Report on Limited Review

AEDAS HOMES, S.A. AND SUBSIDIARIES
Interim Condensed Consolidated Financial Statements
and Interim Consolidated Management Report
for the six-month period ended
June 30, 2018

Building a better working world

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Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (see note 15).

REPORT ON LIMITED REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the interim condensed consolidated financial statements

Introduction

We have carried out a limited review of the accompanying interim condensed consolidated financial statements (hereinafter the interim financial statements) of AEDAS HOMES, S.A. (hereinafter the Parent Company) and subsidiaries (hereinafter the Group), which comprise the interim condensed consolidated balance sheet at June 30, 2018, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto, all of them interim, condensed and consolidated, for the six-month period then ended. The parent's directors are responsible for the preparation of said interim financial statements in accordance with the requirements established by IAS 34, "Interim Financial Reporting," adopted by the European Union for the preparation of interim condensed financial reporting as per article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope

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

Conclusion

During the course of our limited review, which under no circumstances can be considered an audit of accounts, no matter came to our attention which would cause us to believe that the accompanying interim condensed consolidated financial statements for the six-month period ended June 30, 2018 have not been prepared, in all material respects, in accordance with the requirements established in International Accounting Standard (IAS) 34, "Interim Financial Reporting," as adopted by the European Union in conformity with article 12 of Royal Decree 1362/2007 for the preparation of interim condensed financial statements.

Emphasis of matter paragraph

We draw attention to the matter described in the accompany interim condensed explanatory Note 2.a, which indicates that the abovementioned accompanying interim financial statements do not include all the information that would be required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. Therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2017. This matter does not modify our conclusion.

<u>Report on other legal and regulatory requirements</u>

The accompanying interim consolidated management report for the six-month period ended June 30, 2018 contains such explanations as the parent's directors consider necessary regarding significant events which occurred during this period and their effect on these interim financial statements, of which it is not an integral part, as well as on the information required in conformity with article 15 of Royal Decree 1362/2007. We have checked that the accounting information included in the abovementioned report agrees with the interim financial statements for the six-month period ended on June 30, 2018. Our work is limited to verifying the interim consolidated management report in accordance with the scope described in this paragraph, and does not include the review of information other than that obtained from the accounting records of AEDAS HOMES, S.A. and its subsidiaries.

<u>Paragraph on other issues</u>

This report has been prepared at the request of the Board of Directors with regard to the publication of the half yearly financial report required by article 119 of Royal Legislative Decree 4/2015, of October 23, approving the consolidated text of the Securities Market Law enacted by Royal Decree 1362/2007 of October 19.

ERNST & YOUNG, S.L.

(Signed on the original version in Spanish)

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Fernando González Cuervo

September 27, 2018

Aedas Homes, S.A. and subsidiaries

Interim condensed consolidated financial statements for the six months ended June 30, 2018

AEDAS HOMES, S.A. and subsidiaries

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AT JUNE 30, 2018 AND DECEMBER 31, 2017

(Euros)

ASSETS	Note	June 30, 2018 (*)	Dec 31, 2017
NON-CURRENT ASSETS:			
Intangible assets		362,725	315,819
Software		312,332	207,001
Other intangible assets		50,393	108,818
Property, plant and equipment		885,243	705,771
Land and buildings		279,578	72,193
Plant and other PP&E		577,590	489,269
Work in progress and prepayments		28,075	144,309
Non-current financial assets		614,150	578,782
Other non-current financial assets		614,150	578,782
Deferred tax assets	7	24,559,054	12,602,937
Total non-current assets		26,421,172	14,203,309
CURRENT ASSETS:			
Inventories	4	1,011,249,078	880,669,169
Trade and other accounts receivable		31,851,653	52,592,622
Trade receivables		16,491,264	5,963,497
Trade receivables, group companies and associates	8	1,407,024	-
Sundry receivables		25,943	8,774,024
Current tax assets		343,045	353,721
Other receivables from public authorities		13,584,377	37,501,380
Current financial assets		10,001,559	5,996,527
Other current financial assets		10,001,559	5,996,527
Prepayments and accrued income		4,877,030	3,122,811
Cash and cash equivalents		96,453,817	172,435,462
Total current assets		1,154,433,137	1,114,816,591
TOTAL ASSETS		1,180,854,309	1,129,019,900

EQUITY AND LIABILITIES	Note	June 30, 2018 (*)	Dec 31, 2017
EQUITY:			
Share capital		47,966,587	47,966,587
Share premium		500,076,721	500,076,721
Parent company reserves		(310,667,380)	(310,653,657)
Reserves at fully-consolidated companies		(93,133)	(91,876)
Own shares		(369,426)	-
Parent company retained earnings (prior-period losses)		(42,319,941)	(2,241,561)
Other owner contributions		740,071,256	740,071,256
Profit/(loss) for the year attributable to equity holders of the parent		3,738,818	(40,078,380)
Other equity instruments		406,035	-
Non-controlling interests		2,129,509	2,245,802
Total equity	5	940,939,046	937,294,892
NON-CURRENT LIABILITIES:			
Non-current liabilities		160,293	137,326
Derivatives		160,293	137,326
Total non-current liabilities		160,293	137,326
CURRENT LIABILITIES:			
Current provisions		819,987	367,913
Bonds and other marketable securities	6	7,991,241	-
Current bank borrowings due in the long term	6	52,029,254	28,455,143
Current bank borrowings due in the short term	6	21,547,901	33,080,996
Other financial liabilities	6	286	500
Current borrowings from related companies and associates	6 & 8	8,467,822	8,309,370
Trade and other accounts payable		148,898,479	121,373,760
Trade and other payables		69,183,943	64,237,741
Trade payables, group companies and associates		-	88,716
Payable for services received		91,487	5,696,255
Employee benefits payable		1,166,425	1,500,600
Current tax liabilities		3,026,234	3,007,741
Other payables to public authorities		2,344,027	13,713,730
Customer prepayments		73,086,363	33,128,977
Total current liabilities		239,754,970	191,587,682
TOTAL EQUITY AND LIABILITIES		1,180,854,309	1,129,019,900

The accompanying notes 1 to 15 are an integral part of the interim condensed consolidated balance sheet at June 30, 2018. (*) Unaudited

AEDAS HOMES, S.A. and subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND JUNE 30, 2017

(Euros)

