements authorized for issue by the directors or that are worthy of disclosure on account of their materiality, other than that disclosed below:

- On January 15, 2018, Group subsidiary Danta Investments, S.L.U. sold an estate for 3 million euros.
- On February 8, 2018, Group subsidiary Landata Servicios y Gestiones, S.L. bought an estate for 9 million euros.
- On March 14, 2018, ESPEBE 34, S.L.U. closed the sale of some land for 3,993,500 plus VAT of 838,635 euros, of which 1,932,854 euros had been collected upfront on March 17, 2017. The rest of the agreed Price, 2,899,281 euros, was paid by the buyer at the close.
- On March 15, 2018, SPV REOCO 26, S.L.U. agreed to buy some land for 11,350,000 euros, of which 11,189,688.78 euros was paid at the close and the rest of the price, 160,311.22 euros, was retained and deposit in the notary as guarantee of the fulfillment of some obligations of the seller.
- On March 16, 2018, Group subsidiary SPV Reoco 2, S.L.U. has formalized a sale option that has involved the collection of a premium of 432,465 euros plus VAT, in case of execution of said sale option the price of the plot will be 4,324,650 plus VAT, the amount paid in concept of premium will be deducted.

10. Information regarding the Group's performance in 2017 and outlook for 2018

As anticipated, in the second half of 2017, the Aedas Group's Majority Shareholder culminated the contribution of all of the assets that currently comprise the Group's scope and made all the additional contributions contemplated in the IPO Prospectus registered by Aedas Homes in October 2017.

Those contributions have injected very significant amounts of capital into the Group: at year-end 2017, it had equity of 937 million euros, compared to 93 million euros at June 30, 2017.

With a land portfolio encompassing 12,930 units, valued at 1,475 million euros at December 31, 2017, coupled with reduced borrowings, the Group is well positioned to continue to execute its business plan.

Note that the Group delivered the targets set for 2017, launching the marketing and sale of 1,773 units in total and achieving a sales figure, measured as the sum of units reserved, under contract and actually delivered, of 915 units.

For 2018, the Group's targets include launching another 2,050 units on to the market, selling an additional 1,500 units and delivering over 220 homes. These targets are equal to or higher than those indicated in the IPO Prospectus, evidencing the Group's confidence in the current market conditions and the capabilities of the team comprising Aedas Homes.

**ANNUAL CORPORATE GOVERNANCE REPORT
FOR LISTED COMPANIES**

ISSUER'S PARTICULARS

FINANCIAL YEAR ENDING (DATE)	31/12/2017
-------------------------------------	------------

COMPANY TAX ID NO.	A87586483
---------------------------	-----------

COMPANY NAME

AEDAS HOMES, S.A.

REGISTERED OFFICE

Paseo de la Castellana 42, 28046 Madrid

ANNUAL CORPORATE GOVERNANCE REPORT

AEDAS HOMES, S.A.

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
19/10/2017	€ 47,966,587	47,966,587	47,966,587

Indicate whether different types of shares exist with different associated rights:

Yes No

A.2 List the direct and indirect holders of significant ownership interests in your organisation at year-end, excluding Board members:

Personal or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights		% of total voting rights
		Name of direct holder	Number of voting rights	
HIPOTECA 43 LUX S.A.R.L.	26,602,096	-	-	55.460 %
T. ROWE PRICE ASSOCIATES, INC	-	-	2,437,182	5.081 %
CANYON CAPITAL ADVISORS, LLC	1,850,071	-	-	3.857%
FMR, LLC	-	-	1,744,065	3.636 %
T. ROWE PRICE INTERNATIONAL FUNDS, INC.	-	-	1,449,550	3.022 %

Indicate the most significant movements in the shareholding structure during the financial year:

Personal or corporate name of shareholder	Transaction date	Description of the transaction
-	-	-

A.3 Complete the following tables detailing the members of the Board of Directors who own voting shares in the company:

Personal or corporate name of board member	Number of direct voting rights	Number of indirect voting rights		% of total voting rights
		Name of direct holder	Number of voting rights	
Javier LAPASTORA TURPIN	1,439	-	-	0.003%
David MARTÍNEZ MONTERO	73,389	-	-	0.153%
% of total voting rights held by the Board of Directors				0.156 %

Complete the following tables on members of the company's Board of Directors that hold rights over company shares:

Personal or corporate name of board member	Number of direct rights	Indirect rights		Number of equivalent shares	% of total voting rights
		Direct holder	Number of voting rights		
-	-	-	-	-	-

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities:

Related-party name or corporate name	Type of relationship	Brief description
-	-	-

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Related-party name or corporate name	Type of relationship	Brief description
-	-	-

A.6 Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Spanish Capital Companies Act ("LSC"). If so, provide a brief description and list the shareholders bound by the agreement:

Yes No

Shareholders bound by agreement	% of share capital affected	Brief description of agreement
-	-	-

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. If so, give a brief description:

Yes No

Shareholders involved in concerted action	% of share capital affected	Brief description of concerted action
-	-	-

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year, where applicable.

A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 5 of the Spanish Securities' Market Act. If so, give details.

Yes No

Name or corporate name

HIPOTECA 43 LUX S.A.R.L.

Remarks

HIPOTECA 43 LUX S.A.R.L. is the majority shareholder in AEDAS Homes with 55.460% of voting rights.

A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
-	-	-

(*) Held through:

Personal or corporate name of direct shareholder	Number of shares held directly
-	-
Total:	-

Give details of any significant changes during the financial year, pursuant to Royal Decree 1362/2007:

Details of significant changes
-

A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

The Minutes of the decisions made by Hipoteca 43 LUX S.À.R.L., Sole Shareholder of Aedas Homes S.L., Single Member Company, on the 11th of September 2017, establish in point number 12 that the Board of Directors shall, after the date of listing of the Company, and within a time period of 5 years, either directly or indirectly, be authorized to buy back own shares up to a maximum of 10% of the company's share capital, and the selling of such shares at a later stage.

"The Sole Shareholder decides to authorize the Board of Directors of the Company to buy back own shares, either directly or indirectly, under the following conditions:

- (a) Method of buy back and maximum amount of shares to be acquired: the buy back can be executed as a trade, swap, gift, allocation or dation in payment, or by any other means of acquisition of shares permissible by law, either executed through one or several transactions, provided that the amount of acquired shares does not exceed 10% of the company's share capital
- (b) Maximum and minimum prices: the price shall range between nominal value as minimum price and the closing price in the stock exchange the day before the buy back of the shares as a maximum price
- (c) Authorization's term: this authorization will be valid for a time period of 5 years after the date this decision has been made.

It is expressly established that the shares bought back under this authorization can be sold, used for potential corporate or business transactions, transferred to the Company's employees or Directors, or based on stock options rights of their holders, as established in paragraph 3 of section 1. a) of article 146 of the Law on Corporations. The current authorization will be effective from the date the Company's shares are admitted to trading on the Spanish Stock Exchange".

A.9 bis Estimated free float:

	%
Estimated free float	28.799 %

A.10 Give details of any restriction on the transfer of securities and/or any restriction on voting rights, where applicable. Indicate, in particular, the existence of any type of restriction that could hinder the takeover of the company through the acquisition of shares on the market.

Yes No

Description of restrictions
-

A.11 Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent a public takeover bid under the terms of Act 6/2007.

Yes No

Where applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

A.12 Indicate whether the company has issued securities that are not traded in a regulated European Union market.

Yes No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

B GENERAL MEETING OF SHAREHOLDERS

B.1 Indicate and detail the differences, if any, between the required quorum for convening the General Shareholders' Meeting and the quorum required in the Spanish Capital Companies Act (LSC).

Yes No

	% quorum other than that established in article 193 of the LSC for general cases	% quorum other than that established in article 194 of the LSC for the special cases described in article 194 of the LSC
Quorum required for first call	-	-
Quorum required for second call	-	-

Description of differences
-

B.2 Indicate and, where applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the LSC:

Yes No

Describe how they differ from the rules established in the LSC.

	Qualified majority other than that established in article 201.2 of the LSC for the cases described in 194.1 of the LSC	Other cases requiring a qualified majority
% set by company for adopting corporate resolutions	-	-
Describe the differences		
-		

B.3 Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when amending the Bylaws.

The General Shareholders' Meeting is responsible for making amendments to the Bylaws under Article 285 *et seq.* of the Spanish Capital Companies Act.

The Regulations governing the General Shareholders' Meeting set out the rules that apply to amendment of the Company's Bylaws in Article 19, Constitution of the General Shareholders' Meeting.

"The General Shareholders' Meeting shall be validly constituted at first call when shareholders representing at least twenty-five per cent of the share capital with voting rights are present or represented. At second call, a General Meeting shall be validly constituted regardless of the share capital in attendance.

Notwithstanding the contents of the preceding paragraph, in order for an ordinary or extraordinary General Meeting to validly agree to a capital increase or reduction or any other modification of the Bylaws, the issue of bonds and securities for which competence has not been legally assigned to another Company body, the cancellation or restriction of the right of pre-emption over new shares, or the Company's transformation, merger or demerger or the global assignment of its assets and liabilities or the transfer of its registered office abroad, shareholders holding at least fifty percent of the subscribed share capital with voting rights must be either present or represented at the Meeting at first call. At second call, the presence of twenty-five per cent of the share capital shall be sufficient, but when shareholders representing less than fifty per cent of the subscribed share capital with voting rights are present, the company resolutions referred to in this paragraph may only be validly adopted if they receive a favourable vote from two thirds of the share capital that is either present or represented at the General Shareholders' Meeting.

The provisions set out in this present Article shall be understood to be without prejudice to any qualified majorities that may be established in the applicable legislation or these Bylaws in respect of the constitution of meetings and votes."

Article 29 of these Regulations establish that proposals for resolutions on items included in the agenda shall be submitted to a vote, and any issues that are substantially independent of one another shall be voted on separately so that shareholders can exercise their voting preferences separately. These include cases involving the amendment of the Bylaws.

"The General Shareholders' Meeting shall vote separately on any issues that are substantially independent of one another so that shareholders can exercise their voting preferences separately. In any case, even though they may be included in the same item on the Agenda, the following must be voted on separately: (i) the appointment, re-election or ratification (in the case of co-opting) of directors, who must be voted on individually; (ii) votes relating to consultation on the annual report on directors' pay; and (iii) in the event of the amendment of the Bylaws, each Article or group of Articles that is substantially independent. However, where the circumstances make it advisable, the Chairman may rule that proposals relating to several items on the Agenda should be voted on jointly, in which case the result of the vote will be understood to be individually reproduced for each proposal, so long as none of the attendees expresses a wish to modify the way in which he or she has voted in respect of one of these proposals. Otherwise, the minutes will reflect the way in which each attendee has modified his or her vote, along with the results of the vote in relation to each proposal as a consequence of such modifications."

The majorities required in order to amend the Bylaws are set out in Article 32 of the Regulations governing the General Shareholders' Meeting, along with the majorities required to adopt the resolutions referred to in Article 19.2 of the aforementioned Regulations, indicating that, "if the share capital present or represented exceeds fifty per cent, it will be sufficient for the resolution to be adopted by an absolute majority. However, a favourable vote from two thirds of the share capital present or represented at the Meeting shall be required at second call when shareholders representing at least twenty-five per cent but less than fifty per cent of the subscribed share capital with voting rights are present."

B.4 Indicate the attendance figures for the General Shareholders' Meetings held during the year to which this report relates and during the preceding year:

Date of General Meeting	Attendance data				Total
	% attending in person	% attending by proxy	% remote votes		
			Electronic vote	Others	
-	-	-	-	-	-

The Company was first listed for continuous trading on 20th of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018.

B.5 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings:

Yes No

Number of shares required to attend General Meetings	-
--	---

B.6 Section removed.

B.7 Indicate the address of your company's website and the way in which corporate governance content may be accessed, along with any other information on General Meetings which must be made available to shareholders on the website.

Information relating to corporate governance and general meetings is made available on the AEDAS Homes corporate website under the heading "Shareholders and Investors", which can be accessed via www.aedashomes.com.

This section sets out the most relevant information on corporate governance at the Company, and the different sections can be accessed under the following headings:

CORPORATE GOVERNANCE	Information
General Shareholders' Meeting	<ul style="list-style-type: none"> Regulations of the General Shareholders' Meeting Convening meetings, agenda and minutes
Board of Directors	<ul style="list-style-type: none"> Organisational structure Regulations governing the Board of Directors
Corporate Governance Reports	<ul style="list-style-type: none"> Annual Corporate Governance Report Audit Committee Report Remunerations Committee Report
Bylaws	<ul style="list-style-type: none"> Bylaws
Corporate policy	<ul style="list-style-type: none"> Code of Conduct Anti-Corruption Policy Policy on Communications with Shareholders and Investors Third Party Code of Conduct Corporate Social Responsibility Policy Regulations governing Internal Conduct in matters relating to the Stock Markets Quality and Environmental Protection Policy

The agenda for the meeting of the Board of Directors to be held on 22 March 2018 includes approving the holding of a General Shareholders' Meeting on a specific date in May, and if this is voted for, the announcement of the meeting will be published on the corporate website (www.aedashomes.com) under 'Corporate Governance', sub-heading 'General Shareholders' Meeting'.

C COMPANY MANAGEMENT STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of board members stipulated in the Bylaws:

Maximum number of Board Members	15
Minimum number of Board Members	5

C.1.2 Complete the following table with board members' details:

Personal or corporate name of board member	Representative	Category of Board Member	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
Ms. Cristina ÁLVAREZ ÁLVAREZ	-	Independent	Board Member	04/10/2017	04/10/2017	Sole Shareholder Decision
Mr. Evan Andrew CARRUTHERS	HIPOTECA 43 LUX S.A.R.L.	Proprietary	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Eduardo Edmundo D'ALESSANDRO CISHEK	HIPOTECA 43 LUX S.A.R.L.	Proprietary	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Santiago FERNÁNDEZ VALBUENA	-	Independent	Chairman of the Board	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Emile K. HADDAD	-	Independent	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Javier LAPASTORA TURPIN	-	Independent	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. David MARTÍNEZ MONTERO	-	Executive	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Merlin Properties, SOCIMI, S.A. ^(*)	HIPOTECA 43 LUX S.A.R.L.	Proprietary	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Miguel TEMBOURY REDONDO	-	Independent	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision

^(*) Represented by Ismael Clemente Orrego.

Total number of Board Members	9
--------------------------------------	---

C.1.3 Complete the following tables on Board Members and their respective categories:

EXECUTIVE DIRECTORS

Personal or corporate name of director	Position in company's organisational structure
Mr. David MARTÍNEZ MONTERO	Managing Director

Total number of executive directors	1
% of Board	11.11 %

EXTERNAL PROPRIETARY DIRECTORS

Personal or corporate name of director	Personal or corporate name of the significant shareholder that he/she represents or that proposed his/her appointment
Mr. Evan Andrew CARRUTHERS	HIPOTECA 43 LUX S.A.R.L.
Mr. Eduardo Edmundo D'ALESSANDRO CISHEK	HIPOTECA 43 LUX S.A.R.L.
Mr. Merlin Properties, SOCIMI, S.A. (*)	HIPOTECA 43 LUX S.A.R.L.

(*) Represented by Ismael Clemente Orrego.

Total number of proprietary directors	3
% of Board	33.33 %

EXTERNAL INDEPENDENT DIRECTORS

Personal or corporate name of director	Profile
Ms. Cristina ÁLVAREZ ÁLVAREZ	Independent Director Chairwoman of the Technology Committee
Mr. Santiago FERNÁNDEZ VALBUENA	Chairman of the Board
Mr. Emile K. HADDAD	Independent Director
Mr. Javier LAPASTORA TURPIN	Independent Director Chairman of the Audit and Control Committee
Mr. Miguel TEMBOURY REDONDO	Independent Director Chairman of the Appointments and Remuneration Committee

Total number of independent directors	5
% of Board	55.55 %

Indicate whether any director classified as independent receives any amount or benefit from the Company, or from the group, in any concept other than their remuneration as a Board Member, or whether he/she maintains or has maintained a business relationship with the Company or with any company within its group during the last financial year, in his/her own name or as a significant shareholder, Board Member or senior executive of a company that maintains or has maintained such a relationship.

No independent director receives any amount or benefit from the company or from the group, in any concept other than their remuneration as a Board Member, nor do they maintain or have they maintained a business relationship with the Company or with any company within its group during the last financial year, either in their own name or as a significant shareholder, Board Member or senior executive of a company that maintains or has maintained such a relationship.