	Note	Six months ended June 30, 2018 (*)	Six months ended June 30, 2017
CONTINUING OPERATIONS			
Revenue	9	**14,718,970**	**419,339**
Revenue from sales		14,718,970	296,000
Revenue from services rendered		-	123,339
Changes in inventories of finished goods and work in progress		**69,831,480**	**(273,034)**
Cost of sales		**(80,453,363)**	**(1,966,381)**
Consumption of goods for resale		(80,175,364)	-
Inventory impairment losses		(277,999)	(1,966,381)
Other operating income		**1,499,926**	**104,393**
Non-trading and other operating income	8	1,499,926	104,393
Employee benefits expense		**(5,956,581)**	**(2,562,252)**
Wages, salaries and similar		(5,044,076)	(2,182,059)
Employee benefits		(912,505)	(380,193)
Other operating expenses		**(6,813,609)**	**(4,172,202)**
External services		(6,197,324)	(4,011,849)
Taxes other than income tax		(585,392)	(160,353)
Other operating expenses		(30,893)	-
Depreciation and amortization		**(145,670)**	**(48,909)**
Impairment of and gains/(losses) on disposal of fixed assets		**(19,008)**	**(80,798)**
Impairment and write-downs		(19,008)	(80,798)
OPERATING PROFIT/(LOSS)		**(7,337,855)**	**(8,579,844)**
Finance income		**475**	**127,229**
Other finance income		475	127,229
Borrowing costs capitalized in inventories		**1,849,796**	**396,216**
Finance costs		**(2,757,914)**	**(5,087,532)**
Borrowings from group companies and associates	8	(129,970)	(4,370,332)
Third-party borrowings		(2,627,944)	(717,200)
Change in fair value of financial instruments		**(59,590)**	-
Held-for-trading portfolio and other securities		(59,590)	-
Exchange differences		**(1,355)**	-
Impairment of and gains/(losses) on disposal of financial instruments		-	-
Gains/(losses) on disposals		-	-
NET FINANCE INCOME/(COST)		**(968,588)**	**(4,564,087)**
PROFIT/(LOSS) BEFORE TAX		**(8,306,443)**	**(13,143,931)**
Income tax		11,928,968	-
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**3,622,525**	**(13,143,931)**
DISCONTINUED OPERATIONS		-	-
Profit/(loss) after tax for the period from discontinued operations		-	-
PROFIT/(LOSS) FOR THE PERIOD		**3,622,525**	**(13,143,931)**
Attributable to:			
Non-controlling interests		(116,293)	(207,773)
Equity holders of the parent		3,738,818	(12,936,158)
Earnings/(loss) per share from continuing operations (in euros):			
Basic		0.08	(0.38)
Diluted		0.08	(0.38)

The accompanying explanatory notes 1 to 15 are an integral part of the interim condensed consolidated income statement for the six months ended June 30, 2018.

(*) Unaudited

AEDAS HOMES, S.A. and subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND JUNE 31, 2017

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(Euros)

	Note	Six months ended June 30, 2018 (*)	Six months ended June 30, 2017
PROFIT/(LOSS) FOR THE PERIOD (I)		3,622,525	(13,143,931)
Income and expense recognized directly in equity		-	-
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY (II)		-	-
TOTAL AMOUNTS TRANSFERRED TO PROFIT OR LOSS (III)		-	-
TOTAL RECOGNIZED INCOME AND EXPENSE (I+II+III)		3,622,525	(13,143,931)
Total recognized income and expense attributable to equity holders of the parent		3,738,818	(12,936,158)
Total recognized income and expense attributable to non-controlling interests		(116,293)	(207,773)

The accompanying explanatory notes 1 to 15 are an integral part of the interim condensed consolidated statement of changes in equity for the six months ended June 30, 2018.
(*) Unaudited

AEDAS HOMES, S.A. and subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND JUNE 30, 2017

B) STATEMENT OF TOTAL CHANGES IN EQUITY

(Euros)

	Share capital	Share premium	Reserves of the parent	Retained earnings (prior-period losses)	Reserves at fully-consol. companies	Owner contributions	Own shares	Other equity instruments	Profit/(loss) for the period	Non-controlling interests	TOTAL
OPENING BALANCE AT JAN 1, 2017	3,000	-	(355)	-	(3,632)	9,372,875	-	-	(2,369,805)	507,280	7,509,363
Total recognized income and expense	-	-	-	-	-	-	-	-	(12,936,158)	(207,773)	(13,143,931)
Distribution of prior-period profit	-	-	-	(2,241,561)	(128,244)	-	-	-	2,369,805	-	-
Transactions with shareholders	33,717,259	303,455,361	(250,021,317)	-	-	10,120,000	-	-	-	1,929,695	99,200,998
Non-cash proceeds from shares issued (note 1.1)	33,717,259	303,455,361	(250,021,317)	-	-	-	-	-	-	1,929,695	89,080,998
Other transactions with equity holders or owners	-	-	-	-	-	10,120,000	-	-	-	-	10,120,000
Consolidation scope and other changes	-	-	101,282	-	48,785	-	-	-	-	-	150,067
CLOSING BALANCE AT JUNE 30, 2017	33,720,259	303,455,361	(249,920,390)	(2,241,561)	(83,091)	19,492,875	-	-	(12,936,158)	2,229,202	93,716,497
Total recognized income and expense	-	-	-	-	-		-	-	(27,142,222)	16,600	(27,125,622)
Transactions with shareholders	14,246,328	196,621,360	(60,733,267)	-	-	720,578,381	-	-	-	-	870,712,802
Non-cash proceeds from shares issued (note 1.1)	14,246,328	196,621,360	(60,733,267)	-	-	-	-	-	-	-	150,134,421
Other transactions with equity holders or owners	-	-	-	-	-	720,578,381	-	-	-	-	720,578,381
Consolidation scope and other changes	-	-	-	-	(8,785)	-	-	-	-	-	(8,785)
OPENING BALANCE AT JAN 1, 2018	47,966,587	500,076,721	(310,653,657)	(2,241,561)	(91,876)	740,071,256	-	-	(40,078,380)	2,245,802	937,294,892
Total recognized income and expense	-	-	-	-	-		-	-	3,738,818	(116,293)	3,622,525
Distribution of prior-period earnings	-	-	-	(40,078,380)	-	-	-	-	40,078,380	-	-
Transactions with shareholders	-	-	-	-	-		-	-	-	-	-
Consolidation scope and other changes (note 5)	-	-	(13,723)	-	(1,257)	-	(369,426)	406,035	-	-	21,629
CLOSING BALANCE AT JUNE 30, 2018 (*)	47,966,587	500,076,721	(310,667,380)	(42,319,941)	(93,133)	740,071,256	(369,426)	406,035	3,738,818	2,129,509	940,939,046

The accompanying explanatory notes 1 to 15 are an integral part of the interim condensed consolidated statement of changes in equity for the six months ended June 30, 2018.

(*) Unaudited

AEDAS HOMES, S.A. and subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND JUNE 20, 2017

(Euros)

	Note	Six months ended June 30, 2018 (*)	Six months ended June 30, 2017
1. OPERATING ACTIVITIES			
Profit/(loss) before tax		(8,306,443)	(13,143,931)
Adjustments to profit/(loss):		602,960	6,660,175
Depreciation and amortization charges		145,670	48,909
Impairment and write-downs		19,008	80,798
Inventory impairment losses	4	(185,760)	1,966,381
Finance income		(475)	(127,229)
Finance costs		2,757,915	5,087,532
Borrowing costs capitalized in inventories		(1,849,796)	(396,216)
Changes in provisions		858,109	-
Other gains/(losses)		(1,141,711)	-
Other cash flows used in operating activities		(705,848)	(636,963)
Interest received		1,850,271	127,229
Interest paid		(2,556,119)	(764,192)
Changes in working capital:		(86,808,734)	(58,169,352)
Increase/(decrease) in inventories		(128,538,285)	(83,095,318)
Increase/(decrease) in trade receivables		20,740,969	(6,721,167)
Increase/(decrease) in trade payables		31,941,071	29,644,830
Increase/(decrease) in other current assets and liabilities		(10,181,887)	1,926,493
Increase/(decrease) in other non-current assets and liabilities		(770,603)	75,810
Net cash used in operating activities (1)		(95,218,065)	(65,290,071)
2. INVESTING ACTIVITIES			
Investments | disposals		(406,036)	22,056,997
Intangible assets		(103,705)	(175,604)
Property, plant and equipment		(287,352)	(239,922)
Business unit		-	22,472,523
Other assets		(14,979)	-
Net cash (used in)/from investing activities (2)		(406,036)	22,056,997
3. FINANCING ACTIVITIES			
Proceeds from and payments for equity instruments		(369,426)	10,120,000
New contributions secured from shareholders	5	-	10,120,000
Buyback of own equity instruments		(369,426)	-
Proceeds from and repayment of financial liabilities		20,011,882	36,424,544
Bonds and other marketable securities		8,014,208	-
New financing obtained from banks		14,297,444	783,044
New financing obtained from shareholders	6	41,153	35,155,269
Repayment of bank borrowings		(2,340,923)	-
Other borrowings		-	486,231
Net cash from financing activities (3)		19,642,456	46,544,544
4. Effect of changes in exchange rates on cash and cash equivalents (4)			
5. NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (1+2+3+4)		(75,981,645)	3,311,470
Cash and cash equivalents - opening balance		172,435,462	13,827,027
Cash and cash equivalents - closing balance		96,453,817	17,138,497

The accompanying explanatory notes 1 to 15 are an integral part of the interim condensed consolidated statement of cash flows for the six months ended June 30, 2018. (*) Unaudited

Aedas Homes, S.A. and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended June 30, 2018

1. Business activity and Group information

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 Homes 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 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 was formerly called SPV Spain 19, S.L.U).

On May 23, 2017, pursuant to resolutions adopted by the Majority Shareholder, the Parent (Transferee and at the time called Aedas Homes Group, S.L.U.) 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.

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).

Aedas Homes, S.A. listed its shares on the Spanish stock market in an initial public offering on October 20, 2017 at a price of 31.65 euros per share, increasing the Group's share capital as outlined in note 5.

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

1.1 Business contribution

In 2017, the Parent's Majority Shareholder contributed its Spanish property development business to Aedas Homes, S.A., specifically contributing the entities through which it had been carrying out this activity.

Aedas Homes, S.A. was incorporated with the purpose of reorganizing the Majority Shareholder's real estate development business in Spain; neither the Company's key management personnel nor the management of the business changed as a result of the reorganization; moreover, the reorganization did not result in a change of control.

Based on their analysis of 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 Majority Shareholder rather than at the amounts at which the contributions were actually made. The difference arising between the amounts at which the contributions were made and the carrying amounts of the assets and liabilities received has been charged against "Voluntary reserves" (note 5).

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 5)
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 Majority Shareholder of 470,173,453 and 22,714,507 euros, respectively, and current borrowings of 4,845,163 and 257,657 euros, respectively (note 6).

1.2 Corporate Restructuring Transaction

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

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

Note 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).

2. Basis of presentation of the interim condensed consolidated financial statements

a) *Basis of presentation*

The interim condensed consolidated financial statements of the Group comprising Aedas Homes S.A. and its subsidiaries for the six months ended June 30, 2018 were prepared from the accounting records of the Parent and the other companies comprising the Group (refer to Appendix I) in keeping with the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

The Group has drawn up the accompanying interim condensed consolidated financial statements in accordance with International Accounting Standard 34. The related disclosures accordingly do not include all of the information and disclosures required when preparing annual consolidated financial statements under IFRS-EU. As a result, these interim condensed consolidated financial statements should be read together with the annual consolidated financial statements for the year ended December 31, 2017.

The accounting standards used to prepare the accompanying interim condensed consolidated financial statements are the same as those used to prepare the Group's 2017 annual consolidated financial statements.

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

These interim condensed consolidated financial statements have been subjected to a limited review but have not been audited.

b) *Functional and presentation currency*

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

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

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

The Group's interim condensed consolidated financial statements for the six months ended June 30, 2018 make occasional use of estimates made by the executives of the Group and of its consolidated companies, later ratified by their respective directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations recognized therein. Essentially, these estimates refer to:

- The estimation of the net realizable value of the Group's inventories: the Group 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.

- The probability of obtaining future taxable income when recognizing deferred tax assets.

Although these estimates were made on the basis of the best information available at June 30, 2018 regarding the facts analyzed, future events could make it necessary to revise these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with IAS 8, recognizing the effects of the change in estimates in the related consolidated income statement.

d) *Principles 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.

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 and in keeping with the above criteria, 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:

a) The equity of the Group's investees: are presented under "Non-controlling interests" in the consolidated balance sheet within Group equity.

b) Profit or loss for the period: are presented under "Profit/(loss) for the period attributable to non-controlling interests" in the consolidated income statement.

   The income and expenses of subsidiaries acquired or disposed of during the period 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.

e) First-time consolidation differences

The assets, liabilities and contingent liabilities of a newly-acquired subsidiary 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.

f) Comparative information

As required under Spanish company law, to facilitate the reader's comparative analysis, the Group discloses, in addition to the figures for the six months ended June 30, 2018, those corresponding to December 31, 2017 for each of the items presented in the interim consolidated balance sheet and those corresponding to the six months ended June 30, 2017 for each of the items presented in the interim consolidated income statement, interim consolidated statement of changes in equity and interim consolidated statement of cash flows. The notes related to items pertaining to the interim consolidated income statement include comparative information for the same reporting period of the prior year, while the notes pertaining to the interim consolidated balance sheet include comparative information as at the previous year-end.

3. Changes in the Group's composition

Over the course of 2017, the Majority Shareholder contributed its Spanish real estate development business to the Company. 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 1.1). The companies added to the consolidation scope as a result of this contribution:

- 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
- 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 1.1). The companies added to the consolidation scope as a result of this contribution:

- ESPEBE 31, S.L.
- DELANETO SERVICIOS Y GESTIONES, S.L.
- ESPEPE 11 S.L. (the Group has an 80% interest in this entity)
- ESPEBE 21, S.L.
- FACORNATA SERVICIOS Y GESTIONES, S.L. (the Group has a 94.68% interest in this entity)

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 the business described in note 1.1 above by means 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.