Where applicable, include a statement from the Board detailing the reasons why it believes the said director may perform their duties as an independent director.

Personal or corporate name of board member	Description of the relationship	Reasons
-	-	-

C.1.4 Complete the following table with information on the number of female Board members at the close of the last 4 financial years and their category:

	Number of female Board Members				% of total directors of each type			
	2017	2016	2015	2014	2017	2016	2015	2014
Executive	0	-	-	-	0.00%	-	-	-
Proprietary	0	-	-	-	0.00%	-	-	-
Independent	1	-	-	-	11.11 %	-	-	-
Total:	1	-	-	-	11.11 %	-	-	-

C.1.5 Explain the measures adopted by the company, where applicable, to ensure the inclusion of women on the Board of Directors in an amount that will permit the attainment of a male/female equilibrium.

Explanation of measures

An attempt was made during the process for the election of Board Members at the end of the 2017 financial year to include a number of women on the Board of Directors in an amount that would permit the attainment of a male/female equilibrium.

In 2017, in preparation for the Company's flotation on the Stock Market, the Company's then Sole Shareholder decided to modify the Board of Directors in order to adapt it to the Company's future status of listed company.

The Company began a process to find four independent directors who met certain requirements (relating to level of professional experience, areas of know-how and specialisation, etc.), and women were, of course, considered for these positions.

During this search for directors, offers were made to a number of women who met the agreed requirements, but unfortunately almost all of them had to refuse the offer because they were not given the necessary consent by the companies at which they performed executive duties.

However, the Company did manage to reach an agreement with Cristina Álvarez Álvarez, who joined the Company's Board as an independent director.

It is established in Article 5 of the Regulations governing the Board of Directors that proposals for the appointment or re-election of board members must be based on a prior analysis of the Board's needs, with preference given to a diversity of known-how, experience and gender.

C.1.6 Explain the measures taken by the Appointments Committee, where applicable, to ensure that selection processes are not subject to any implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile:

Explanation of measures

Under the Board of Directors' Regulations, the Company formed an Appointments and Remuneration Committee on 27th of September 2017, the composition of which is described in Article 15 of the said Regulations, along with its powers and operational rules.

One of the basic duties of this Appointments and Remuneration Committee is "establishing a target for representation on the Board of Directors of the gender that is least represented, and preparing guidelines on how to meet this target", which will be encouraged for future board members.

When, despite the measures taken (where applicable), there are few or no female directors, explain the reasons:

Explanation of reasons

As explained in section C.1.5, the board members at the end of the 2017 financial year were selected during the period prior to the Company's flotation, and an attempt was made to include a number of women that would permit a balanced presence of men and women.

C.1.6.bis Explain the conclusions of the Appointments Committee on the verifiability of the director selection policy. In particular, explain how this policy pursues the goal of having at least 30% of all Board places occupied by women directors before the year 2020.

On the date of this Annual Corporate Governance Report, the Company is preparing a draft of a Director Selection Policy, subject to review and approval by the Appointments and Remuneration Committee, which will be submitted to the Board of Directors.

One of the express targets set out in this policy is to pursue the goal of having at least 30% of all seats on the Board of Directors occupied by women directors before 2020.

C.1.7 Explain how shareholders with significant shareholdings are represented on the board.

On 31st of December 2017, the only shareholder represented on the Company's Board of Directors is HIPOTECA 43 LUX S.A.R.L., which has three proprietary directors.

C.1.8 Explain, where applicable, the reasons why proprietary directors have been appointed at the request of shareholders who hold less than 3% of the share capital:

Personal or corporate name of shareholder	Reason
-	-

Detail any failure to address formal requests for Board representation from shareholders with stakes equal to or exceeding that of others at whose request proprietary members were appointed. If so, explain the reasons why the request was not entertained:

Yes No

Personal or corporate name of shareholder	Explanation
-	-

C.1.9 Indicate whether any Board member has resigned from office before their term of office has expired, whether reasons were given to the Board and through what channels. If made in writing to the entire Board, explain at least the reasons given by the Board member:

Name of Board Member	Reason for resignation
-	-

C.1.10 Indicate what powers, if any, have been delegated to the Managing Director(s).

Personal or corporate name of board member
Mr. David MARTÍNEZ MONTERO
Brief description

Pursuant to the Deed for the Appointment of a Managing Director dated 12th of September 2017, signed by the Company "Aedas Homes, S.L.", Sole Shareholder Company, which publicly recorded the resolution adopted on 11th of September 2017 by the Board of Directors, the Company appointed David Martínez Montero as Managing Director, permanently delegating all of its powers to him, except for the powers that cannot be delegated under the Law (Article 529 *ter* of the Spanish Capital Companies Act) or the Company's Bylaws (Articles 5.3 and 5.4 of Title II of the Board of Directors' Regulations).

Article 21 of the Bylaws establishes that the Board of Directors may permanently delegate all or some of its powers, except for those that may not be delegated under the Law, the Bylaws or the Board of Directors' Regulations, to an Executive Committee and/or one or more Managing Directors, and it may also choose the members of the Board of Directors who will sit on the delegated body, as well as, where appropriate, the way in which the powers delegated to the Managing Directors are to be exercised.

C.1.11 List the Board Members, if any, who hold office as directors or executives in other companies belonging to the listed company's group:

Personal or corporate name of board member	Name of the group company	Position	Does he/she have executive powers?
Mr. David MARTÍNEZ MONTERO	Aedas Homes, S.A.	Board Member	Yes.
Mr. David MARTÍNEZ MONTERO	Cornetala Servicios y Gestiones S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Damalana Servicios y Gestiones, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Danta Investments, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Delaneto Servicios y Gestiones, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 11, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 12, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 14, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 15, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 16, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 17, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 18, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 2, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 20, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 21, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 22, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 23, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 25, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 26, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 27, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 28, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 29, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 31, S.L.	Board Member	No

Personal or corporate name of board member	Name of the group company	Position	Does he/she have executive powers?
Mr. David MARTÍNEZ MONTERO	Espebe 32, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 34, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 35, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 4, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 7, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Farconata Servicios y Gestiones, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Landata Servicios y Gestiones, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Milen Investments, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 1, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 12, SL	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 14, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 15, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 17, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 18, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 2, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 26, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 5, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 6, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain 16, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain 17, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain 2, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain 7, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain Project 1, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Servicios Inmobiliarios Licancabur, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Epavena Promociones y Servicios, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Servicios Inmobiliarios Mauna Loa, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Servicios Inmobiliarios Clegane, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Desarrollo Empresarial Licancabur, S.L.	Board Member	No

C.1.12 List, where applicable, any company board members who sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company:

Personal or corporate name of board member	Name of the listed company	Position
Mr. Evan Andrew CARRUTHERS	Five Point Holdings L.L.C.	Board Member
Mr. Santiago FERNÁNDEZ VALJUENA	Ferrovial, S.A.	Board Member
Mr. Emile K. HADDAD	Five Point Holdings L.L.C.	Board Member
Mr. Javier LAPASTORA TURPIN	Mostostal Warszawa, S.A.	Board Member

C.1.13 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit.

Yes No

Explanation of rules

Pursuant to Article 33 of the Board of Directors' Regulations, company Board Members may not sit on more than four boards (or administrative bodies) of other companies that do not belong to the Company's Group.

C.1.14 Section removed.

C.1.15 List the total remuneration paid to the Board of Directors in the year:

Board remuneration (thousands of euros)	7,120
Value of rights accumulated by current board members in respect of pensions (thousands of euros)	0
Value of rights accumulated by former board members in respect of pensions (thousands of euros)	0

C.1.16 List any members of senior management who are not executive directors and indicate the total remuneration paid to them during the year:

Name or corporate name	Position
Mr. Alberto DELGADO MONTERO	Director of Operations
Mr. Hernando DE SOTO FITZ-JAMES STUART	Director of Investor Relations
Mr. Esther DUARTE I MACARRO	Director of Corporate Resources
Mr. Sergio GÁLVEZ CAPÓ	Director of Strategy and Investment
Mr. Enrique GRACIA COLLDEFORNIS	Financial Director
Ms. Coro MORALES ASÚA	Director of Legal Affairs
Ms. Raquel PILARES GUTIÉRREZ	Director of Internal Auditing
Ms. Javier SÁNCHEZ GUTIÉRREZ	Director of Marketing and Communications
Ms. Alberto SOTO VICENTE	Director of Risk & Compliance

Total remuneration received by senior management (thousands of euros)	14,995
--	--------

C.1.17 List, where applicable, the names of those board members who are in turn members of the boards of directors of companies that own significant holdings and/or of group companies:

Personal or corporate name of board member	Company name of significant shareholder	Position
Mr. Evan Andrew CARRUTHERS	CASTLELAKE L.P.	Managing Director

List, where appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies.

Name or corporate name of linked board member	Name or corporate name of linked significant shareholder	Description of relationship
-	-	-

C.1.18 Indicate whether any changes have been made to the board regulations during the year

Yes No

Description of changes
-

C.1.19 Indicate the procedures for appointing, re-electing, evaluating and removing directors. List the competent bodies, the procedures to be followed and criteria used in each of these procedures.

Pursuant to Article 18 of the Board of Directors' Regulations, Board Members shall be appointed by the General Meeting of Shareholders or by the Board of Directors by co-option, following a report from the Appointments and Remuneration Committee or, in the case of independent directors, following a proposal from the Appointments and Remuneration Committee, pursuant to the provisions set out in the applicable legislation, the Company's Bylaws and the aforementioned Regulations.

The Board of Directors shall ensure that the candidates selected are people of known solvency, competence and experience, and the strictest rigour must be observed in relation to those who are selected to take up the position of independent director.

Before proposing the re-election of board members to the General Meeting of Shareholders, the Board of Directors shall assess (with the abstention of any of the persons affected) the quality of the work carried out and the devotion to duty of the proposed board members during their previous mandate.

Pursuant to Article 19 of the Board of Directors' Regulations, board members shall remain in their post for a period of three years, at the end of which they may be re-elected on one or more occasions for periods of the same maximum duration. A board member's appointment shall end when, following the expiry of his or her mandate, the next General Shareholders' Meeting has been held, or the deadline set out in law for the holding of the Meeting at which a resolution is to be adopted on the approval of the annual accounts has passed.

Board members appointed by co-option shall remain in their post until the first General Shareholders' Meeting held after their appointment, and they must resign their position in the event that the General Shareholders' Meeting in question does not ratify their appointment. If the position becomes vacant after the General Meeting has been convened but before it is actually held, the Board may appoint a board member up to the time at which the following General Meeting is held.

Independent directors may not remain in this capacity for a continuous period of more than 12 years.

Pursuant to Article 20 of the Board of Directors' Regulations, the mandate of a board member shall end when the period for which they were appointed expires and when this is decided by the General Shareholders' Meeting pursuant to the powers vested in it by Law or the Company's Bylaws.

Article 15.2 of the Bylaws of AEDAS Homes indicates that the General Shareholders' Meeting is responsible for determining the number of members of the Board of Directors, and to this end it may set the number either by express agreement or, indirectly, by leaving vacancies or appointing new board members, within the limits established in Article 15.1. Article 15.1 establishes that the Company shall be administered by a Board of Directors comprising a minimum of five and a maximum of fifteen members.

Article 7, point (iii) of the Regulations governing the General Shareholders' Meeting establishes that the General Meeting's powers include the appointment and dismissal of members of the Board of Directors, as well as the ratification or revocation of the appointment of members of the Board of Directors by co-option.

C.1.20 Explain the extent to which the annual evaluation of the Board has prompted significant changes in its internal organisation and the procedures that apply to its activities:

Description of changes

There has not yet been any annual evaluation of the Board of Directors, as it was formed on 27th of December 2017 and a full year has not yet passed since its formation, nor have there been any events that would give rise to changes in its internal organisation or the procedures that apply to its activities.

C.1.20.bis Describe the evaluation process and the areas of the Board evaluated by an external facilitator with respect to the diversity of Board membership and competences, the performance and membership of its committees, the performance of the chairman of the Board of Directors and the company's chief executive, and the performance and contribution of individual directors.

We refer to section C.1.20.

C.1.20.ter Detail any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group.

We refer to section C.1.20.

C.1.21 Indicate the cases in which board members must resign.

Pursuant to Article 20 of the Board Regulations, board members must place themselves at the disposal of the Board of Directors and, where deemed necessary by the Board, submit their resignation in the following cases:

- (i) When they cease to hold the executive positions associated with their appointment as board member.
- (ii) When they are affected by any of the grounds for incompatibility or disqualification set out in Law or the Company's Bylaws.
- (iii) When they are severely reprimanded by the Board of Directors because they have infringed their obligations as board members.
- (iv) When their presence on the Board could endanger or harm the interests, credit or reputation of the Company, or when the reasons for their appointment no longer apply, including (though not limited to) the occurrence of significant changes to their professional situation or to the conditions under which they were appointed to the position of board member.
- (v) When they are convicted of a criminal offence or are the subject of disciplinary proceedings by the supervisory authorities as the result of a serious or very serious misdemeanour.
- (vi) In the case of proprietary directors: (i) when the shareholder they represent sells its entire stake or reduces it significantly, and (ii) in the corresponding number, when the shareholder reduces its stake to a level that requires a reduction in the number of proprietary directors.
- (vii) When they sit on the boards of directors of more than four other listed companies (apart from the Company).
- (viii) When for reasons attributable to the board member in question their presence on the Board causes serious harm to the Company's corporate worth or reputation in the Board's opinion.

C.1.22 Section removed.

C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes No

If so, describe the differences.

Description of differences	
-	

C.1.24 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman of the Board of Directors.

Yes No

Description of requirements	
-	

C.1.25 Indicate whether the Chairman has a casting vote:

Yes No

Matters in which the Chairman has a casting vote	
-	

C.1.26 Indicate whether the Bylaws or the board regulations set any age limit for directors:

Yes No

Age limit for Chairman
Age limit for Managing Director **Age limit for board members**

C.1.27 Indicate whether the Bylaws or the board regulations set a limited term of office for independent directors, other than set out in law:

Yes No

Maximum number of years in office	-
-----------------------------------	---

C.1.28 Indicate whether the Bylaws or the Board regulations stipulate specific rules for delegating voting rights on the Board of Directors, how this is done and, in particular, the maximum number of times that voting rights may be delegated to a board member, as well as whether there is any limitation on the categories to which proxies can be delegated, in addition to any restrictions imposed by law. If so, provide brief details of the said rules.

Pursuant to Article 17 of the Board of Directors' Regulations, board members shall make every effort to attend Board Meetings, and when they are unavoidably unable to attend in person, they shall grant a proxy, in writing and specifically for each session, to another member of the Board, including the relevant instructions and notifying the Chairman of the Board of Directors of the grant of this proxy. In the case of non-executive directors, they may only be represented by another member of the Board of Directors who is classified in the same category. A record of the number of absences from meetings of the Board of Directors shall be included in the annual corporate governance report.

C.1.29 Indicate the number of board meetings held during the year. Also indicate, where applicable, how many times the board has met without the Chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	4
---------------------------------	---

Number of board meetings held without the Chairman's attendance	0
--	---

If the chairman is also the company's chief executive, indicate the number of meetings held without the attendance, in person or by proxy, of any executive director chaired by the lead independent director.

Number of meetings	0
---------------------------	---

Indicate the number of meetings held by the different board committees during the financial year:

Number of meetings of the Audit and Control Committee	2
Number of meetings of the Appointments and Remuneration Committee	2
Number of meetings of the Technology Committee	2

C.1.30 Indicate the number of board meetings held during the year with all members in attendance. Attendance is also understood to include proxies appointed with specific instructions:

Number of meetings with all members in attendance	3
% attendance over total votes cast during the year	75 %

All board members were present at all board meetings, except at the meeting held on 17th of October 2017, which one of the independent directors (Emile K. Haddad) was unable to attend for personal reasons.

C.1.31 Indicate whether the consolidated and individual financial statements submitted for authorisation by the board are previously certified:

Yes No

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements for authorisation by the board:

Name	Position
-	-

C.1.32 Explain the mechanisms, if any, put in place by the Board of Directors to ensure that the individual and consolidated financial statements prepared by the Board are not presented at the General Meeting of Shareholders with a qualified audit report.