The main assets held by FAB MAY on the date of the contribution were inventories carried at 49 million euros (market value of 103.2 million at December 31, 2017); it presented equity of a similar amount to the carrying amount of its inventories.

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. As part of the same proceedings, 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 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 was recognized against "Voluntary reserves" in the accompanying interim condensed consolidated financial statements.

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

No contingent liabilities have been identified in respect of the above-listed contributions.

4. Inventories

The breakdown of the Group's inventories at June 30, 2018 and December 31, 2017 is as follows:

	Euros	
	June 30, 2018	Dec 31, 2017
Land and sites	753,234,127	694,199,047
Developments in progress (*)	201,183,801	167,957,641
Completed buildings	46,749,172	8,436,570
Prepayments to suppliers	10,081,978	10,075,910
Total	**1,011,249,078**	**880,669,169**

(*) At June 30, 2018, "Developments in progress" included the cost of the land on which the developments are being carried out in the amount of 136,559,989 euros (117,335,239 euros at December 31, 2017).

The main movement during the first half of 2018 relates to land acquired for a total of 87,289,072 euros. In addition, the Group completed the works at two housing developments during the first half ('Brisas del Arenal', which is being developed by Facornata Servicios y Gestiones, S.L. and 'Hacienda del Mar', being developed by Espebe 11, S.L.), which implied the transfer of a balance of 43,766,180 euros from "Developments in progress" to "Completed buildings".

Deferred payments on land recognized on the consolidated balance sheet at June 30, 2018 amounted to 46,456,334 euros, of which 11,958,532 euros corresponded to land newly acquired during the first half of 2018.

The Group derecognized inventories in the amount of 6,116,302 euros during the first half of 2018: 4,890,306 euros corresponded to land sold and 1,225,996 euros to finished housing units sold (note 9).

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:

Geographies	Euros	
	June 30, 2018	Dec 31, 2017
Madrid	368,798,603	310,053,004
Catalonia	131,115,400	124,726,718
Costa del Sol	207,628,196	204,733,212
Rest of Andalusia	103,361,144	59,044,553
Balearic Islands and Spanish east coast	190,263,757	172,035,772
Total	**1,001,167,100**	**870,593,258**

The Group reviews the carrying amounts of its inventories for indications of impairment periodically, recognizing the required impairment provisions as warranted. The cost of the land and sites, developments in progress and completed developments is reduced to fair value by recognizing the appropriate impairment provisions. 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 or assets subject to a sale option, as the directors have assumed there is no indication that these assets are impaired), stood at 1,608 million euros (December 31, 2017: 1,468 million euros). In light of the appraiser's methodology, the key valuation hypotheses are the discount rate and sales prices modeled. As a result of the above, the directors have recognized an inventory impairment loss in the interim condensed consolidated financial statements of 2 million euros and unrealized gains of 607 million euros (2.3 and 599 million euros, respectively, at December 31, 2017).

At June 30, 2018, inventories with a carrying amount of 247 million euros were pledged to secure financing agreements (December 31, 2017: 163 million euros).

5. Capital and reserves

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 1.1).

On June 29, 2017, the Company received another non-monetary equity contribution from its Majority Shareholder in the amount of 23,140,283 euros. In exchange, the Company issued 2,314,028 equity interests with a unit par value of one euro, with the remainder of the contribution recognized as a share premium (note 1.1).

On August 16, 2017, the Company received another non-monetary equity contribution from its Majority Shareholder in the amount of 110,867,709 euros. In exchange, the Company issued 11,086,771 equity interests with a unit par value of one euro, with the remainder of the contribution recognized as a share premium (note 1.1).

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

On October 19, 2017, 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 amounted to 31,301 euros.

The Parent's share capital consisted of 47,966,587 shares with a unit par value of 1 euro at both June 30, 2018 and December 31, 2017. The shares are fully subscribed and paid in.

The breakdown of the Company's significant shareholders (those with equity interests of 3% or more) at June 30, 2018, as 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
T. ROWE PRICE INTERNATIONAL FUNDS, INC.	4.09	-	4.09
CANYON CAPITAL ADVISORS LLC	3.86	-	3.86
FMR LLC	3.64	-	3.64

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

None of the Company's shares was pledged at either June 30, 2018 or December 31, 2017.

b) Own shares

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

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

At June 30, 2018, the Parent held 12,769 own shares, carried at 369,426 euros.

During the six months ended June 30, 2018, it purchased 129,419 shares at an average price of 31.1841 euros per share and sold 144,176 at an average price of 30.9070 euros per share.

c) Owner contributions

The Company did not receive any new owner contributions during the six months ended June 30, 2018.

At June 30, 2018 and December 31, 2017, the Majority Shareholder had contributed a total of 740.1 million euros, 623.4 million euros of which correspond to the credit claim contributed on October 3, 2017 (note 6).

d) Other equity instruments

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

The amount recognized under "Other equity instruments" in respect of the commitment assumed under the long-term incentive plan by the Parent vis-a-vis its key management personnel stood at 406,035 euros.

6. Borrowings and other financial liabilities

The Group had the following borrowings at June 30, 2018:

	Euros				
	June 30, 2018				
	Limit	Current liabilities		Non-current	Total
		Due in the long term	Due in the short term	Current	
Shareholder Loan Agreement with External Shareholders	-	4,891,529	-	-	4,891,529
Shareholder Credit Facility Agreement with External Shareholders	10,032,805	3,164,568	294,426	-	3,458,994
Interest on Group company borrowings		-	117,299		117,299
All borrowings from non-controlling shareholders	**10,032,805**	**8,056,097**	**411,725**	**-**	**8,467,822**
Mortgage loans secured by inventories	316,060,417	42,532,173	228,271	-	42,760,444
Interest on developer loans			22,696		22,696
Total developer loans	**316,060,417**	**42,532,173**	**250,967**	**-**	**42,783,140**
Mortgage loans secured by inventories	30,732,214	9,497,081	21,235,133	-	30,732,214
Interest on mortgages secured by inventories	-	-	61,801	-	61,801
Total loans taken over as part of land purchase	**30,732,214**	**9,497,081**	**21,296,934**	**-**	**30,794,015**
Commercial paper issued	-	-	7,991,241	-	7,991,241
Total commercial paper issued	**-**	**-**	**7,991,241**	**-**	**7,991,241**
Derivatives	-	-	-	160,293	160,293
Interest on collateral provided	-	-	286	-	286
Total other borrowings	**-**	**-**	**286**	**160,293**	**160,579**
Total	**356,825,526**	**60,085,351**	**29,951,153**	**160,293**	**90,196,797**

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

	Euros				
	Dec 31, 2017				
	Limit	Current liabilities		Non-current liabilities	Total
		Due in the long term	Due in the short term		
Shareholder Loan Agreement with External Shareholders	-	4,698,548	-	-	4,698,548
Shareholder Credit Facility Agreement with External Shareholders	10,032,805	3,083,302	285,743	-	3,369,045
Interest on Group company borrowings			241,777		241,777
All borrowings from non-controlling shareholders	**10,032,805**	**7,781,850**	**527,520**	**-**	**8,309,370**
Mortgage loans secured by inventories	169,221,700	28,455,142	271,915	-	28,727,058
Interest on developer loans			8,571		8,571
Total developer loans	**169,221,700**	**28,455,142**	**280,486**	**-**	**28,735,628**
Mortgage loans secured by inventories	35,535,133	-	35,535,133	-	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 borrowings	-	-	-	-	-
Total other borrowings	**-**	**-**	**500**	**137,326**	**137,826**
Total	**214,789,728**	**36,236,992**	**33,609,016**	**137,326**	**69,983,334**

Loans from the Majority Shareholder

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

- A Shareholder Master Facility Agreement with a limit of 100 million euros recognized in the amount of 98.9 million euros at the contribution date (principal drawn down of 97.6 million euros and 1.2 million euros of accrued interest).