Article 38.2 of the Board of Directors' Regulations establishes that "The Board of Directors shall endeavour to prepare the annual accounts definitively in a way that does not give rise to reservations or qualifications by the auditor. In the exceptional case that such qualifications exist, both the Chairman of the Audit and Control Committee and the external auditors should give a clear account to shareholders of such reservations or qualifications. However, when the Board believes that its own criteria should prevail, it shall publicly explain the scope and contents of the disagreement".

In this regard, the Audit and Control Committee, comprising mostly independent external directors, holds a meeting with the external auditors in order to review the Company's annual accounts and some of the periodic financial information that must be supplied by the Board of Directors to the markets and their supervisory authorities, confirming compliance with the legal requirements and the correct application of generally accepted accounting principles in the preparation of the accounts. Such meetings anticipate, where relevant, any debate or difference of opinion between the Company's Management and the external auditors, in such a way that the Board of Directors may take the appropriate measures to ensure that the auditor's report is issued without reservations.

C.1.33 Is the Board Secretary also a member of the board?

Yes No

Complete the following table if the Board Secretary is not a board member:

Personal or corporate name of Board Secretary	Representative
Mr. Alfonso BENAVIDES GRASES	-
Personal or corporate name of Deputy Board Secretary	Representative
Ms. Coro MORALES ASÚA	-

C.1.34 Section removed.

C.1.35 Indicate, where applicable, the specific mechanisms implemented by the company to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies.

Under Article 38 of the Board of Directors' Regulations, the Audit and Control Committee is responsible for submitting a proposal to the Board of Directors, which will in turn submit it to the General Shareholders' Meeting, for the appointment (with details of the contractual conditions and the scope of the professional duties engaged), or the renewal or revocation of the auditor for the Company's annual accounts. It is also responsible for overseeing compliance with the auditing agreement under Article 14 of the Regulations and the terms of the Committee's own internal regulations, which in the latter case are approved by the Board of Directors.

The Audit and Control Committee shall refrain from proposing to the Board of Directors (and the latter shall in turn refrain from proposing to the General Shareholders' Meeting) the appointment as the Company's auditors of any auditing firm that is affected by reasons of incompatibility pursuant to the regulations governing accounts auditors, or any firm that charges the Company fees, in respect of all items, that exceed five per cent of its total income during the last financial year.

The Board of Directors shall provide a full itemised breakdown, publicly and in the manner set out in the applicable regulations, of the fees paid for accounts auditing and any other services provided by the auditor, along with details of the fees paid to people or organisations connected with the said auditor.

In addition, under Article 14 of the Board of Directors' Regulations, the Audit and Control Committee must ensure the independence of the accounts auditor in the performance of its duties.

C.1.36 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors.

Yes No

Outgoing auditor	Incoming auditor
-	-

If there have been disagreements with the outgoing auditor, give the reasons:

Yes

No

Explain the disagreements
-

C.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:

Yes

No

	Company	Group	Total
Fees for non-audit work (thousands of euros)	240	-	240
Fees for non-audit work/total amount invoiced by the audit firm (%)	48,64%	-	48,64%

C.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes

No

Explanation of reasons
-

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Company	Group
Number of consecutive years	2	2

	Company	Group
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	100 %	100 %

C.1.40 Indicate and give details of any procedures through which directors may receive external advice:

Yes

No

Description of procedure

Under Article 23 of the Board of Directors' Regulations, for the purposes of receiving assistance in the performance of their duties, all directors may obtain any advice they need to comply with their duties from the Company. To this end, the Company will provide suitable channels which, under special circumstances, may include external advice charged to the Company. Such advice must necessarily relate to specific problems of a certain importance and complexity that arise during the performance of their duties.

A decision to engage external advisers at the Company's expense must be notified to the Chairman of the Company's Board of Directors, and it may be vetoed by the Board of Directors if it is shown:

- that it is not required for the proper performance of the duties entrusted to external directors;
- that its cost is unreasonable given the importance of the problem and the Company's assets or income; or
- the technical assistance sought could be adequately provided by the Company's own experts and technical personnel.

C.1.41 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies and, where applicable, give details:

Yes No

Description of procedure

Article 16 of the Board of Directors' Regulations establishes that notices convening meetings of the Board of Directors shall be sent out at least seventy-two hours before the date of the meeting. The notice will always include the agenda for the meeting and will be accompanied by the relevant information, duly prepared and summarised.

C.1.42 Indicate and, where applicable, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be:

Yes No

Explanation of rules

Pursuant to Article 20 of the Board of Directors' Regulations, board members must place their position at the disposal of the Board of Directors when their presence on the Board could endanger or harm the interests, credit or reputation of the Company, or when the reasons for their appointment no longer apply, including (though not limited to) the occurrence of significant changes to their professional situation or to the conditions under which they were appointed to the position of board member.

C.1.43 Indicate whether any director has notified the company that they have been indicted or tried for any of the offences stated in article 213 of the Spanish Capital Companies Act:

Yes No

Name of Board Member	Criminal proceedings	Remarks
-	-	-

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, where applicable, give details of the actions taken to date by the board and any actions that it plans to take.

Yes No

Decision/action taken	Reasoned explanation
-	-

C.1.44 List the significant agreements that have been signed by the company and have come into force, have been modified or have been terminated in the event of a change in the company's control through a hostile takeover bid, and their effects.

Development loan agreements usually contain standard clauses relating to the change of control over a Company. These clauses may apply in the event of a change of control over AEDAS Homes, but they do not apply to the company's internal restructuring. However, the most important aspect of these agreements is the guarantee of the Company's assets, not the control structure.

C.1.45 Identify, in aggregate form, and provide detailed information on agreements between the company and its officers, executives and employees that provide compensation, guarantees or protection clauses in the event of their resignation, unfair dismissal or termination as a result of a takeover bid or other kinds of operations.

Number of beneficiaries	1
--------------------------------	---

Type of beneficiary	Managing Director
----------------------------	-------------------

Description of the agreement

In the potential event of the agreement's termination as a result of the Managing Director's unilateral resignation, the Managing Director will not be entitled to receive any compensation or indemnification, unless his/her resignation is caused by a change in control over the Company. To this end, it shall be understood that there has been a change of control when either of the following two situations arises: (i) a third party directly or indirectly acquires more than 50% of the Company's voting rights; or (ii) a third party appoints half plus one of the members of the Board of Directors. In this case, provided that the Managing Director's resignation occurs within six months of the date of the change of control, the Managing Director shall be entitled to receive gross compensation equivalent to two years' fixed salary in the amount he is receiving at the time of termination.

In the event of the agreement's termination at the unilateral request of the Company, the Managing Director shall be entitled to receive gross compensation equivalent to two years' fixed salary in the amount he is receiving at the time of termination.

In cases in which the agreement is terminated at the sole request of the Company, as set out in a resolution by the Board of Directors or as the result of the partial or total revocation by the Board of Directors of the powers delegated by the Board or the Company in the Managing Director's favour, three months' advance notice must be given. During the advance notice period, the Company may release the Managing Director from the performance of his/her duties, though it shall continue to pay him/her the relevant salary. In the event of a breach of the obligation to give the required advance notice, the Company must compensate the Managing Director in an amount equivalent to the fixed payment that applies at the time of the Agreement's termination for the period of advance notice not given.

Notwithstanding the foregoing, the Managing Director shall not be entitled to receive any compensation or indemnification, nor shall the Company be obliged to respect any advance notice term, in the event that his/her termination is caused by an infringement of the Law, the Company's Bylaws, the Board of Directors' Regulations, the Regulations governing the General Shareholders' Meeting or any other company rule or resolution that applies to the performance of his/her duties, or that is caused by a breach of his/her obligations under the terms of this Agreement, including the duty of good contractual faith, provided that the infringement or breach in question is classified as very serious and can be attributed to the Managing Director in the form of a serious or wilful offence.

By way of compensation for the obligation not to compete, the Managing Director shall receive a gross amount equivalent to one year's fixed salary in the amount he/she is being paid at the time of termination. This amount shall be paid in full at the time at which the Agreement is terminated.

Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group:

	Board of Directors	General Meeting of Shareholders
Body that authorises clauses	-	-
	YES	NO
Is the General Shareholders' Meeting informed of such clauses?		X

C.2 Fees of the Board of Directors

C.2.1 Give details of all of the fees paid to the Board of Directors, its members, and the proportion of executive, proprietary, independent and other external directors that they represent:

AUDIT COMMITTEE

The Audit Committee of AEDAS Homes was appointed by the Board of Directors at a meeting held on 27th of September 2017. It first met [in written session without a physical meeting on 17th of October 2017. Its composition, general delegated powers and regulations are set out below.

Name	Position	Category
Mr. Javier LAPASATORA TURPÍN	Chairman	Independent
Mr. Eduardo Edmundo D'ALESSANDRO CISHEK	Member	Proprietary
Mr. Santiago FERNÁNDEZ VALBUENA	Member	Independent

% of proprietary directors	33.3 %
% of independent directors	66.6%
% other external members	0%

Explain the duties attributed to this committee, describe and provide a summary of its main actions carried out by the committee during the year.

Pursuant to Article 14 of the Board of Directors' Regulations, the Audit and Control Committee shall comprise a minimum of three and a maximum of five members, who shall be appointed by the Board of Directors and who must be non-executive directors. The majority of the members of the Audit and Control Committee shall be independent, and one of them shall be appointed with regard to his/her knowledge and experience in accounting or auditing matters, or both.

The Board of Directors shall also appoint a Chairman of the Audit and Control Committee from among the independent directors who sit on the said Committee. In addition, the Board of Directors may appoint a Deputy Chairman if it deems this appropriate, and the rules governing the appointment of the Deputy Chairman shall be the same as the rules governing the appointment of the Chairman.

Member of the Board of Directors who sit on the Audit and Control Committee shall continue in this post for the term of their appointment as directors of the Company, unless otherwise agreed by the Board of Directors. The renewal, re-election and dismissal of the Committee's members shall be governed by the decisions of the Board of Directors. The position of Chairman shall be held for a maximum of four years, and the same person may not be re-elected at the end of this term until a year has passed following their cessation, without prejudice to their continuation or re-election as a member of the Committee.

The Audit and Control Committee shall meet at least once every three months in order to review the periodic financial information that is to be submitted to the stock market authorities, along with any other information that the Board of Directors is required to approve and include among its annual public documentation. It shall also meet when requested to do so by any of its members and whenever it is convened by its Chairman, who shall convene a meeting whenever the Board or the Chairman of the Board requests the issue of a report or the adoption of proposals and, in all cases, when this is advisable for the proper performance of its duties.

The Audit and Control Committee shall issue an annual report on its own activities, making particular mention of any incidents that have arisen, where applicable, in relation to the duties for which it is responsible. In addition, when the Audit and Control Committee deems this appropriate, its report shall include proposals for the improvement of the Company's governance rules.

Notwithstanding any other tasks that may be assigned to it by the Board of Directors, the Audit and Control Committee shall be responsible for the following basic duties:

- (i) Informing the General Shareholders' Meeting on questions raised by shareholders at the Meeting, where such questions fall within its competence and, in particular, on the results of the audit, explaining how this has contributed to the integrity of the financial information and the role that the Audit and Control Committee played in the process.
- (ii) Overseeing the efficacy of both the Company's and the group's internal monitoring, internal audit and risk management systems, and discussing with the external accounts auditor any significant weakness in the internal monitoring system that it has detected during its own audit, without compromising its independence. To this end, in the event that it identifies significant weaknesses, it shall submit recommendations or proposals to the administrative body and indicate the corresponding term for monitoring such weaknesses.
- (iii) Overseeing the process for the preparation and submission of the regulatory financial information and submitting recommendations or proposals to the Board Of Directors, aimed at safeguarding the integrity of such information.
- (iv) Proposing to the Board of Directors, for submission to the General Shareholders' Meeting, the selection, appointment, re-election or replacement of the accounts auditors, pursuant to the applicable regulations, along with the conditions for their engagement, and regularly compiling information on the auditing plan and its execution, as well as ensuring its independence in the performance of its duties.
- (v) Establishing the appropriate relationship with the accounts auditors in order to receive information on any matters that could endanger its independence, so that such information may be examined by the Audit and Control Committee, along with any other matter relating to the accounts auditing process and, where applicable, authorising services other than those that are prohibited, in the terms set out in the applicable regulations, along with any other communications provided for in the auditing regulations and other provisions governing accounts audits. In any case, the Audit and Control Committee must receive an annual written declaration from the auditor confirming its independence, both direct and indirect, from the Company and its related organisations, together with detailed and personalised information on any additional services of any kind provided and the corresponding fees received from these organisations by the auditor, or by persons or organisations related to it, in accordance with the provisions contained in the legislation governing accounts audits.
- (vi) Issuing an annual report, prior to the external auditor's report, expressing an opinion as to whether the independence of the external auditors or auditing firms has been compromised. This report must contain information, in all cases, on the provision of the additional services referred to in the preceding paragraph, both individually and jointly considered, aside from the legal audit itself, with regard to the rules governing independence and the regulations governing accounts audits.
- (vii) Providing prior information to the Board of Directors regarding all the matters required in Law, the Company's Bylaws and the Board of Directors' Regulations, with particular regard to: (i) the financial information that the Company is required to publish

periodically; (ii) the creation or acquisition of shares in organisations with a particular purpose or organisations domiciled in countries or territories classified as tax havens; and (iii) operations with related parties.

- (viii) Overseeing the Company's internal auditing activities.
- (ix) With regard to internal reporting and monitoring systems:
 - a) monitoring the preparation and the integrity of the financial information relating to the Company and, where appropriate, the group, checking for compliance with legal provisions, the proper demarcation of the consolidation perimeter, and the correct application of accounting principles.
 - b) monitoring the independence of the unit handling internal auditing duties; proposing the selection, appointment, re-election and removal of the head of the internal audit service; proposing the service's budget; approving its guidelines and work programmes, receiving regular information on its activities, and checking that senior management take account of the findings and recommendations of its reports; and
 - c) establishing and overseeing a mechanism whereby staff can confidentially or anonymously report any potentially significant irregularities that they detect within the Company, particularly financial or accounting irregularities.
- (x) With regard to the external auditor:
 - a) in the event of the resignation of the external auditor, examining the circumstances that gave rise to its decision;
 - b) ensuring that its payment does not compromise its quality or independence.
 - c) ensuring that the Company notifies any change of external auditor to the CNMV as a significant event, accompanied, where applicable, by a statement regarding any potential disagreements with the outgoing auditor and the relevant reasons;
 - d) ensuring that the external auditor has an annual meeting with the Board of Directors in full session to inform it of the work undertaken and of any developments in the Company's situation;
 - e) ensuring that the Company and the external auditor adhere to current regulations on the provision of non-auditing services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.
- (xi) Monitoring compliance with the Company's internal codes of conduct and corporate governance rules, and any information relating to compliance therewith.
- (xii) Monitoring compliance with Corporate Social Responsibility Policy and evaluating relations with the various stakeholder groups.
- (xiii) Meeting with any Company employee or manager, even ordering their appearance without the presence of another senior officer.
- (xiv) Any other duties entrusted to it by the Board of Directors in the relevant Regulations.

The most important actions taken by the Audit and Control Committee of AEDAS Homes during the 2017 financial year are listed below:

- Two meetings were held, on 17th of October and 8th of November 2017.
- Coordination with the Internal Auditing and Risk & Compliance Departments.
- Design of a framework for relations between the Audit and Control Committee and the relevant officers within the Company.
- Approval of the appointment of Raquel Pilares Gutiérrez as Director of Internal Auditing.
- Approval of the Action Plan for the Audit and Control Committee for 2018. This plan will focus on the following areas for action:
 - a) Economic and financial information.
 - b) Relations with the accounts auditor.
 - c) Review of the annual accounts and Half-Yearly Financial Report.
 - d) Independence of accounts auditor.
 - e) Internal Monitoring Procedures.

- f) Internal Auditing.
- g) Risk analysis and systems for monitoring risk.
- h) Actions in the area of corporate governance and compliance.

Name the Board Member who has been appointed to sit on the Audit Committee, bearing in mind his/her knowledge and experience of accounting matters, auditing, or both and state how many years the Chairman of this Committee has been in the post.

Name of experienced Board Member	Mr. Javier LAPASTORA TURPÍN
Number of years Chairman has been in post	3 months

APPOINTMENTS AND REMUNERATION COMMITTEE

The Company's Appointments and Remuneration Committee was appointed by the Board of Directors at a meeting held on 27th of September 2017. It first met [in written session without a physical meeting on 17th of October 2017. Its composition, general delegated powers and regulations are set out below.