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

- The deferred portion of the price corresponding to the transfer made by Hipoteca 43, Lux. S.à r.l. to the Company under the Credit Claim Transfer Agreement entered into by them on October 2, 2017 and corresponding to the deferred portion of an investment agreement entered into by Hipoteca 45 Lux S.à r.l. and Espebe 31, S.L. on September 21, 2017, in the amount of 8.7 million euros.

- The 10 million euro intragroup loan extended by Hipoteca 43, Lux. S.á r.l. by means of a bank transfer on September 18, 2017 carrying interest at 1-month Euribor plus 3.5%.

There were no loans from the Majority Shareholder to the Aedas Homes Group outstanding at June 30, 2018.

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 stood at 1,585,999 euros at June 30, 2018. This facility carries interest at an annual rate of Euribor plus 3.5%. The interest payable under this facility amounted to 24,869 euros at June 30, 2018.

In addition, as a result of the real estate business contributions made by the Majority Shareholder in 2017, the following loans from external shareholders were recognized:

On September 15, 2016, Group subsidiary Facornata Servicios y Gestiones, S.L. borrowed 657,895 euros from its non-controlling shareholder, Optimiza Asset Management, S.L. The loan was originally due March 31, 2018; it is currently in the process of being extended. The amount drawn under that loan at June 30, 2018 amounted to 294,425 euros. This facility carries interest at an annual rate of Euribor plus 3.5%. The interest payable under this facility amounted to 4,617 euros at June 30, 2018.

On December 30, 2015, Group subsidiary SPV Spain 2, S.L. borrowed 1,924,615 euros from its non-controlling shareholder, Promociones y Propiedades Inmobiliarias Espacio, S.L.U.; the loan is due December 31, 2019. The amount drawn under that loan at June 30, 2018 amounted to 1,761,516 euros. This facility carries interest at an annual rate of Euribor plus 3.5%. The interest payable under this facility amounted to 22,781 euros at June 30, 2018.

On March 2, 2016, Group subsidiary SPV Spain 2, S.L. borrowed 2,694,033 euros from its non-controlling shareholder, Bigchange Gestión, S.L.; the loan is due December 30, 2019. Subsequently, on April 4, 2017, the terms of the loan were amended to increase its size to 3,006,172 euros. The amount drawn under that loan at June 30, 2018 amounted to 3,130,013 euros. This facility carries interest at an annual rate of Euribor plus 3.5%. The interest payable under this facility amounted to 40,264 euros at June 30, 2018.

On November 28, 2016, Group subsidiary Espebe 11, S.L. arranged a credit facility agreement for up to 2,700,000 euros with its non-controlling shareholder, Promociones y Propiedades Inmobiliarias Espacio, S.L.U.; the facility is due December 31, 2019. The amount drawn under that loan at June 30, 2018 amounted to 1,578,569 euros. This facility carries interest at an annual rate of Euribor plus 3.5%. The interest payable under this facility amounted to 24,767 euros at June 30, 2018.

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

Developer loans

At June 30, 2018, the AEDAS Group had arranged mortgages in an aggregate amount of 316,060,417 euros in order to finance 25 developments in progress. The amount drawn down under these loans at June 30, 2018 stood at 42,760,444 euros, which is equivalent to 13.53% of the maximum available. The mortgage loans carried interest at Euribor plus spreads ranging between 100 and 350 basis points.

Loans taken on to purchase land

On December 1, 2016, Group subsidiary SPV Reoco 5, S.L. took over a mortgage loan of 10,035,133 euros as a result of the acquisition of certain estates. That loan was 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 2,800,000 million euros fell due, with the remainder due on December 1, 2018. During the grace period the loan carried a fixed annual rate of 3%. Since then 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 in 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 amounted to 11,500,000 euros and fell due on February 23, 2018. It was partially cancelled (in the amount of 2,002,919 euros) on February 15, 2018 and on February 22, 2018 its terms were amended to extend its maturity to February 23, 2020. It carries interest at 12-month Euribor plus a spread of 3.25%.

- On August 31, 2016, Group subsidiary SPV Spain 17, S.L.U. acquired a plot of land which it financed by assuming the mortgage which the seller had taken out over the site. That mortgage amounts to 14,000,000 euros and falls due in full on August 23, 2018. It carries interest at 12-month Euribor plus a spread of 3.25% (note 14).

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:

	Euros		
Year	Non-current Bank debt	Non-current Borrowings from related companies and associates	**Non-current Total**
2H19	528,439	6,470,098	**6,998,537**
2020	10,781,873	-	**10,781,873**
2021	3,238,369	-	**3,238,369**
2022 and beyond	37,480,573	1,585,999	**39,066,572**
	52,029,254	**8,056,097**	**60,085,351**

Bonds and other marketable securities

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

By June 30, 2018, the Company had closed the first two issues under the program, issuing 8,000,000 euros in total; 3,000,000 euros of this commercial paper falls due on July 20, 2018 and the remaining 5,000,000 euros falls due on September 21, 2018. The effective cost of those issues is 0.597% and 0.698%, respectively.

The commercial paper is initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently, the implicit interest on the paper is accrued using the effective interest rate on the transaction so that the carrying amount of these borrowings is adjusted for the interest accrued. The commercial paper issued by the Company was carried at 7,991,241 euros at June 30, 2018.

7. 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 June 30, 2018, the Parent and other Group companies had all their tax returns open to inspection as the authorities have no time limit for checking and investigating the tax credits and tax losses used in the returns open to inspection.

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

b) Unrecognized deferred taxes

The breakdown of tax losses not recognized as tax assets at June 30, 2018:

	Euros
	June 30, 2018
AEDAS HOMES S.A.	-
Other Group companies	4,392,619
TOTAL	**4,392,619**

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.

c) Recognized deferred taxes

The reconciliation of the movement in deferred tax assets in the six months ended June 30, 2018 is shown below:

(Thousands of euros)	Dec 31, 2017 Opening balance	Changes recognized in Income statement	Changes recognized in Equity	June 30, 2018 Closing balance
Deferred tax assets				
Tax losses before joining consolidated tax regime	12,602,938	4,472,710	-	17,075,648
Tax losses consolidated tax group	-	1,894,323	-	1,894,323
Other tax credits	-	5,589,083	-	5,589,083
Total	**12,602,938**	**11,956,116**	**-**	**24,559,054**

The movement in recognized tax assets with respect to December 31, 2017 relates to(i) the recognition of tax assets corresponding to tax losses in 2018 of 1,975,102 euros and tax losses from prior years of 4,391,931 euros; and (ii) the recognition of a tax asset of 5,589,083 euros in respect of the difference between the carrying amounts and tax bases of certain assets based on a recoverability analysis performed by the Group.

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

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

- The projections drawn up by the Company for 2017-2023; and
- The appraisal of its inventories provided by Savills which indicates a gross asset value (GAV) of 1,608 million euros, which implies unrealized capital gains of 607 million euros.

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

8. 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).

The main transactions with related parties in the six-month period ended June 30, 2018 were the following:

	Euros					
	Income			Expenses		
	Revenue		Other operating income			
Six months ended June 30, 2018	Revenue from sales	Services rendered		Cost of sales – Supplies	External services	Finance costs
CastleLake L.P.	-	-	1,407,024	-	-	-
Non-controlling interests	-	-	-	-	-	(129,970)
	-	**-**	**1,407,024**	**-**	**-**	**(129,970)**

During the six months ended June 30, 2018, the Group Parent passed the corresponding share of the IPO expenses, namely 1.4 million euros, on to CastleLake L.P. The corresponding invoice was settled on July 1, 2018.

The balances outstanding with parties related to the Group at June 30, 2018 are shown in the table below:

	Euros					
	Trade and other receivables	Borrowings from shareholders (note 6)	Bank borrowings	Prepayments to suppliers	Trade and other current accounts payable	Customer prepayments
Non-controlling interests	-	8,467,822	-	-	-	-
CastleLake, L.P.	1,407,024	-	-	-	-	-
	1,407,024	**8,467,822**	**-**	**-**	**-**	**-**

9. Revenue

The breakdown of revenue from continuing operations by business segment is as follows.

Euros	Six months ended June 30, 2018	Six months ended June 30, 2017
By business segment		
Land sales	7,487,929	-
Development sales	7,231,041	296,000
Services rendered	-	123,339
	14,718,970	**419,339**

The Group companies sold land in Hospitalet and Mijas for 7.5 million euros during the first half of 2018.

Sales of developments amounted to 7.2 million euros, corresponding to the delivery of 36 homes by Group subsidiaries: 18 units in the Galera Sun development (Estepona) and 18 units in the Brisas del Arenal development (Javea).

10. Compensation and other benefits paid to directors and key management personnel

The compensation accrued by the members of the Company's Board of Directors and its key management personnel amounted to 1,473,385 euros in the first half of 2018 (370,858 euros in 1H17).

On September 26, 2017, the Majority Shareholder approved a long-term incentive plan payable entirely in shares, as outlined in note 5.d above.

11. 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 Finance Department, which has established the mechanisms it deems advisable 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 6.

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 opportune to write interest rate hedges.

Quantitative disclosures

Credit risk

No accounts receivable from Group companies, related parties or third parties were past due at June 30, 2018.

Liquidity risk

On June 12, 2018, the Parent arranged the AEDAS HOMES Commercial Paper Programme 2018 on Spain's alternative fixed income market (MARF for its acronym in Spanish). It can issue up to 75,000,000 euros of paper under the program with terms of up to 24 months. The idea is to diversify the Group's sources of financing. By June 30, 2018, the Company had closed the first two issues under the program, issuing 8,000,000 euros in total (note 6).

On August 6, 2018, the Company arranged a 150 million euro corporate loan which it will use to finance future land purchases; it has six months to draw the loan down. It has a maturity of 24 months and carries interest of 3.5% in year one and of 4.25% in year two.

The borrowings from the Majority Shareholder 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 392,509 euros in the six months ended June 30, 2018.

12. Segment information

The criteria used to assess the Group's reportable segments were the same as those described in the 2017 annual consolidated financial statements.

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

13. Other relevant disclosures

The Group does not have highly-seasonal transactions of material amount.

Nor does it incur significant costs unevenly during the financial year warranting anticipation or deferral for interim reporting purposes.

The items affecting assets, liabilities, equity, net income and cash flows that are unusual because of their nature, size or incidence are duly disclosed in the notes to the accompanying interim condensed consolidated financial statements. No events or transactions deemed significant to the understanding of the accompanying interim condensed consolidated financial statements have taken place that have not been disclosed herein. Specifically:

- There have been no significant impairment losses on items of property, plant or equipment or other assets (or reversals thereof) that because of their size or nature warrant detailed disclosures.

- There have been no provisions for restructuring costs (or reversals thereof).

- There have been no significant acquisitions or disposals of items of property, plant and equipment.

- There are no commitments for the purchase of property, plant and equipment, intangible assets or other assets of material amount.

- There have been no changes in contingent liabilities or contingent assets since the date of the last set of annual financial statements. There have been no litigation settlements of material amount.

- There have been no corrections of prior-period errors.
- No loans have been defaulted on or loan agreements breached.

14. 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 interim condensed 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 July 11, 2018, Group subsidiary SPV Reoco 1, S.L.U. wrote two options for the sale of land in Hospitalet and Cornella, triggering the collection of a premium of 482,000 euros plus VAT. If the options are executed, the plots will be sold for 2,440,000 euros plus VAT, net of the above-mentioned premium paid in advance.

- On July 20, 2018, the Group settled a deferred land purchase payment of 20,215,990 euros (note 4).

- On July 20, 2018, the Company had closed an additional issue under its "AEDAS HOMES Commercial Paper Programme" issuing 10,000,000 euros in total; 4,000,000 euros of this commercial paper falls due on September 21, 2018 and the remaining 6,000,000 euros falls due on November 23, 2018. The effective cost of those issues is 0.652% and 0.737%, respectively (note 6).

- On July 30, 2018, Group subsidiary SPV Reoco 1, S.L.U. acquired 22,500 shares in SPV Spain 2, S.L. (giving it a 22.5% shareholding) from Big Change, S.L. for 4,191,556 euros. In the wake of that acquisition, SPV Reoco 1, S.L.U. holds 87.5% of SPV Spain 2, S.L. (the subsidiary building a housing development in Andratx). As part of the same proceedings, the Group Parent, Aedas Homes, S.A., purchased from Big Change, S.L. the latter's credit claims over SPV Spain 2, S.L. for 3,178,444 euros (3,130,013 euros of which corresponding to loan principal and 48,431 euros to interest accrued as of the date of execution of the agreement).

- In July 2018, the AEDAS Group arranged mortgages in an aggregate amount of 62,497,070 euros in order to finance four developments in progress. Those mortgages carry interest at Euribor plus spreads ranging between 200 and 225 basis points.