Name	Position	Category
Mr. Miguel TEMBOURY REDONDO	Chairman	Independent
Mr. Evan Andrew CARRUTHERS	Member	Proprietary
Ms. Cristina ÁLVAREZ ÁLVAREZ	Member	Independent

% of proprietary directors	33.3 %
% of independent directors	66.6%
% other external members	0%

Explain the duties attributed to this committee, describe and provide a summary of its main actions carried out by the committee during the year.

The Appointments and Remuneration Committee shall comprise a minimum of three and a maximum of five members, who shall be appointed by the Board of Directors at the proposal of the Chairman of the Board, and who must be non-executive directors. At least two members of the Appointments and Remuneration Committee shall be independent directors.

The Board of Directors shall also appoint a Chairman from among the independent directors who sit on the said Committee. In addition, the Board of Directors may appoint a Deputy Chairman if it deems this appropriate, and the rules governing the appointment of the Deputy Chairman shall be the same as the rules governing the appointment of the Chairman.

Directors who sit on the Appointments and Remuneration Committee shall continue in this post for the term of their appointment as directors of the Company, unless otherwise agreed by the Board of Directors. The renewal, re-election and dismissal of the Committee's members shall be governed by the decisions of the Board of Directors.

Notwithstanding any other tasks that may be assigned to it by the Board of Directors, the Appointments and Remuneration Committee shall be responsible for the following basic duties:

- (i) Assessing the skills, knowledge and experience required on the Board of Directors. To this end, it shall define the skills and duties require from candidates in order to fill each vacancy, as well as evaluating the time and dedication required for them to be able to effectively perform their duties.
- (ii) Establishing a target for representation on the Board of Directors of the gender that is least represented, and preparing guidelines on how to meet this target.
- (iii) Submitting proposals to the Board of Directors regarding the potential appointment of independent directors, either for appointment by co-option or for submission for deliberation by the General Shareholders' Meeting, along with proposals for the re-election or removal of such directors by the General Shareholders' Meeting.

- (iv) Providing information regarding proposals for the appointment of the remaining directors, either for appointment by co-option or for submission for deliberation by the General Shareholders' Meeting, along with proposals for the re-election or removal of such directors by the General Shareholders' Meeting.
- (v) Providing information on proposals for the appointment and removal of management personnel and the basic conditions for their engagement.
- (vi) Examining and organising the process for successors to the Chairman of the Board of Directors and the Company's chief executive and, where applicable, making proposals to the Board of Directors to ensure that succession occurs in a planned and orderly way.
- (vii) Submitting proposals to the Board of Directors regarding payment policy for directors and general management and for those people who perform senior management duties and report directly to the Board of Directors, Executive Committees or Managing Directors, and regarding the individual payment and other contractual conditions for executive directors, confirming and monitoring compliance with such conditions.
- (viii) Monitoring compliance with the Company's payment policy.
- (ix) Periodically reviewing the payment policy for directors and senior officers, including share-based payment systems and their application, and ensuring that their individual payment is proportionate to the amounts paid to other directors and senior officers.
- (x) Ensuring that conflicts of interest do not undermine the independence of any external advice the Committee engages.
- (xi) Verifying the information on director and senior officers' pay contained in the various corporate documents, including the annual directors' payment statement.

During Fiscal Year 2017, the more relevant actions taken by the Appointments and Remuneration Committee are the following:

- Two meetings held, the first one on the 17th of October, and the second one on the 8th of November
- Received a report from the Member of the Board of Directors Mr. Javier Lapastora Turpín on his private business activities and ruled the lack of conflicts of interest between them and his duties as Member of the Board of Directors of the Company
- Reviewed the Long-Term Incentive Plan (LTIP) of the Company and made some recommendations
- Arranged a benchmarking study on the LTIP in relation to similar sized companies in Spain and other countries

TECHNOLOGY COMMITTEE

The Technology Committee held its first meeting on 14th of November 2017. Its composition, general delegated powers and regulations are set out below.

Name	Position	Category
Ms. Cristina ÁLVAREZ ÁLVAREZ	Chairman	Independent
Mr. Oscar DE LA TORRE MUÑOZ DE MORALES	Member	Executive
Mr Eduardo Edmundo D'ALESSANDRO CISHEK	Member	Proprietary
Mr. David MARTÍNEZ MONTERO	Member	Delegate
Mr. Javier SÁNCHEZ GUTIÉRREZ	Member	Executive

% of executive directors	20 %
% of proprietary directors	20 %
% of independent directors	20 %
% other external members	40 %

Explain the duties attributed to this committee, describe and provide a summary of its main actions carried out by the committee during the year.

In 2017, there were no formally approved Regulations for the Technology Committee. However, on the date of this Annual Corporate Governance Report, there is an agreed draft of these Regulations which is pending approval at the next meeting of the Technology Committee. Notwithstanding any other tasks that may be assigned to it by the Board of Directors, this document establishes that the Technology Committee shall be responsible for the following basic duties:

- (i) Reviewing and submitting its recommendations regarding the Strategic Technology Plan to the Director of Technology, the Managing Director and, where applicable, the Board of Directors, in such a way that the Technology Committee may respond to the Company's needs and, in addition, offer a competitive advantage.
- (ii) Overseeing implementation of the Strategic Technology Plan, informing the Managing Director and the Board of Directors of its progress and proposing any changes or adjustments to the Plan that may be required in order to meet the Company's needs.
- (iii) Advising the Director of Technology with regard to the selection of staff, the design of tools and the implementation of technologies and corrective or preventive measures, inter alia, ensuring the incorporation of technological tools and trends that will provide optimum support for the operation of the Company's business and that will allow it to maintain a competitive and sustainable advantage for the Company.

During Fiscal Year 2017, the more relevant actions taken by the Technology Committee are the following:

- Two meetings held, the first one on the 14th of November and the second one on the 1st of December.
- Review of the action plan and projects planned for Fiscal Year 2018 with a view to integrate them into the Company's business targets.
- Action plan on cybersecurity agreed.
- Creation of a specific strategy for the governance of the Innovation area agreed.
- Launched control process for guaranteeing compliance with the General Data Protection Regulation (GDPR), which enters into force on the 25th of May 2018.
- Advised on the separation of the Technology Department from the Marketing Department, with direct report to the Company's CEO.
- Requested the Technology Director an update of the status of projects.

C.2.2 Complete the following table with information on the number of female Board members sitting on the Board's committees at the close of the last four financial years:

	Number of female Board Members							
	2017		2016		2015		2014	
	Number	%	Number	%	Number	%	Number	%
Audit Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Appointments and Remuneration Committee	1	33.33 %	0	0.00%	0	0.00%	0	0.00%
Technology Committee	1	20.00 %	0	0.00%	0	0.00%	0	0.00%

C.2.3 Section removed.

C.2.4 Section removed.

C.2.5 Indicate, where appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any changes have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Board of Directors' Regulations, approved on 11th of September 2017, include the regulation of the board's committees with regard to the Audit and Control Committee and the Appointments and Remuneration Committee.

The Board of Directors' Regulations are available for consultation on the Company's website (www.aedashomes.com) under the section headed 'Shareholders and Investors', sub-section 'Board of Directors', 'Board of Directors' Regulations'.

The Board of Directors' Regulations were approved on 11th of September 2017, before the Company was listed for trading on the markets, and they had not been changed in any way by the close of the 2017 financial year.

C.2.6 Section removed.

D RELATED PARTY TRANSACTIONS AND INTER-GROUP TRANSACTIONS

D.1 Explain, where applicable, the procedures for approving related-party or inter-group transactions.

Procedure for reporting approval of related party transactions

Pursuant to Article 34 of the Board of Directors' Regulations, the Company's engagement in any transaction with directors or shareholders that own shares in an amount considered significant under the terms of the stock market regulations in force from time to time or, where applicable, with directors or shareholders that have proposed the appointment of any of the Company's directors, or the Company's engagement in any transaction with the respective related parties (understood to mean the parties listed in Article 29 of these Regulations), shall be subject to authorisation by the Board of Directors or, in situations of extreme urgency, the Executive Committee or the Managing Director (where appointed), in each case following a report by the Audit and Control Committee.

Prior to authorising the Company's engagement in transactions of this nature, the Audit and Control Committee and the Board of Directors or the Executive Committee shall evaluate the transaction from the perspective of the equal treatment of all shareholders and current market conditions.

The Board's authorisation shall not, however, be required for related party transactions that simultaneously comply with the following three conditions:

- (i) they are governed by agreements containing standard conditions that apply en masse to a large number of clients;
- (ii) they are completed at prices or rates that are generally established by parties acting as a supplier of the goods or services in question; and
- (iii) their value does not exceed 1% of the Company's annual turnover.

Where these are transactions that fall within the Company's ordinary business and involve usual or recurring activities, a general authorisation from the Board of Directors shall be sufficient. Authorisation shall necessarily be agreed by the General Shareholder's Meeting when the transaction is made with a director or related party in a value exceeding 10% of the Company's assets.

The Company shall report any transactions engaged in with directors, significant shareholders and related parties when it publishes its half-yearly financial information, and it shall also report any such transactions in its Annual Corporate Governance Report, with the detail required by Law in each case. Similarly, the Company shall include information in the notes to its annual accounts relating to any transactions between the Company or Group Companies and directors or parties acting on their behalf, when these fall outside the Company's normal business or are not made under usual market conditions.

D.2 Give details of transactions deemed significant due to their value, or relevant due to their subject matter, carried out between the company or companies in its group and significant shareholders in the company:

The following table contains a breakdown of the transactions engaged in between the Company and its significant shareholders from the date it was floated on the Stock Market, 20th of October 2017 until 31st of December 2017:

Name or corporate name of significant shareholder	Name or corporate name of the group company or entity	Nature of the relationship	Type of operation	Amount (thousands of euros)
HIPOTECA 43 LUX S.A.R.L.	Aedas Homes, S.A.	Shareholder	Funds contribution	9,957

D.3 Give details of transactions deemed significant due to their value, or relevant due to their subject matter, carried out between the company or companies in its group and the company's directors or executives:

Name or corporate name of administrators or board members	Name or corporate name of the related party	Relationship	Nature of the operation	Amount (thousands of euros)
-	-	-	-	-

D.4 Give details of any significant transactions between the company and other entities in the same group, provided that they are not eliminated in the process of preparing the consolidated financial statements and do not form part of the company's normal business with regard to purpose and conditions.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

Name of the group company	Brief description of the operation	Amount (thousands of euros)
-	-	-

D.5 Indicate the value of operations engaged in with other related parties.

There have not been any related party transactions.

D.6 Provide details of any mechanisms in place to detect, determine and resolve possible conflicts of interest between the company and/or its group and its Board members, executives or significant shareholders.

Pursuant to the Conflict of Interest Policy established by AEDAS Homes, all the people subject to this Policy (board members, managers, employees and related parties) must adopt the measures required to ensure compliance with the criteria for action and decision-making set out in the Policy itself, in order to avoid situations that may result in a conflict between their own personal interests and the interest of the Company.

In this regard, all affected parties, particularly members of the Board of Directors, must refrain from the following:

- a) Entering into transactions with the company, unless these relate to ordinary operations, made in standard client conditions and of little importance (this being understood to mean operations that do not have a significant impact on the Company's net worth, financial position or results). In this regard, the affected parties may acquire housing developed by AEDAS Homes provided that it is acquired for their own use as a residence. All other requests (apart from those for acquisition as a primary residence) shall require the approval of the Compliance Committee, and when such requests are made by members of the Management Committee, the approval of the Audit and Control Committee shall be required.
- b) Using the name of the Company or referring to their condition as director, manager or employee to unduly influence the result of a private operation.
- c) Making use of the company's assets, including its confidential information, for private purposes.
- d) Taking advantage of the Company's business opportunities, whether current or under consideration.
- e) Obtaining benefits or payments from third parties other than the Company in relation to the performance of their duties, unless these are offered out of mere courtesy.
- f) Engaging in activities, either personally or on behalf of others, that effectively compete, either immediately or potentially, with the activities of the Company, or that in any other way place them in permanent conflict with the interests of the Company.
- g) Awarding any kind of agreement or mandate relating to AEDAS Homes to suppliers who have some kind of relationship with people who have a first or second degree of kinship with employees of the Company.

The foregoing provisions also apply in cases in which the beneficiary of the prohibited act or activity is a person related to the affected person. AEDAS Homes, and specifically its Board of Directors, may analyse and dispense with such prohibitions in specific cases, taking account in all cases of the principles contained in this Policy, and safeguarding the interests of AEDAS Homes.

Communication

The affected party must immediately give notice of any situation or circumstance that could give rise to a potential conflict of interest, giving details of its scope, the situation that has given rise to the potential conflict and any related parties, where applicable. If there are doubts regarding whether this involves a conflict of interest or not, the affected party must refrain from continuing to engage in any activity relating to the situation in question and seek advice.

In the case of employees, they must give notice of the situation to their direct superior, who will analyse and resolve the situation together with the Compliance Department. Where necessary, the Compliance Committee shall be asked to make a decision. In the case of members of the Board of Directors, they must give notice of the situation to the Secretary to the Board of Directors, preferably in writing, and the Secretary shall pass on any communications received to the Board of Directors, which shall decide on the situation and, where necessary, seek an opinion from the Audit and Control Committee.

In addition, AEDAS offers all affected parties an Incident Reporting Channel. This represents a further channel for reporting any circumstance involving a breach or infringement of the Code of Conduct, which includes the principle of objectivity and an obligation to prevent conflicts of interest.

Conflicts of interest that affect the Company's directors shall be reported in the notes to the Company's annual accounts and in the Annual Corporate Governance Report, which shall give details of all related party transactions between the Company and its shareholders or directors.

Management of conflicts of interest

AEDAS Homes has adopted a series of measures that are designed to ensure the correct management of conflicts of interest by the Board of Directors or the employees' immediate superiors, as appropriate under the terms of this Policy, thus ensuring the objectivity and transparency of the process. To this end, once the existence of a conflict of interest has come to light:

- a) We take all the measures necessary to distance the affected party from the management of the transaction or situation in question.

- b) We ensure independence in the decision-making process, in such a way that the affected party must take part in this process, and measures are employed to implement the appropriate controls to ensure impartiality.
- c) Where required, the Board of Directors will take a decision on the potential conflict of interest, recording its decision and taking the appropriate measures in this regard.

Related party transactions

In line with the general principles set out above, affected parties must avoid becoming involved in any situation from which a conflict of interest might arise in relation to their participation in related party transactions, and they must comply with the previously established rules.

The Company's Board of Directors is the body that is responsible for approving any related party transactions, following a positive report from the Audit Committee. In addition, the Board of Directors may analyse and dispense with such prohibitions in specific cases, taking account in all cases of the principles contained in this Policy.

In duly justified situations of urgency, approval may be given by the delegated bodies or people / the Company's management, though it must be ratified at the first meeting of the Board of Directors held after the decision is adopted.

However, authorisation is not required from the Board of Directors for related party transactions in which the following three conditions are simultaneously met:

- a) They are governed by agreements containing standard conditions that apply en masse to a large number of clients,
- b) They are completed at market prices or rates that are generally established by parties acting as a supplier of the goods or services in question, and
- c) Their value does not exceed 1% of the Company's annual turnover.

D.7 Is more than one of the companies in the group listed in Spain?

Yes

No

Identify the subsidiaries that are listed in Spain:

Listed subsidiaries
-

Indicate whether they have provided public information on the respective business activities in which they engage, and any business dealings between them, as well as between the listed subsidiary and other group companies;

Yes

No

Describe any potential business relations between the parent company and the listed subsidiary, and between the listed subsidiary and other companies in the group
-

Indicate the mechanisms in place to resolve potential conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to resolve any potential conflicts of interest
-

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Company's Risk Control and Management System, including measures relating to tax risk.

AEDAS Homes uses a risk management system that is regulated under the Company's Risk Management Policy. This Policy was approved by the Company's Board of Directors on 17th of October 2017.

The purpose of the risk management model is to identify, manage and report any risks that may affect AEDAS Homes's pursuit of its business objectives.

The risk management model is based on the following stages:

- Identification: any significant risk to AEDAS Homes is identified.
- Evaluation: inherent probability, inherent impact and the robustness of the control environment are evaluated for all significant risks. The AEDAS Homes risk management model includes three risk categories: "critical", "to be monitored" and "to be maintained".
- Management: risk classified as "critical" and "to be monitored" is included as part of the risk management mechanism, which means taking measures such as identifying material risk events, monitoring their development through the use of indicators and analysing response/control protocols, among other measures.
- Reporting: a report is submitted every six months to the Management Committee and the Audit and Control Committee on the way that the model is working.
- Updating: the model is subject to an annual review and update.

E.2 Identify the bodies responsible for preparing and implementing the Risk Control and Management System, including measures relating to tax risk.

Board of Directors

Defines, updates and approves the Risk Management and Control Policy at AEDAS Homes and sets the acceptable risk level at all times.

Audit and Control Committee

Oversees the internal monitoring and management of risk, ensuring that the main risks are identified, managed and maintained at the planned levels.

Management Committee

Assigns responsibility for risk, receives the results of risk assessments for the purposes of determining how critical the risk level is, and approves actions or responses to the risk defined.

Risk & Compliance Department

The Compliance Department provides support for the Audit and Control Committee and the Management Committee in the performance of its duties, particularly through the coordination of the activities set out in the Risk Management and Control Policy, ensuring the correct implementation of the risk management system and consolidating reports relating to the risk model.

Managers and other parties responsible for risk

Identify and evaluate the risks that fall within their area of responsibility. In addition, they propose and report on the indicators used to monitor risk, in addition to proposing and implementing plans of action to mitigate risk and reporting on the effectiveness of such plans.

E.3 Indicate the main risks, including tax risk, which may prevent the company from achieving its business targets.

Strategic risk

- Real estate market
- Portfolio of development land
- Competition
- Availability of financing
- Reputation
- Stock markets

Operational risk

- Acquisition of development land
- Transformation of development land
- Development
- Marketing
- Securing and retaining talent
- Technology
- Cyber security
- Safety in the workplace
- Asset security

Financial risk

- Interest rates
- Liquidity
- Credit risk
- Asset valuation
- Reliability of financial information

Compliance risk

- Breach of the Money Laundering Prevention Act
- Breach of criminal regulations
- Breach of the Spanish Stock Market Act
- Breach of tax regulations
- Breach of environmental regulations

E.4 Indicate whether the company has a risk tolerance level, including against tax risk.

Implementation of the AEDAS Homes risk management model is still in its relatively early stages, and the first exercise to establish the risk tolerance level is therefore scheduled to take place during 2018. Information may be reported in the Corporate Governance Report for the 2018 financial year.

E.5 Identify any risks, including tax risk, which have emerged during the year.

There is no record that any significant risk (identified and evaluated using the risk management model) emerged during the financial year in question.

E.6 Explain the plans for responding to and monitoring the main risks facing the company, including tax risk.

Plans to respond to and monitor significant risk are currently being developed at the present time, and information may therefore be reported in the Corporate Governance Report for the 2018 financial year.

F INTERNAL RISK MONITORING AND MANAGEMENT SYSTEMS RELATING TO THE FINANCIAL REPORTING (ICFR) PROCESS

Describe the mechanisms that form part of the risk monitoring and management system relating to the company’s financial reporting (Internal Control over Financial Reporting, ICFR) process.

F.1 The company’s control environment

Provide information on at least the following, describing their main characteristics:

F.1.1. The bodies and/or officers responsible for: (i) the existence and maintenance of appropriate and effective ICFR; (ii) its implementation; and (iii) its monitoring.

The ICFR process is one that affects all levels of the organisation and all the people working for it. The main duties relating to the Internal Monitoring System that deals with financial information at the Aedas Homes Group are summarised in the following points:

- The Board of Directors is responsible for approving ICFR.
- Overseeing ICFR is the responsibility of the Audit and Control Committee, through the internal auditor.
- The Finance Department is responsible for designing and implementing ICFR.

The following table contains a summary of the offices responsible for ICFR:

OFFICE		RESPONSIBILITIES
Management Bodies	Board of Directors	- Preparing Financial Information
	Audit and Control Committee	- Supervising financial information. - Supervising auditing activities. - Approving what to supervise and when, and how to evaluate supervision of ICFR. - Supervising the effectiveness of ICFR.
Finance Department	Financial Management	- Designing, implementing and evaluating ICFR and its overall monitoring. - Reporting on the operation of ICFR.
Departments and Divisions	Parties responsible for processes	- Identifying any risks in their processes that may affect the Financial Information. - Proposing and implementing the most suitable controls to mitigate risk. - Ensuring that these controls are working effectively. - Reporting on the operation of internal controls in their processes. - Resolving incidents in their processes.
	Parties responsible for control	- Executing the controls for which they are responsible. - Reporting on any incidents that arise.
Internal Auditing Department	Internal Auditing	- Planning audits. - Auditing ICFR and communicating the results. - Following up recommendations.

The Board of Directors, which is ultimately responsible for supervising ICFR, has established the organisational structure necessary to allow monitoring by delegating this duty to the Audit and Control Committee. Thus, the Audit and Control Committee must ensure due compliance with the responsibilities defined and assigned to the Finance Department and other departments and divisions with regard to the Company’s Internal Financial Control Reporting System.

The organisational structure that AEDAS Homes has defined with regard to the main duties involved in overseeing ICFR is as follows:

Audit and Control Committee

To achieve reasonable security with regard to the reliability of the financial information, the Audit and Control Committee will oversee:

- The proper demarcation of the consolidation perimeter.
- The correct application of accounting principles.
- The suitability of the control policies and procedures implemented.
- The process for the preparation and reporting of financial information, reviewing the correct design, implementation and efficient operation of the ICFR System and compliance with the regulatory requirements.

The Audit and Control Committee has various sources for establishing whether Management has implemented an effective system for supervising ICFR. The main sources for its analyses are:

- Asking questions and observing the way that Management manages the Company.
- Engaging specialists or specialist resources.
- External auditors.

The Audit and Control Committee will principally rely on the work of the internal auditor and hold any meetings with external auditors that may be necessary.

The duties entrusted to the Audit and Control Committee with regard to the internal controls set out in the AEDAS Homes Board of Directors' Regulations are as follows:

- Regularly reviewing the Company's internal monitoring and risk management systems and, in particular, the correct design of the internal monitoring system and the management of financial information (ICFR), to ensure that the main risks are identified, managed and adequately made known.
- Approving the internal auditing plan for evaluation of the ICFR System and its modifications and receiving regular information on the results of this work, as well as approving the action plan for correcting any weaknesses observed.
- Reviewing, analysing and commenting on the Financial Statements and other relevant financial information with senior management and internal and external auditors, in order to confirm that this information is reliable, comprehensible and relevant, and that the accounting principles followed are consistent with those applied at the close of the preceding year.

Finance Department

The Group's Finance Department is responsible for identifying any risk of error or fraud in the financial information using the whole range of the ICFR System. It is also responsible for designing the necessary controls. It is also responsible for informing the internal and external auditors of any changes to the perimeter of the Internal Monitoring System relating to Financial Information.

The AEDAS Homes Finance Department is responsible for establishing the design, implementation and global follow-up of the Internal Monitoring System for the Group's financial information. It will therefore establish the system and implement the structure required for its supervision, thus ensuring that the said system operates effectively.

In order to comply with this responsibility, the people in charge of each associated process or sub-process and any key controls must monitor these and report back to the AEDAS Homes Financial Management.

Internal Auditing Department

Internal Auditing will plan the supervision and evaluation of the ICFR System with the scope and frequency required to ensure its effectiveness, taking account of the duties included in the Annual Internal Auditing Plan.

Internal Auditing will determine the nature and extent of the tests to be carried out in order to identify any potential weaknesses in the relevant controls, and it will analyse the causes giving rise to these weaknesses in order to determine the control systems' level of compliance and efficacy. To this end, the people responsible for these controls must keep the relevant documentation and evidence to show both that controls have been carried out and that they have been reviewed.

Internal Auditing may also rely on the self-evaluation and direct supervision processes developed by those responsible for the control systems.

Part of the oversight process will involve communication of the results obtained, using the following procedure:

- Any results relating to control weaknesses must be notified to the person in charge of the process and the manager who is at least one rank higher than the person in charge of the process.
- Any significant weaknesses that have a material impact on the financial information must be notified to the AEDAS Homes Financial Management and to the Audit and Control Committee.
- The weaknesses identified must be resolved, dealing with them according to their priority and taking appropriate action for their correction.

It is important that this information is received by the appropriate personnel so that the relevant corrective action can be taken and so that each of the people responsible can provide sufficient oversight to ensure that such action is actually taken.

In the event of any suspicion of fraud, the person directly responsible for the control operation should not be notified, but this information should instead be passed on to higher levels including the General Management and the Audit and Control Committee.

F.1.2 The following elements, where they exist, especially in relation to the process of preparing the financial report:

- **Departments and/or mechanisms in charge of: (i) designing and revising the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of duties and tasks; and (iii) ensuring the existence of sufficient procedures for their correct reporting throughout the company.**

The design and review of organisational structure and lines of responsibility and authority within the Group is the responsibility of the Managing Director. This structure includes the departments charged with preparing the financial information.

The formulation and review of the criteria to be followed for the selection of the Group's senior executives will be carried out by the Appointments Committee, which is mostly made up of independent directors.

The structure, scope and description of the duties and tasks to be carried out by each person in the finance department is defined by the Financial Management and communicated by the Corporate Resources Department.

For the purposes of the process involved in preparing financial information, the Company has clearly defined lines of authority and responsibility. Principal responsibility for the preparation of financial information lies with the Financial Management.

The Group has financial organisational structures that are adapted to its needs and headed up by a Financial Director, whose duties include ensuring compliance with the procedures set out in the ICFR System.

- **Code of conduct, approval body, level of dissemination and instruction, principles and values included (indicating whether there is specific mention of the recording of transactions and the preparation of financial information), the body in charge of analysing breaches and of proposing corrective actions and sanctions.**

AEDAS Homes has a Code of Conduct that has been approved by the Company's Board of Directors. All of the Company's employees have been informed about this Code of Conduct, and it can be accessed via both the Employee Portal and on the investor pages of the AEDAS Homes website.

The AEDAS Homes Code of Conduct sets out the Company's values:

- Integrity: all members of AEDAS Homes undertake to behave with integrity and in a way that contributes to maintaining the Company's reputation.
- Excellence: AEDAS Homes has a team that has wide-ranging experience of the residential real estate sector and that is trained to offer an excellent client experience.

At AEDAS Homes we carry out our duties with professionalism, respect and impartiality. We are committed to achieving our objectives through honest means and do not tolerate any unethical behaviour.

- Transparency: the Company undertakes to provide stakeholders with comprehensive, appropriate and truthful information in order to facilitate the decisions they need to make, in each and every one of the markets in which we operate.
- Innovation: we try to ensure that our residential properties incorporate innovations that will improve the quality of life of the people who live in them, in terms of both their fittings and the materials used, equipping them with technologies that make life easier and more comfortable.

The Code of Conduct establishes the following principles:

- Compliance with regulations: AEDAS Homes's employees comply strictly with the provisions of the regulations in force in the performance of their duties.
- Combatting corruption: the company adopts a zero tolerance policy against any kind of corruption. We are entirely honest in our dealings with both the public and private sectors, and integrity is one of the fundamental values in the way we conduct our business.
- Responsibility in respect of taxes: AEDAS Homes complies rigorously with its tax obligations and works with the Tax Authorities to provide them with any information they may require.
- Healthy working environment: AEDAS Homes complies strictly with the regulations governing health and safety, and we have implemented initiatives both for the prevention of accidents and illness and for the promotion of healthy living. We reject any kind of violation of basic human rights or public freedoms.
- Equal opportunities: AEDAS Homes promotes activities to encourage the professional advancement of its employees. Principles of fair treatment, non-discrimination and equal opportunities all form part of the Company's relations with its employees.
- Objectivity: at AEDAS Homes we anticipate and manage conflicts of interest with the aim of ensuring the impartiality and objectivity of any decisions taken.
- Gifts, considerations and entertainment: as a general rule, we do not accept gifts, favours or considerations from third parties, either in cash or in kind, unless these are merely symbolic in nature and not offered with the aim of influencing the objectivity that must govern all of our actions. We completely forbid the offer of gifts, rewards, invitations or any other item of value to public officials, politicians and other representatives of public institutions that may compromise their independence or integrity. Similarly, no-one at AEDAS Homes may offer gifts or services in advantageous conditions to the employees of private institutions, aside from the consideration offered within the bounds of ordinary politeness whose corresponding financial value is symbolic and founded on principles of prudence and sensitivity.
- Use of AEDAS Homes equipment and assets: the items that AEDAS Homes makes available to its employees so that they may perform their duties may not be used for private or illegal purposes. The incurrence of any expense must conform to the principles of need and efficacy. The Company takes care to ensure that its assets do not suffer any damage that could affect their valuation.
- Protection of the image of AEDAS Homes: AEDAS Homes is committed to ensuring the proper use of the Company's name, brand, image and reputation, acting in a way that is always faithful to AEDAS Homes and in defence of its interests. We also respect the intellectual property rights of all third parties.
- Confidentiality and controlling information: at AEDAS Homes we regard information as an intangible asset of great worth, and we therefore believe that it is fundamental to preserve and manage it confidentially, especially where inside information is concerned. We also guarantee the protection of any personal data to which we have access as a result of the links between private individuals and our own business activities, and we undertake not to divulge their data unless we have obtained their consent or are bound by some kind of legal obligation.

- True picture of financial information: at AEDAS Homes we have a control environment and specific procedures that ensure that our financial information is prepared in accordance with the applicable principles and rules governing valuation, in such a way that all of our transactions are clearly and accurately reflected in our accounts ledgers and records and in the preparation of the relevant financial information.
- Free competition: at AEDAS Homes we ensure the exercise of free competition through the application of ethical business practices and observance of the law. With a view to avoiding any unfair competition, we safeguard our own confidential information, along with that of our co-workers, suppliers, clients and any other third parties.
- Collaboration with official institutions and public bodies: at AEDAS Homes we work together with official institutions and public bodies, undertaking to provide any information that they may require, transparently and clearly.
- Respect for the environment and planning ordinances: we comply at all times with the regulations governing protection of the environment and respect for planning ordinances. Furthermore, AEDAS Homes goes beyond mere compliance with the law and is committed to the rational use of natural resources and the design and construction of sustainable and energy-efficient building projects that respect the environment. AEDAS Homes only develops projects that have been granted the relevant licences, and it expressly prohibits the development of building projects in specially protected areas or construction in common planning zones.

The Compliance Committee is the body responsible for managing any complaints received in relation to breaches of the Code of Conduct, the Company's internal policy or the legislation in force. The Committee may act at the request of any complainant or on its own initiative, and it will take the necessary measures in respect of any complaints in the event that the circumstances in question are confirmed.

- **Whistle-blowing channel, which enables the reporting of irregularities of a financial and accounting nature to the Audit Committee, in addition to potential breaches of the code of conduct and irregular activities in the organisation, indicating whether these are confidential.**

AEDAS Homes has a complaints channel that can be used both by employees and by third parties who are unconnected with the Company to report any behaviour that contravenes the Code of Conduct, the Company's internal policy or the legislation in force, including financial and accounting irregularities. Any information received as a result of such complaints is treated by the Compliance Committee in the strictest confidence, and all of the Company's employees have been informed of this fact.

- **Training programmes and regular updates for the personnel involved in the preparation and revision of financial information and evaluation of the Internal Control over Financial Reporting (ICFR) System, which should at least cover accounting regulations, auditing, internal risk monitoring and management.**

The Corporate Resources Department works together with each of the areas that reports to the Finance Department to prepare training programmes and updates for the people involved in preparing and overseeing financial information. The programmes include both general training programmes designed to provide a knowledge of the business and the various inter-related departments from which the Company is formed, and specific programmes aimed at providing training and updates on any regulatory developments that have been newly introduced in relation to the preparation and supervision of financial information.

It is planned to provide a training course on ICFR-related issues for all the areas involved in the preparation and review of financial information.

F.2 Financial reporting risk assessment

Provide information on at least the following:

F.2.1. The main characteristics of the process for identifying risk, including risk of error or fraud, in respect of:

- **Whether the process exists and is documented.**

The Company has a risk identification process, which covers risks such as mistakes and fraud. This process is documented in the ICFR Policy of AEDAS Homes, which is currently being implemented.

- **Whether the process covers all financial reporting objectives (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how frequently.**

The evaluation process covers all financial reporting objectives: (i) existence and occurrence; (ii) integrity; (iii) evaluation; (iv) presentation and breakdown; (v) rights and obligations.

Once the potential risks have been identified, they are evaluated annually on the basis of the management's knowledge and understanding of the business and the criteria by which their severity is judged.