- On August 6, 2018, the Company arranged a 150,000,000 euro corporate loan which it will use to finance future land purchases; it has six months to draw the loan down. The loan has a maturity of 24 months and carries interest of 3.5% in year one and of 4.25% in year two. It has not made any drawdowns to date.

- On August 31, 2018, SPV Spain 17, S.L. repaid the 14,000,000 euros loan taken on to finance the purchase of land (note 6).

- On August 31, 2018, the Group settled a deferred land purchase payment of 3,482,753 euros (note 4).

- On September 21, 2018, the Company completed another issue under its "AEDAS HOMES Commercial Paper Programme 2018". It raised a total of 20,000,000 euros; 10,000,000 euros of this commercial paper falls due on October 19, 2018; 5,000,000 euros falls due on December 21, 2018 and the remaining 5,000,000 euros falls due on March 22, 2019. The effective cost of those issues is 0.6%, 0.7% and 0.8%, respectively (note 6).

- On September 25, 2018, the Group settled a deferred land purchase payment of 6,594,300 euros (note 4).

- In September 2018, the AEDAS Group arranged mortgages for a total amount of 47,269,462 euros to finance three developments in progress.

15. Additional note for English translation

These consolidated financial statements were originally prepared in Spanish. In the event of a discrepancy, the Spanish language prevails. These consolidated financial statements are presented on the basis of International Reporting Standards adopted by the European Union. Consequently, certain accounting practices applied by the Group do not conform with generally accepted accounting in other countries.

Appendix I - Subsidiaries included in the scope of consolidation at June 30, 2018

Company	Registered office	Business activity	Shareholding		Shareholder	Auditor
			June 30, 2018			
SPV REOCO 1, S.L.U.	Madrid	Development	100%	Direct	AEDAS HOMES, S.A.U.	-
DAMALANA SERVICIOS Y GESTIONES, 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 SPAIN 2, S.L.	Madrid	Development	65%	Indirect	AEDAS HOMES, S.A.U., through SPV REOCO 1, S.L.U.	-
ESPEBE 11, S.L.	Madrid	Development	80%	Indirect	AEDAS HOMES, S.A.U., through SPV REOCO 1, S.L.U.	-
FACORNATA SERVICIOS Y GESTIONES, S.L.	Madrid	Development	94.7%	Indirect	AEDAS HOMES, S.A.U., through SPV REOCO 1, S.L.U.	-
ESPEBE 18, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A.U., through SPV REOCO 1, S.L.U.	-
SERVICIOS INMOBILIARIOS LICANCABUR, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A.U., through SPV REOCO 1, S.L.U.	-
SERVICIOS INMOBILIARIOS MAUNA LOA, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A.U., through SPV REOCO 1, S.L.U.	-

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.	Madrid	Development	94.70%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
DESARROLLO EMPRESARIAL LICANCABUR, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SERVICIOS INMOBILIARIOS LICANCABUR S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SERVICIOS INMOBILIARIAS MAUNA LOA, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
DANTA INVESTMENTS, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
SERVICIOS INMOBILIARIOS CLEGANE, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-
EPAVENA PROMOCIONES Y SERVICIOS, S.L.U.	Madrid	Development	100%	Indirect	AEDAS HOMES, S.A., through SPV REOCO 1, S.L.U.	-

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

Company	Equity at June 30, 2018 (euros) (*)						
	Share 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	(322,578,549)	-	(9,943,836)	46,753,465	162,274,409
DAMALANA SERVICIOS Y GESTIONES, S.L.U.	3,010	-	(353)	(2,277,412)	(564,255)	8,000,000	5,160,990
SPV REOCO 15, S.L.	3,000	-	(344)	(376,421)	(125,385)	2,555,125	2,055,975
SPV SPAIN 2, S.L.	100,000	978,848	(405)	(454,887)	(242,338)	4,124,175	4,505,393
ESPEBE 11, S.L.	3,000	-	(411)	(1,015,170)	(275,336)	1,640,121	352,204
FACORNATA SERVICIOS Y GESTIONES, S.L.	3,010	-	(538)	(2,040,724)	914,842	3,220,000	2,096,590
ESPEBE 18, S.L.U.	3,000	-	(458)	(1,374,771)	242,340	1,740,000	610,111
SERVICIOS INMOBILIARIOS LICANCABUR, S.L.U	3,000	-	(215)	(746)	(791)	-	1,248
SERVICIOS INMOBILIARIOS MAUNA LOA, S.L.U.	3,000	-	(235)	(676)	(732)	-	1,357

Company	Equity at December 31, 2017 (euros) (*)						
	Share 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

Appendix II - List of non-Group companies that hold an equity interest in any of the fully-consolidated subsidiaries of 10% or more at June 30, 2018 and 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%

INTERIM CONDENSED CONSOLIDATED MANAGEMENT REPORT

Aedas Homes, S.A. and subsidiaries

Six months ended June 30, 2018

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

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.

In 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. As part of the same proceedings, 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.

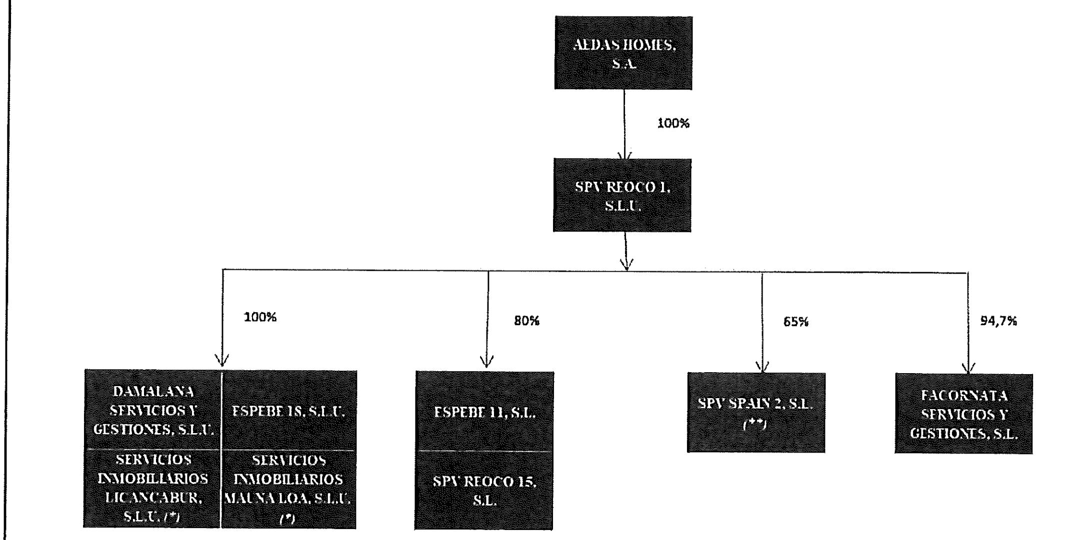
The merger between Aedas Homes Group (Transferee) and Aedas Homes (Transferor) closed on June 29, 2017 and the name and registered office of the Transferee were changed to those of the Transferor, so that the Company's name was changed from Aedas Homes Group to Aedas Homes. The merger by absorption implied: (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.