Evaluation criteria are established: (i) from a quantitative point of view, based on parameters such as turnover, total assets and pre-tax profits; and (ii) from a qualitative point of view, based on a variety of factors, such as the standardisation of operations and the automation of processes, composition, changes compared with the previous financial year, the complexity of the accounting process, possibility of fraud or error and the degree to which estimates are used in the accounting process.

- **The existence of a process for identifying the consolidation perimeter, considering, among other things, the potential existence of complex corporate structures, vehicle companies or special purpose entities.**

The Group has a corporate structure that is formed from all its individual organisations and that forms the basis for the consolidation perimeter. The management and review of the corporate structure is the responsibility of the Legal Department.

In the event of any change to the consolidation perimeter, the Legal Department provides information on the deeds for the new company and any operations involving holdings being taken in the share capital of other companies, or changes in the effective control of the company, together with a report on the operation and approval from the Finance Department.

Whenever a company is included within the Group's consolidation perimeter, the impact caused by this company on the different sections of the Financial Statements must be determined (under criteria of material effect), along with its impact on each of the processes and sub-processes in its sub-group.

Similarly, in the event that a company is removed from the Group's consolidation perimeter, the scope of the ICFR System must be updated, provided that the company in question was included within this scope on the date of its removal.

- **Whether the process takes account of the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) in the manner in which they affect the financial statements.**

Any potential risk identified through the ICFR Risk Template is taken into account when preparing the Company's Risk Map. This Map is updated on an annual basis by the Finance Department, with support from all areas of the organisation that are affected.

In this way, the Company can take account of the impact that other types of risk relating to categories such as business operations, reputation, legal and regulatory issues, human resources, financial operations, information required for decision-making, technology and IT systems and corporate governance may have on the financial statements.

- **Which corporate governance body supervises the process.**

Pursuant to Article 14 of the Board of Directors' Regulations, the Audit and Control Committee oversees the process for preparing and ensuring the integrity of the financial information. These duties include reviewing compliance with legal requirements, such as the accurate demarcation of the consolidation perimeter and the correct application of accounting principles.

F.3 Monitoring activities

Provide information on at least the following, describing their main characteristics:

F.3.1. Procedures for reviewing and authorising the financial information and the description of the ICFR to be disclosed to the markets, stating who is responsible in each case, along with the documentation describing the activities engaged in (including those relating to the risk of fraud) and the monitoring of the various types of transactions that could materially affect the financial statements, including account closure procedures and the specific revision of the relevant opinions, estimates, valuations and projections.

Pursuant to the Board of Directors' Regulations, the Audit and Control Committee is responsible for reviewing the annual accounts and the periodic financial information that must be supplied by the Company to the markets and their supervisory authorities, at all times ensuring compliance with the legal requirements and the correct application of generally accepted accounting principles in the preparation of the accounts.

The said Regulations also indicate that this Committee must meet at least once every three months in order to review the periodic financial information that is to be submitted to the stock market authorities, along with any other information that the Board of Directors is required to approve and include among its annual public documentation.

The Audit and Control Committee submits this information to the Board of Directors, which has ultimate responsibility for approving it before it is made public to the markets.

The Group has procedures for the documentation of those processes that it believes involve material risk in the preparation of the financial information. These procedures describe the controls required to allow a suitable response to the risks associated with achieving the objectives relating to the reliability and integrity of the financial information.

The procedures are also represented in the form of flow charts, risk templates and controls that identify all the relevant monitoring activities. Each monitoring activity is assigned to an individual who is responsible for that activity, along with the frequency at which it is to be carried out.

F.3.2. Policies and procedures for the internal monitoring of information systems (especially on safety and security of access, monitoring of changes, systems operation, operational continuity and separation of functions) that support the company's relevant processes relating to the preparation and publication of the financial report.

The Policy for Internal Controls over Financial Reporting (ICFR) establishes that safe access is defined on the basis of secure groups. The modification of any permit or role is organised through a system of written authorisations which is overseen by the Finance Director, in order to provide recorded evidence in relation to any change to user permits.

The positions and groups of users with individual permits allow for the maintenance of a separation of duties in the process of approving the information flows described. Any changes that may be made on the platform are recorded in the application to provide evidence of the successive versions.

There is also a contingency plan to guarantee the operational continuity of the ICFR System.

F.3.3. Policies and internal control procedures aimed at supervising the management of activities outsourced to third parties, including matters relating to valuation, calculation or assessment entrusted to independent experts, which could materially affect the financial statements.

Third parties are engaged by the people responsible for the relevant area, and care is taken to ensure the competence, technical and legal skills and independence of any professional staff engaged.

The Company has a Code of Conduct for third parties that sets out the principles that they must observe, and compliance with this Code may be subject to audit by AEDAS Homes.

F.4 Information and communication

Provide information on at least the following, describing their main characteristics:

F.4.1. A specific office that is responsible for defining and maintaining accounting policies (accounting policies division or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies that is regularly updated and communicated to all the company's operating units.

The Administrative Department that reports to the Finance Department is responsible for preparing, publishing, implementing and updating the Company's Accounting Standards Manual.

This department is charged, among others, with the following duties in relation to accounting policy: defining the accounting processes for the operations that the Company engages in as part of its business, defining and updating accounting practices, resolving doubts and conflicts arising from the interpretation of accounting standards and standardising the accounting practices used by the Company.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the company or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The process for the consolidation and preparation of the consolidated financial statements is carried out centrally by the Administrative Department that reports to the Finance Department.

Preparation of the consolidated financial information begins with the aggregation of the individual financial statements for each of the companies included within the consolidation perimeter, for subsequent consolidation under the accounting regulations.

La financial information reported to the National Securities Markets Commission (CNMV) is prepared from the consolidated financial statements that result from this process, and from some additional information that is reported by the Management Control Department and is required for the preparation of the annual and/or half-yearly report.

F.5 Monitoring the operation of the system

Provide information on at least the following, describing their main characteristics:

F.5.1. The ICFR monitoring activities undertaken by the Audit Committee, and whether the company has an internal audit function whose powers include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted during the year and the procedure used by the person in charge to communicate their findings. State also whether the company has an action plan specifying potential corrective measures, and whether it has considered their potential impact on its financial information.

As regards the monitoring of the ICFR, during the period covered by this report the Audit and Control Committee has engaged in the following activities:

- It has overseen the efficacy of both the Company's and the group's internal monitoring, internal audit and risk management systems, and discussed the internal monitoring system currently being implemented in 2017 with the external accounts auditor.
- It has monitored the process for the preparation and presentation of the regulatory financial information that must be submitted to the Board of Directors, the markets and the supervisory authorities, verifying compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- It has ensured the establishment of a mechanism whereby staff can confidentially or anonymously report any potentially significant irregularities that they detect within the Company, particularly financial or accounting irregularities. This mechanism is subject to its oversight.
- It has provided prior information to the Board of Directors regarding all the matters required in Law, the Company's Bylaws and the Board of Directors' Regulations, with particular regard to the financial information that the Company is required to publish periodically and operations with related parties.
- It has monitored compliance with the Company's codes of conduct, its corporate governance rules and its corporate social responsibility policy.
- It has overseen internal auditing activities and analysed and approved the internal auditing plan, which includes reviewing the efficacy of the internal system for monitoring the Company's financial information, among other lines of action.
- It will inform the General Shareholders' Meeting to be held during the first half of 2018 on questions raised by shareholders at the Meeting, where such questions fall within its competence and, in particular, on the results of the audit, explaining how this has contributed to the integrity of the financial information, and on the role that the Audit and Control Committee itself has played in the process.

As regards the way in which the Company's Internal Auditing process functions, its main purpose is to assist the Audit and Control Committee and the Group Management in evaluating and overseeing the internal control and risk management systems, including a review and assessment of the reliability of the information systems and, specifically, the system for the internal monitoring of economic and financial information, as set out in the Bylaws governing the Internal Auditing of AEDAS Homes.

To this end, the Internal Auditing Plan includes a review of both the efficacy and the effectiveness of the System (still being implemented in 2017) for the Internal Monitoring of Financial Information, in order to improve the efficacy of the ICFR and the control environment. The results of this work and the action plans will be reported to the Finance Department, the CEO and the Audit and Control Committee. Implementation of the plan of action will be subject to monitoring by Internal Auditing during the 2018 financial year.

F.5.2. Whether the company has a discussion procedure whereby the auditor (pursuant to TAS), the internal audit office and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments to the company's senior management and its Audit Committee or Board of Directors. State also whether the Company has an action plan to correct or mitigate any weaknesses found.

The Internal Auditing office will report any significant control weaknesses identified during its review processes to the Finance Department, the CEO and the Audit and Control Committee, along with the action plans proposed in order to mitigate such weaknesses. The Internal Auditing office will also be responsible for monitoring the proper implementation of any such actions plans introduced to resolve or mitigate these weaknesses.

F.6 Other relevant information

There is no further relevant information to report.

F.7 External auditor's report

State whether:

F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached as an appendix. Otherwise, explain the reasons for the absence of this review.

The AEDAS Homes Group has not submitted any information on the Internal System for the Monitoring of Financial Information for 2017 to the external auditor, since the Group was still in a process of implementing its agreed procedures following the listing of the parent company during the month of October 2017.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree to which the company complies with Corporate Governance recommendations for listed companies.

In the event that the company does not comply with any of the recommendations or complies only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant Explain

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they respectively engage in, and any potential business dealings between them, as well as between the subsidiary and other group companies.
- b) The mechanisms in place to resolve any potential conflicts of interest that may arise.

Compliant Partially compliant Explain N/A

3. During the annual general meeting, as a supplement to the written information circulated in the annual corporate governance report, the Chairman of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, in particular:

- a) Any changes that have taken place since the previous annual general meeting.
- b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead, where applicable.

Compliant Partially compliant Explain

The Company was first listed for continuous trading on 20th of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018. The Company intends to comply with this recommendation.

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant Partially compliant Explain

5. The Board of Directors should not make a proposal to the General Meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When the Board approves an issue of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant Partially compliant Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not compulsory:

- a) Report on auditor independence.
- b) Reports on the operation of the audit committee, the appointments committee and the remuneration committee.
- c) Audit committee report on third-party transactions.
- d) Report on corporate social responsibility policy.

Compliant Partially compliant Explain

The Company was first listed for continuous trading on 20th of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018.

7. The company should broadcast its general meetings live on the corporate website.

Compliant Explain

The Company was first listed for continuous trading on 20th of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018.

8. The audit committee should strive to ensure that the Board of Directors can present the company's accounts to the General Meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of the scope and content of such limitations or qualifications.

Compliant Partially compliant Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings of shareholders and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant Partially compliant Explain

The Company was first listed for continuous trading on 20th of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018. The Company intends to comply with this recommendation.

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals for agreement prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals for agreement.
- b) Publish the standard form of attendance card or proxy appointment or remote voting form with the necessary modifications so that new items on the agenda and alternative proposals can be voted on in the same terms as those submitted by the Board of Directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on these supplementary items or alternative proposals.

Compliant Partially compliant Explain Not applicable

11. In the event that a company plans to pay for attending general shareholders' meetings, it should first establish a general, long-term policy in this regard and this policy should remain stable.

Compliant Partially compliant Explain Not applicable

12. The Board of Directors should perform its duties with a unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interests, understood as the creation of a profitable and sustainable business over the long term, and the maximisation of the company's economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to the principles of good faith, ethics and respect for commonly accepted customs and good practices, but should also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as reconciling the impact of its activities on the broader community and the natural environment.

Compliant Partially compliant Explain

13. The Board of directors should have an optimal size to promote its efficient operation and participation. The recommended range is between five and fifteen members.

Compliant Explain

14. The Board of Directors should approve a director selection policy that:

- a) Is specific and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the Board's needs.
- c) Favours a diversity of know-how, experience and gender.

The results of the prior analysis of the Board's needs should be written up in the appointments committee's explanatory report, to be published when the general meeting is convened to ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total Board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant Partially compliant Explain

We refer to section C.1.6.

15. Proprietary and independent directors should represent a broad majority on the Board of Directors, while the number of executive directors should be the minimum necessary, bearing in mind the complexity of the corporate group and the percentage of share capital that they hold.

Compliant Partially compliant Explain

16. The percentage of proprietary directors over all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion may be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold to be considered a significant shareholding.
- b) In companies in which a plurality of shareholders is represented on the Board and they are not related to one another.

Compliant Explain

17. Independent directors should account for at least half of all Board members.

However, when the company does not have a high level of capitalisation, or when a company with a high level of capitalisation has one or more shareholders that individually or jointly control over 30 percent of the share capital, independent directors should occupy at least a third of all Board positions.

Compliant Explain

18. Companies should post the following information about their directors on their websites, and keep them permanently updated:

- a) Background and professional experience.

- b) Directorships held in other companies, listed or otherwise, and any other paid activities that they may engage in, of whatever nature.
- c) Information on the director category to which they belong and, in the case of proprietary directors, information on the shareholder they represent or have links with.
- d) Dates of their first appointment as a Board member and subsequent re-elections.
- e) Shares that they hold in the company, and any options thereover.

Compliant Partially compliant Explain

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons why proprietary directors have been appointed at the request of shareholders who control less than 3 percent of capital; and explain the reasons why formal requests for a seat on the board has been refused to shareholders whose equity stake is equal to or greater than that of others that have applied successfully for a proprietary directorship.

Compliant Partially compliant Explain Not applicable

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant Partially compliant Explain Not applicable

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, as agreed by the Board of Directors itself based on information from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them from allocating sufficient time to the duties inherent in their position as Board Member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent, pursuant to the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided that the changes in membership of the Board of Directors ensue from the proportionality criterion set out in recommendation 16.

Compliant Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the Board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board should give a reasoned account of all such deliberations in the annual corporate governance report.

Compliant Partially compliant Explain

23. Directors should express their clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the following recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant Partially compliant Explain Not applicable

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant Partially compliant Explain Not applicable

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The Board of Directors' regulations should lay down the maximum number of company boards on which directors can serve.

Compliant Partially compliant Explain

26. The Board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant Partially compliant Explain

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. Where they must be absent, directors should delegate their powers of representation with the appropriate instructions.

Compliant Partially compliant Explain

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant Partially compliant Explain Not applicable

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense. (Article 23 of the RdC)

Compliant Partially compliant Explain

30. Regardless of the knowledge directors must possess in order to perform their duties, companies should also offer directors refresher programmes to update their knowledge, when circumstances so advise.

Compliant Explain Not applicable

31. The agendas of Board meetings should clearly indicate on which points the Board of Directors must reach a decision or adopt a resolution, so they can study the matter beforehand or gather together the information they need in this regard.

When, exceptionally and for reasons of urgency, the chairman wishes to present decisions or resolutions for Board approval that are not on the meeting's agenda, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant Partially compliant Explain

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant Partially compliant Explain

33. In addition to the functions assigned to him/her by law and the company's Bylaws, the chairman, as the person charged with the efficient functioning of the Board of Directors, should prepare and submit to the Board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the Board and, where appropriate, the company's chief executive officer; exercise leadership of the Board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant Partially compliant Explain

34. When a lead director has been appointed, the Bylaws or Board of Directors' regulations should grant him or her the following powers over and above those conferred by law: the power to chair the Board of Directors in the absence of the chairman or vice chairmen; the power to give voice to the concerns of non-executive directors; the power to maintain contacts with investors and shareholders, hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and the power to coordinate the chairman's succession plan.

Compliant Partially compliant Explain Not applicable

35. The secretary to the Board of Directors should strive to ensure that the Board's actions and decisions are informed by the governance recommendations of the Good Governance Code where they apply to the company.

Compliant Explain

36. The Board sitting in full session should conduct an annual evaluation, adopting, where necessary, an action plan to correct any weaknesses detected in respect of:

- a) The quality and efficiency of the Board’s actions.
- b) The performance and membership of its committees.
- c) The diversity of Board membership and skills.
- d) The performance of the chairman of the Board of Directors and the company’s chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairs of Board committees.

The evaluation of Board committees should start from the reports they submit to the Board of Directors, while that of the Board itself should start from the report prepared by the appointments committee.

Every three years, the Board of Directors should engage an external consultant to aid in the evaluation process. This consultant’s independence should be verified by the appointments committee.

Any business dealings that the consultant or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant Partially compliant Explain

The Company was first listed for continuous trading on 20th of October 2017 as Aedas Homes, S.A. As a result, there was no annual evaluation of the Board of Directors or its delegated committees during the 2017 financial year.

The Company intends to comply with this Corporate Governance recommendation once a year has elapsed following its listing on the Stock Market, when it will make assessments of the Board of Directors and its committees, based on their operation, composition and skills and the performance of the Company’s directors and chief executive. These assessments will be submitted to the relevant governing bodies.

37. When an executive committee exists, its membership structure by director category should resemble that of the Board. The secretary to the Board should also act as secretary to the executive committee.

Compliant Partially compliant Explain Not applicable

38. The Board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all Board members should receive a copy of the committee’s minutes.

Compliant Partially compliant Explain Not applicable

39. All members of the audit committee, particularly its chairman, should be appointed with consideration for their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant Partially compliant Explain

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the Board’s non-executive chairman or the chairman of the audit committee.

Compliant Partially compliant Explain

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant Partially compliant Explain Not applicable

42. The audit committee should have the following functions over and above those legally assigned:

1. With regard to internal control and reporting systems:

- a) Monitoring the preparation and the integrity of the financial information relating to the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitoring the independence of the unit handling the internal audit function; proposing the selection, appointment, re-election and removal of the head of the internal audit service; proposing the service's budget; approving its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receiving regular information on its activities; and verifying that senior management take account of the findings and recommendations contained in its reports.
- c) Establishing and overseeing a mechanism whereby staff can report, confidentially and, where possible and considered appropriate, anonymously, any significant irregularities that they detect within the Company, particularly financial or accounting irregularities.

2. With regard to the external auditor:

- a) In the event of the resignation of the external auditor, examining the circumstances that gave rise to its decision.
- b) Ensuring that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensuring that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any potential disagreements with the outgoing auditor and the reasons for such disagreements.
- d) Ensuring that the external auditor has a yearly meeting with the Board of Directors in full session to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensuring that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant Partially compliant Explain

43. The audit committee should be able to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant Partially compliant Explain

44. The audit committee should be informed of any structural or corporate modifications the company is planning, so the committee can analyse the operation and report to the Board of Directors beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant Partially compliant Explain Not applicable

45. Risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risk), with the inclusion under financial or economic risk of contingent liabilities and other off-balance-sheet risk.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of identified risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risk.

Compliant Partially compliant Explain

46. Companies should establish a risk control and management office that is run by one of the company's internal department or units and that falls under the direct supervision of the audit committee or, where applicable, some other dedicated Board committee. This office should be expressly charged with the following responsibilities:

- a) Ensuring that risk control and management systems are functioning correctly and, specifically, that any major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participating actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensuring that risk control and management systems are mitigating risk effectively within the framework of the policy drawn up by the Board of Directors.

Compliant Partially compliant Explain

47. Members of the Appointments and Remuneration Committee (or the appointments committee and remuneration committee, if separately constituted) should have the right balance of knowledge, skills and experience for the duties they are called on to discharge, and the majority of their members should be independent directors.

Compliant Partially compliant Explain

48. Large cap companies should operate separately constituted appointments and remuneration committees.

Compliant Explain Not applicable

49. The appointments committee should consult with Chairman of the Board of Directors and the Company's chief executive, especially on matters relating to executive directors.

When there are vacancies on the Board, any director may approach the appointments committee to propose candidates that it may consider suitable.

Compliant Partially compliant Explain

50. The Remuneration Committee should operate independently and have the following functions in addition to those assigned by law:

- a) Proposing standard conditions for senior officer contracts to the Board .

- b) **Monitoring compliance with the remuneration policy set by the company.**
- c) **Periodically reviewing the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensuring that their individual remuneration is proportionate to the amounts paid to other directors and senior officers in the company.**
- d) **Ensuring that conflicts of interest do not undermine the independence of any external advice provided to the committee.**
- e) **Verifying the information on director and senior officers' pay contained in the various corporate documents, including the annual statement on directors' pay.**

Compliant Partially compliant Explain

51. The Remuneration Committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant Partially compliant Explain

52. The terms of reference of supervision and control committees should be set out in the Board of Directors' regulations and aligned with those governing the legally mandatory committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) **Committees should be formed exclusively by non-executive directors, with a majority of independent directors.**
- b) **They should be chaired by independent directors.**
- c) **The Board should appoint the members of such committees in consideration of the knowledge, skills and experience of its directors and the duties to be performed by each committee; discuss their proposals and reports; and they should submit an account to the first full meeting of the board of directors after the committee in question has met, detailing their activities in response to the work carried out.**
- d) **Committees may engage external advice, when they feel it necessary for the performance of their duties.**
- e) **Meetings should be minuted and a copy made available to all Board members.**

Compliant Partially compliant Explain Not applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one Board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the Board of Directors under its powers of self-organisation, and the committee in question shall be attributed with the following minimum duties:

- a) **Monitoring compliance with the company's internal codes of conduct and corporate governance rules.**
- b) **Overseeing the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.**
- c) **Periodically evaluating the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest, taking account, as required, of the legitimate interests of the remaining stakeholders.**

- d) **Reviewing the company's corporate social responsibility policy, ensuring that it is geared to value creation.**
- e) **Monitoring corporate social responsibility strategy and practices and assess compliance in this regard.**
- f) **Monitoring and evaluating the company's interaction with its stakeholder groups.**
- g) **Evaluating all aspects of the non-financial risk the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risk.**
- h) **Coordinating non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.**

Compliant Partially compliant Explain

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) **The goals of its corporate social responsibility policy and the supporting instruments developed.**
- b) **The corporate strategy with regard to sustainability, the environment and social issues.**
- c) **Specific practices in matters relating to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal behaviour.**
- d) **The methods or systems for monitoring the results of the practices referred to above, their associated risk and its management.**
- e) **The mechanisms for supervising non-financial risk, ethics and business conduct.**
- f) **Channels for stakeholder communication, participation and dialogue.**
- g) **Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.**

Compliant Partially compliant Explain

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology for this purpose.

Compliant Partially compliant Explain

The Company was first listed for continuous trading on 20th of October 2017 as Aedas Homes, S.A., and it plans to comply with this corporate governance recommendation in respect of the issue of a Corporate Social Responsibility report during the 2018 financial year.

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive director.

Compliant Explain

57. Variable remuneration linked to the company and to individual performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans, retirement schemes or other welfare provisions should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant Partially compliant Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the sector in which the company operates, or other similar circumstances.

In particular, variable remuneration items should meet the following conditions:

- a) They should be linked to predetermined and measurable performance criteria that factor in the risk assumed in order to obtain a given outcome.
- b) They should promote the long-term sustainability of the company and include non-financial criteria that are relevant to the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) They should be designed to achieve a balance between the delivery of short, medium and long-term objectives, in such a way that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to sustainable value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant Partially compliant Explain Not applicable

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Compliant Partially compliant Explain Not applicable

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that might reduce their amount.

Compliant Partially compliant Explain Not applicable

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant Partially compliant Explain Not applicable

62. Following the award of shares, share options or other rights on shares resulting from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights over shares for at least three years after their award.

This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant Partially compliant Explain Not applicable

63. Contractual arrangements should include provisions that permit the company to reclaim variable remuneration components when payment is out of step with the director’s actual performance or based on data subsequently found to be misstated.

Compliant Partially compliant Explain Not applicable

64. Termination payments should not exceed a fixed amount equivalent to two years of the director’s total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant Partially compliant Explain Not applicable

[H] OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the corporate governance practices followed by your company or companies in its group that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or its group, explain briefly.
2. This section may include any other information, clarification or observation related to the above sections of this report, to the extent that they are relevant and do not repeat information already provided.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. The Company may also indicate whether it voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the code in question and the date of its adoption. In particular, state whether the company has signed up to the Good Tax Practices Code of 20 July 2010.

This annual corporate governance report was approved by the company’s Board of Directors at its meeting held on 22th of March 2018.

Indicate whether any director abstained or voted against the approval of this Report.

Yes No

Personal or corporate name of board member that did not vote in favour of approving this report	Reasons (against, abstention, non-attendance)	Explain the reasons
-	-	-

Informe de Auditoría de Cuentas Anuales
emitido por un Auditor Independiente

AEDAS HOMES, S.A.
Cuentas Anuales e Informe de Gestión
correspondientes al ejercicio anual terminado
el 31 de diciembre de 2017

INFORME DE AUDITORÍA DE CUENTAS ANUALES EMITIDO POR UN AUDITOR INDEPENDIENTE

A los accionistas de AEDAS HOMES, S.A.:

Informe sobre las cuentas anuales

Opinión

Hemos auditado las cuentas anuales de AEDAS HOMES, S.A. (la Sociedad), que comprenden el balance de situación a 31 de diciembre de 2017, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria correspondientes al ejercicio anual terminado en dicha fecha.

En nuestra opinión, las cuentas anuales adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de la Sociedad a 31 de diciembre de 2017, así como de sus resultados y flujos de efectivo correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación (que se identifica en la nota 2.a de la memoria) y, en particular, con los principios y criterios contables contenidos en el mismo.

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de las cuentas anuales* de nuestro informe.

Somos independientes de la Sociedad de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de las cuentas anuales en España según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.

Cuestiones clave de la auditoría

Las cuestiones clave de la auditoría son aquellas cuestiones que, según nuestro juicio profesional, han sido de la mayor significatividad en nuestra auditoría de las cuentas anuales del periodo actual. Estas cuestiones han sido tratadas en el contexto de nuestra auditoría de las cuentas anuales en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esas cuestiones.

Valoración de participaciones y créditos a largo plazo con empresas del grupo

Descripción Tal y como se indica en las notas 7 y 8 de las notas de la memoria adjuntas, la Sociedad cuenta al 31 de diciembre de 2017 con participaciones en empresas del grupo y créditos a largo plazo a empresas del grupo por valor de 168.991.131 euros y 621.428.368 euros respectivamente, a través de las cuales la sociedad gestiona las actividades de adquisición de terrenos y solares así como la explotación de los mismos mediante la promoción inmobiliaria de viviendas.

En cada cierre, la Sociedad evalúa si existen indicios de que dichas participaciones y créditos pudieran estar deteriorados. Cuando el valor contable es mayor que el valor recuperable se reconoce una pérdida por deterioro. Para determinar este valor recuperable los Administradores de la Sociedad utilizan fundamentalmente valoraciones realizadas por un experto independiente sobre los terrenos y solares que posee cada una de las sociedades del Grupo. El riesgo de que se produzca un incorrecto registro de los movimientos realizados en estos activos y de que estos activos presenten deterioro, así como la relevancia de los importes involucrados, nos han hecho considerar la valoración de las participaciones en empresas del grupo y de los créditos a largo plazo a empresas del grupo como el aspecto más relevante de nuestra auditoría.

Nuestra respuesta

En relación con esta área, nuestros procedimientos de auditoría han incluido, entre otros:

- ▶ La revisión de las escrituras de constitución, aportaciones no dinerarias, ampliaciones de capital así como de los créditos concedidos y sus correspondientes disposiciones registradas dentro de los epígrafes de Participaciones a largo plazo en empresas del Grupo y Créditos a largo plazo a empresas del Grupo.
- ▶ La revisión, en colaboración con nuestros especialistas en valoraciones, del modelo de valoración utilizado por el experto independiente en una muestra de las valoraciones realizadas por éste, cubriendo, en particular, el análisis matemático del modelo, así como el análisis de los flujos de caja proyectados y la revisión de las tasas de descuento.

Otra información: Informe de gestión

La otra información comprende exclusivamente el informe de gestión del ejercicio 2017, cuya formulación es responsabilidad de los Administradores de la Sociedad y no forma parte integrante de las cuentas anuales.

Nuestra opinión de auditoría sobre las cuentas anuales no cubre el informe de gestión. Nuestra responsabilidad sobre la información contenida en el informe de gestión se encuentra definida en la normativa reguladora de la actividad de auditoría de cuentas, que establece dos niveles diferenciados sobre la misma:

- a) Un nivel específico que resulta de aplicación a determinada información incluida en el Informe Anual de Gobierno Corporativo, según se define en el art. 35.2. b) de la Ley 22/2015, de Auditoría de Cuentas, que consiste en comprobar únicamente que la citada información se ha facilitado en el informe de gestión y en caso contrario, a informar sobre ello.
- b) Un nivel general aplicable al resto de la información incluida en el informe de gestión, que consiste en evaluar e informar sobre la concordancia de la citada información con las cuentas anuales, a partir del conocimiento de la entidad obtenido en la realización de la auditoría de las citadas cuentas y sin incluir información distinta de la obtenida como evidencia durante la misma, así como evaluar e informar de si el contenido y presentación de esta parte del informe de gestión son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

Sobre la base del trabajo realizado, según lo descrito anteriormente, hemos comprobado que la información mencionada en el apartado a) anterior se facilita en el informe de gestión, y que el resto de la información que contiene el informe de gestión concuerda con la de las cuentas anuales del ejercicio 2017 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

Responsabilidad de los administradores y de la comisión de auditoría y control en relación con las cuentas anuales

Los administradores son responsables de formular las cuentas anuales adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados de la Sociedad, de conformidad con el marco normativo de información financiera aplicable a la entidad en España, que se identifica en la nota 2.a de la memoria adjunta, y del control interno que consideren necesario para permitir la preparación de cuentas anuales libres de incorrección material, debida a fraude o error.

En la preparación de las cuentas anuales, los administradores son responsables de la valoración de la capacidad de la Sociedad para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con la empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los administradores tienen intención de liquidar la sociedad o de cesar sus operaciones, o bien no exista otra alternativa realista.

La comisión de auditoría y control es responsable de la supervisión del proceso de elaboración y presentación de las cuentas anuales.

Responsabilidades del auditor en relación con la auditoría de las cuentas anuales

Nuestros objetivos son obtener una seguridad razonable de que las cuentas anuales en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión.

Seguridad razonable es un alto grado de seguridad pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose en las cuentas anuales.

Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- ▶ Identificamos y valoramos los riesgos de incorrección material en las cuentas anuales, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.
- ▶ Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad.
- ▶ Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores.
- ▶ Concluimos sobre si es adecuada la utilización, por los administradores, del principio contable de empresa en funcionamiento y, basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad de la Sociedad para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en las cuentas anuales o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuros pueden ser la causa de que la Sociedad deje de ser una empresa en funcionamiento.
- ▶ Evaluamos la presentación global, la estructura y el contenido de las cuentas anuales, incluida la información revelada, y si las cuentas anuales representan las transacciones y hechos subyacentes de un modo que logran expresar la imagen fiel.

Nos comunicamos con la comisión de auditoría y control de la entidad en relación con, entre otras cuestiones, el alcance y el momento de realización de la auditoría planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

También proporcionamos a la comisión de auditoría y control de la entidad una declaración de que hemos cumplido los requerimientos de ética aplicables, incluidos los de independencia, y nos hemos comunicado con la misma para informar de aquellas cuestiones que razonablemente puedan suponer una amenaza para nuestra independencia y, en su caso, de las correspondientes salvaguardas.

Entre las cuestiones que han sido objeto de comunicación a la comisión de auditoría y control de la entidad, determinamos las que han sido de la mayor significatividad en la auditoría de las cuentas anuales del periodo actual y que son, en consecuencia, las cuestiones clave de la auditoría.

Describimos esas cuestiones en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelar públicamente la cuestión.

Informe sobre otros requerimientos legales y reglamentarios

Informe adicional para la comisión de auditoría y control

La opinión expresada en este informe es coherente con lo manifestado en nuestro informe adicional para la comisión de auditoría y control de la Sociedad de fecha 26 de marzo de 2018.

Periodo de contratación

El acta de decisiones del Socio Único celebrada el 11 de septiembre de 2017 nos nombró como auditores de la Sociedad por un período de 3 años, contados a partir del ejercicio finalizado el 31 de diciembre de 2017.

ERNST & YOUNG, S.L.
(Inscrita en el Registro Oficial de Auditores
de Cuentas con el Nº S0530)

AUDITORES
INSTITUTO DE CENSORES JURADOS
DE CUENTAS DE ESPAÑA

ERNST & YOUNG, S.L.

Año 2018 Nº 01/18/05258
SELLO CORPORATIVO: 96,00 EUR

26 de marzo de 2018

.....
Informe de auditoría de cuentas sujeto
a la normativa de auditoría de cuentas
española o internacional
.....