Aedas Homes, S.A. listed its shares on the Spanish stock market in an initial public offering at a price of 31.65 euros per share on October 20, 2017, increasing the Group's share capital as outlined in note 5.

On April 2, 2018, by virtue of resolutions ratified by Aedas Homes, S.A. in its capacity as sole shareholder of SPV Reoco 1, S.L.U., it was agreed to merge SPV Reoco 1, S.L.U. ("Transferee") and 41 of its subsidiaries (ESPEBE 2, S.L.U., ESPEBE 4, S.L.U., ESPEBE 7, S.L.U., ESPEBE 12, S.L.U., ESPEBE 14, S.L.U., ESPEBE 15, S.L.U., ESPEBE 16, S.L.U., ESPEBE 17, S.L.U., ESPEBE 20, S.L.U., ESPEBE 21, S.L.U., ESPEBE 22, S.L.U., ESPEBE 23, S.L.U., ESPEBE 25, S.L.U., ESPEBE 26, S.L.U., ESPEBE 27, S.L.U., ESPEBE 28, S.L.U., ESPEBE 29, S.L.U., ESPEBE 31, S.L.U., ESPEBE 32, S.L.U., ESPEBE 34, S.L.U., ESPEBE 35, S.L.U., SPV REOCO 2, S.L.U., SPV REOCO 5, S.L.U., SPV REOCO 6, S.L.U., SPV REOCO 12, S.L.U., SPV REOCO 14, S.L.U., SPV REOCO 17, S.L.U., SPV REOCO 18, S.L.U., SPV REOCO 26, S.L.U., SPV SPAIN PROJECT 1, S.L.U., SPV SPAIN 7, S.L.U., SPV SPAIN 16, S.L.U., SPV SPAIN 17, S.L.U., CORNETALA SERVICIOS Y GESTIONES, S.L.U., DANTA INVESTMENTS, S.L.U., DELANETO SERVICIOS Y GESTIONES, S.L.U., DESARROLLO EMPRESARIAL LICANCABUR, S.L.U., EPAVENA PROMOCIONES Y SERVICIOS, S.L.U., LANDATA SERVICIOS Y GESTIONES, S.L.U., MILEN INVESTMENTS, S.L.U. and SERVICIOS INMOBILIARIOS CLEGANE, S.L.U., the "Transferors"). The merger by absorption implied: (i) the dissolution and extinguishment of the Transferors; (ii) the *en bloc* transfer of all the latter companies' assets and liabilities to the Transferee, which has acquired all of their rights and obligations by universal succession. The merger deeds were publicly notarized on May 4, 2018 and registered with the Madrid Companies Register.

At present, Aedas Homes, S.A. heads up a group of enterprises that carries out its business activities either directly or through investments in other companies with an identical or similar corporate object.

The corporate structure of the group comprising Aedas Homes, S.A. and its subsidiaries (the Group) at June 30, 2018 is presented below:



(*) Inactive entities
(**) From July 30th, 2018, SPV Reoco 1, S.L.U. stake in SPV Spain 2, S.L. is 87,5%

The Group conducts its business exclusively in Spain. Its core business, as outlined in article 2 of the Company's bylaws, consists of:

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.

2. *Business performance and financial results - key measures*

At June 30, 2018, the Group's assets totaled 1,180,854,309 euros, liabilities (current and non-current) amounted to 239,915,263 euros and equity stood at 940,939,046 euros, 623,497,318 euros of which corresponded to capitalized loans extended to the Parent by the Majority Shareholder (refer to note 5 of the interim condensed consolidated financial statements).

Revenue and EBITDA

During the six months ended June 30, 2018 the Group recognized revenue from development sales of 7,231,041 euros. The sales were made by Espebe 18, S.L.U. (18 units in the Galera Sun development) and Facornata Servicios y Gestiones, S.L. (18 units in the Brisas del Arenal development).

The Group subsidiaries also sold land in for a total of 7,487,929 euros during the first half of 2018.

EBITDA

EBITDA amounted to a negative 7,173,177 euros in the first half of 2018, reflecting the Group's early stage of development.

Profit/(loss) for the period

The Group recorded a profit of 3,622,525 euros during the six months ended June 30, 2018.

That profit includes income of 1.4 million euros corresponding to the passing on of a portion of the IPO transaction costs to CastleLake, L.P. (1.1 million euros after tax), as well as the recognition of 5.6 million euros of tax assets in respect of the difference between the carrying amounts and tax bases of certain assets and the recognition of 4.4 million euros of tax assets in respect of prior-year tax losses.

Stripping out these non-recurring items, the Group would have posted a first-half loss of 7,413,757 euros.

Financial situation

At June 30, 2018, liabilities - current and non-current - stood at 239,915,263 euros, compared to 191,725,009 euros at December 31, 2017 (implying an increase of 48,190,254 euros), due mainly to new bank borrowings (12,041,018 euros), the issuance of commercial paper (7,991,241 euros) and customer down payments on the 49 developments in progress (39,957,386 euros).

Borrowings

Borrowings stood at 90,196,797 euros at the June close.

Group borrowings break down as follows:

- Borrowings from external shareholders: 8,467,822 euros
- Developer mortgage loans: 42,783,141 euros
- Loans taken over as part of land purchase: 30,794,015 euros
- Derivatives: 160,293 euros
- Commercial paper: 7,991,241 euros
- Other borrowings: 286 euros

3. *Environmental and staff matters*

As disclosed in note 1 of these interim condensed 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 it have any obligations related with greenhouse gas emission allowances.

The average number of people employed by the various Group companies in the first half of 2018 was 139 (1H17: 56.84). The breakdown by gender is provided below:

Average headcount	June 30, 2018	June 30, 2017
Men	78.50	31.67
Women	60.50	25.17
Total	**139.00**	**56.84**

4. *Liquidity and capital resources*

Note 11 of the interim condensed consolidated financial statements outlines the Group's capital and liquidity risk management policies.

The Group has sufficient cash and cash equivalents to fund its business activities and capital expenditure program.

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 interest-rate 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.

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. Significant events after the reporting date

As outlined in note 14 of the interim condensed consolidated financial statements for the six months ended June 30, 2018, no events have taken place since the end of the reporting period that could have a material impact on the information presented in the financial statements authorized for issue by the directors or that are worthy of disclosure on account of their materiality, other than that disclosed in that note.

7. R&D activities

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

8. Own shares

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

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

At June 30, 2018, the Parent held 12,769 own shares, carried at 369,426 euros.

During the six months ended June 30, 2018, it purchased 129,419 shares at an average price of 31.1841 euros per share and sold 144,176 at an average price of 30.9070 euros per share.