Fernando González Cuervo
(Inscrito en el Registro Oficial de Auditores
de Cuentas con el Nº 21268)

**Informe de Auditoría de Cuentas Anuales Consolidadas
emitido por un Auditor Independiente**

**AEDAS HOMES, S.A. Y SOCIEDADES DEPENDIENTES
Cuentas Anuales Consolidadas e Informe de Gestión Consolidado
correspondientes al ejercicio anual terminado
el 31 de diciembre de 2017**

INFORME DE AUDITORÍA DE CUENTAS ANUALES CONSOLIDADAS EMITIDO POR UN AUDITOR INDEPENDIENTE

A los accionistas de AEDAS HOMES, S.A.:

Informe sobre las cuentas anuales consolidadas

Opinión

Hemos auditado las cuentas anuales consolidadas de AEDAS HOMES, S.A. (la Sociedad dominante) y sus sociedades dependientes (el Grupo), que comprenden el balance de situación a 31 de diciembre de 2017, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria, todos ellos consolidados, correspondientes al ejercicio anual terminado en dicha fecha.

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera del Grupo a 31 de diciembre de 2017, así como de sus resultados y flujos de efectivo, todos ellos consolidados, correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea (NIIF-UE), y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de las cuentas anuales consolidadas* de nuestro informe.

Somos independientes del Grupo de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de las cuentas anuales consolidadas en España según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.

Cuestiones clave de la auditoría

Las cuestiones clave de la auditoría son aquellas cuestiones que, según nuestro juicio profesional, han sido de la mayor significatividad en nuestra auditoría de las cuentas anuales consolidadas del período actual. Estas cuestiones han sido tratadas en el contexto de nuestra auditoría de las cuentas anuales consolidadas en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esas cuestiones.

Valoración de existencias

Descripción El Grupo cuenta al 31 de diciembre de 2017 con existencias por valor de 880.669.169 euros, que se corresponden, en su mayoría, con terrenos y solares, así como distintas promociones en curso mantenidas para su explotación mediante la promoción inmobiliaria de viviendas. Los desgloses correspondientes a los mencionados activos se encuentran en la Nota 10 de las notas de la memoria consolidada adjunta. Tal y como se describe en la Nota 4.3 las existencias del grupo se valoran a su precio de adquisición, incrementado fundamentalmente por los costes de las obras de urbanización, si los hubiere, los gastos relacionados con la compra y los gastos financieros incurridos en el período de ejecución de las obras de urbanización, o a su valor estimado de mercado, si éste es menor.

En cada cierre, los Administradores de la Sociedad dominante evalúan si existen indicios de que dichas existencias pudieran estar deterioradas. Cuando el valor contable es mayor que el valor recuperable se reconoce una pérdida por deterioro. Para determinar este valor recuperable los Administradores de la Sociedad dominante utilizan fundamentalmente las valoraciones realizadas por un experto independiente de acuerdo a los estándares de valoración de la Royal Institution of Chartered Surveyors "RICS". El riesgo de que se produzca un incorrecto registro de la adquisición de estos activos o una incorrecta activación de costes y de que estos activos presenten deterioro, así como la relevancia de los importes involucrados, nos han hecho considerar la valoración de existencias como el aspecto más relevante de nuestra auditoría.

Nuestra respuesta

En relación con esta área, nuestros procedimientos de auditoría han incluido, entre otros, la revisión de escrituras de compraventa de activos inmobiliarios, así como el análisis mediante muestreo de costes activados dentro del epígrafe de existencias sobre las adquisiciones de terrenos y demás activos inmobiliarios. La revisión, en colaboración con nuestros especialistas en valoraciones, del modelo de valoración utilizado por el experto independiente en una muestra de las valoraciones realizadas por éste, cubriendo, el análisis matemático del modelo, así como el análisis de los flujos de caja proyectados y la revisión de las tasas de descuento.

Otra información: Informe de gestión consolidado

La otra información comprende exclusivamente el informe de gestión consolidado del ejercicio 2017, cuya formulación es responsabilidad de los Administradores de la Sociedad y no forma parte integrante de las cuentas anuales consolidadas.

Nuestra opinión de auditoría sobre las cuentas anuales consolidadas no cubre el informe de gestión consolidado. Nuestra responsabilidad sobre la información contenida en el informe de gestión consolidado se encuentra definida en la normativa reguladora de la actividad de auditoría de cuentas, que establece dos niveles diferenciados sobre la misma:

- a) Un nivel específico que resulta de aplicación a determinada información incluida en el Informe Anual de Gobierno Corporativo, según se define en el art. 35.2. b) de la Ley 22/2015, de Auditoría de Cuentas, que consiste en comprobar únicamente que la citada información se ha facilitado en el informe de gestión consolidado y en caso contrario, a informar sobre ello.
- b) Un nivel general aplicable al resto de la información incluida en el informe de gestión consolidado, que consiste en evaluar e informar sobre la concordancia de la citada información con las cuentas anuales consolidadas, a partir del conocimiento de la entidad obtenido en la realización de la auditoría de las citadas cuentas y sin incluir información distinta de la obtenida como evidencia durante la misma, así como evaluar e informar de si el contenido y presentación de esta parte del informe de gestión consolidado son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

Sobre la base del trabajo realizado, según lo descrito anteriormente, hemos comprobado que la información mencionada en el apartado a) anterior se facilita en el informe de gestión consolidado, y que el resto de la información que contiene el informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2017 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

Responsabilidad de los administradores de la Sociedad dominante y de la comisión de auditoría y control en relación con las cuentas anuales consolidadas

Los administradores de la Sociedad dominante son responsables de formular las cuentas anuales consolidadas adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados consolidados del Grupo, de conformidad con las NIIF-UE y demás disposiciones del marco normativo de información financiera aplicable al Grupo en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales consolidadas libres de incorrección material, debida a fraude o error.

En la preparación de las cuentas anuales consolidadas, los administradores de la Sociedad dominante son responsables de la valoración de la capacidad del Grupo para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con la empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los administradores tienen intención de liquidar el Grupo o de cesar sus operaciones, o bien no exista otra alternativa realista.

La comisión de auditoría y control de la Sociedad dominante es responsable de la supervisión del proceso de elaboración y presentación de las cuentas anuales consolidadas.

Responsabilidades del auditor en relación con la auditoría de las cuentas anuales consolidadas

Nuestros objetivos son obtener una seguridad razonable de que las cuentas anuales consolidadas en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión.

Seguridad razonable es un alto grado de seguridad pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose en las cuentas anuales consolidadas.

Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- ▶ Identificamos y valoramos los riesgos de incorrección material en las cuentas anuales consolidadas, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.
- ▶ Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno del Grupo.
- ▶ Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores de la Sociedad dominante.
- ▶ Concluimos sobre si es adecuada la utilización, por los administradores de la Sociedad dominante, del principio contable de empresa en funcionamiento y, basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad del Grupo para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en las cuentas anuales consolidadas o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuros pueden ser la causa de que el Grupo deje de ser una empresa en funcionamiento.
- ▶ Evaluamos la presentación global, la estructura y el contenido de las cuentas anuales consolidadas, incluida la información revelada, y si las cuentas anuales consolidadas representan las transacciones y hechos subyacentes de un modo que logran expresar la imagen fiel.
- ▶ Obtenemos evidencia suficiente y adecuada en relación con la información financiera de las entidades o actividades empresariales dentro del grupo para expresar una opinión sobre las cuentas anuales consolidadas. Somos responsables de la dirección, supervisión y realización de la auditoría del grupo. Somos los únicos responsables de nuestra opinión de auditoría.

Nos comunicamos con la comisión de auditoría y control de la Sociedad dominante en relación con, entre otras cuestiones, el alcance y el momento de realización de la auditoría planificada y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

También proporcionamos a la comisión de auditoría y control de la Sociedad dominante una declaración de que hemos cumplido los requerimientos de ética aplicables, incluidos los de independencia, y nos hemos comunicado con la misma para informar de aquellas cuestiones que razonablemente puedan suponer una amenaza para nuestra independencia y, en su caso, de las correspondientes salvaguardas.

Entre las cuestiones que han sido objeto de comunicación a la comisión de auditoría y control de la Sociedad dominante, determinamos las que han sido de la mayor significatividad en la auditoría de las cuentas anuales consolidadas del periodo actual y que son, en consecuencia, las cuestiones clave de la auditoría.

Describimos esas cuestiones en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelar públicamente la cuestión.

Informe sobre otros requerimientos legales y reglamentarios

Informe adicional para la comisión de auditoría y control de la Sociedad dominante

La opinión expresada en este informe es coherente con lo manifestado en nuestro informe adicional para la comisión de auditoría y control de la Sociedad dominante de fecha 26 de marzo de 2018.

Periodo de contratación

El acta de decisiones del Socio Único de la Sociedad dominante celebrada el 11 de septiembre de 2017 nos nombró como auditores del Grupo por un período de 3 años, contados a partir del ejercicio finalizado el 31 de diciembre de 2017.

ERNST & YOUNG, S.L.
(Inscrita en el Registro Oficial de Auditores
de Cuentas con el N° S0530)

AUDITORES
INSTITUTO DE CENSORES JURADOS
DE CUENTAS DE ESPAÑA

ERNST & YOUNG, S.L.

Año 2018 N° 01/18/06257
SELLO CORPORATIVO: 96,00 EUR

.....
Informe de auditoría de cuentas sujeto
a la normativa de auditoría de cuentas
española o internacional
.....

26 de marzo de 2018



Fernando González Cuervo
(Inscrito en el Registro Oficial de Auditores
de Cuentas con el N° 21268)

DILIGENCIA DE FIRMAS

SIGNATURE DILIGENCE

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 2017, firmando todos y cada uno de los señores Consejeros de la sociedad, cuyos nombres y apellidos constan a continuación, de lo que doy fe.

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, 2017, signed by each and every one of the Directors of the company, whose names and surnames are listed below, That I give faith.

22 de marzo de 2018

March 22nd, 2018

El Secretario no Consejero

Non-director Secretary

D. Alfonso Benavides Grases

D. Alfonso Benavides Grases

D. Santiago Fernández Valbuena

Mr. Santiago Fernández Valbuena

D. David Martínez Montero

Mr. David Martínez Montero

D. Eduardo D'Alessandro Cishek

Mr. Eduardo D'Alessandro Cishek

D. Evan Andrew Carruthers

Mr. Evan Andrew Carruthers

D. Emile K. Haddad

Mr. Emile K. Haddad

D. Javier Lapastora Turpín

Mr. Javier Lapastora Turpín

D. Miguel Tembory Redondo

Mr. Miguel Tembory Redondo

Dña. Cristina Álvarez Álvarez

Ms. Cristina Álvarez Álvarez

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

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

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

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

Que, hasta donde alcanza su conocimiento, las Cuentas Anuales individuales de Aedas Homes, S.A. correspondientes al ejercicio finalizado el 31 de diciembre de 2017 han sido elaboradas con arreglo a los principios de contabilidad aplicables; ofrecen, tomadas en su conjunto, la imagen fiel del patrimonio, de la situación financiera y de los resultados de Aedas Homes, S.A.; y el Informe de Gestión individual incluye un análisis fiel de la evolución y los resultados empresariales y de la posición de Aedas Homes, S.A., junto con la descripción de los principales riesgos e incertidumbres a que se enfrentan.

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

D. Santiago Fernández Valbuena
Presidente

D. David Martínez Montero
Consejero Delegado

D. Eduardo D'Alessandro Cishek
Consejero

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

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

That, as far as it is known, the individual Annual Accounts of Aedas Homes, S.A. for the year ended December 31, 2017 have been prepared in accordance with applicable accounting principles; They offer, taken as a whole, the true image of the Equity, the financial situation and the results of Aedas Homes, S.A.; and the Individual Management Report includes a faithful analysis of the evolution and business results and of the position of Aedas Homes, S.A., together with the description of the main risks and uncertainties that they face.

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

Mr. Santiago Fernández Valbuena
Chairman

Mr. David Martínez Montero
Chief Executive Officer

Mr. Eduardo D'Alessandro Cishek
Board Member

D. Evan Andrew Carruthers
Consejero

D. Evan Andrew Carruthers
Board Member

D. Javier Lapastora Turpín
Consejero

Mr. Javier Lapastora Turpín
Board Member

D. Miguel Temboursy Redondo
Consejero

Mr. Miguel Temboursy Redondo
Board Member

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

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

Dña. Cristina Álvarez Álvarez
Consejera

Mrs. Cristina Álvarez Álvarez
Board Member

D. Emile K. Haddid
Consejero

Mr. Emile K. Haddid
Board Member

22 de marzo de 2018
Los Ángeles (Estados Unidos)

March 22, 2018
Los Angeles (United States)

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.

Los Ángeles (Estados Unidos)
22 de marzo de 2018

D. Alfonso Benavides Grases
Secretario del Consejo de Administración

I, Alfonso Benavides Grases, Non-Board Secretary of the Board of Directors, certify the authenticity of the foregoing signatures of the persons whose name appears in the lower part of the corresponding signature, all of whom are members of the Board of Directors of Aedas Homes, S.A.

Los Angeles (United States)
March 22, 2018

D. Alfonso Benavides Grases
Secretary of the Board of Directors

DILIGENCIA DE FIRMAS

SIGNATURE DILIGENCE

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 2017 comprendido entre el 1 de enero y el 31 de diciembre de 2017, firmando todos y cada uno de los señores Consejeros de la sociedad, cuyos nombres y apellidos constan a continuación, de lo que doy fe.

Diligence raised by the non-director Secretary of the Board of Directors to record that the members of the Board of Directors of the company AEDAS HOMES, SA have proceeded to subscribe the Consolidated Financial Statements, constituent of the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the consolidated income statement, the Consolidated Statement of Cashflows, the notes to the consolidated financial statements and the management report for the year ended in December 31st, 2017, signed by each and every one of the Directors of the company, whose names and surnames are listed below, That I give faith.

22 de marzo de 2018

March 22nd, 2018

El Secretario no Consejero

Non-director Secretary

D. Alfonso Benavides Grases

D. Alfonso Benavides Grases

D. Santiago Fernández Valbuena

Mr. Santiago Fernández Valbuena

D. David Martínez Montero

Mr. David Martínez Montero

D. Eduardo D'Alessandro Cishek

Mr. Eduardo D'Alessandro Cishek

D. Evan Andrew Carruthers

Mr. Evan Andrew Carruthers

D. Emile K. Haddad

Mr. Emile K. Haddad

D. Javier Lapastora Turpín

Mr. Javier Lapastora Turpín

D. Miguel Temboury Redondo

Mr. Miguel Temboury Redondo

Dña. Cristina Álvarez Álvarez

Ms. Cristina Álvarez Álvarez

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

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

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

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

Que, hasta donde alcanza su conocimiento, las Cuentas Anuales consolidadas de Aedas Homes, S.A. y sus sociedades dependientes, correspondientes al ejercicio finalizado el 31 de diciembre de 2017, 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, 2017, have been prepared in accordance with applicable accounting principles; offer, taken as a whole, the true image of the Equity, the financial situation and the results of Aedas Homes, S.A. and its subsidiaries companies; and the Consolidated Management Report includes a faithful analysis of the evolution and business results and the position of Aedas Homes, S.A. and its dependent companies, together with the description of the main risks and uncertainties that they face.

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

Mr. Santiago Fernández Valbuena
Chairman

Mr. David Martínez Montero
Chief Executive Officer

Mr. Eduardo D'Alessandro Cishek
Board Member

D. Evan Andrew Carruthers
Consejero

D. Evan Andrew Carruthers
Consejero

D. Javier Lapastora Turpín
Consejero

Mr. Javier Lapastora Turpín
Board Member

D. Miguel Temboury Redondo
Consejero

Mr. Miguel Temboury Redondo
Board Member

Dña. Cristina Álvarez Álvarez
Consejera

Mrs. Cristina Álvarez Álvarez
Board Member

D. Emile K. Haddid
Consejero

Mr. Emile K. Haddid
Board Member

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

22 de marzo de 2018
Los Ángeles (Estados Unidos)

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

March 22, 2018
Los Angeles (United States)

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.

Los Ángeles (Estados Unidos)
22 de marzo de 2018

D. Alfonso Benavides Grases
Secretario del Consejo de Administración

I, Alfonso Benavides Grases, Non-Board Secretary of the Board of Directors, certify the authenticity of the foregoing signatures of the persons whose name appears in the lower part of the corresponding signature, all of whom are members of the Board of Directors of Aedas Homes, S.A.

Los Angeles (United States)
March 22, 2018

D. Alfonso Benavides Grases
Secretary of the Board of Directors