Neinor Homes, S.A. and Subsidiaries

Summarised Consolidated Interim Financial Statements and Interim Directors´Report for the six-month period ended 30 June 2019, prepared in accordance with International Financial Reporting Standards, together with Report on Limited Review

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of summarised consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (Notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish and of interim summarised consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Neinor Homes, S.A., at the request of Board of Directors,

Report on the Interim Summarised Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim summarised consolidated financial statements ("the interim financial statements") of Neinor Homes, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the summarised consolidated statement of the financial position as of 30 June 2019, summarised consolidated income statement, summarised consolidated statement of comprehensive income, summarised consolidated statement of changes in equity, summarised consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim summarised financial information, in conformity with 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 of the Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and, consequently, it 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

As a result of our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing came to our attention that might cause us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2019 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim summarised financial statements.

Emphasis of Matter

We draw attention to Note 2.1 to the accompanying interim summarised consolidated financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018. Our conclusion is not modified in respect of this matter.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2019 contains the explanations which the Parent's directors consider appropriate about the significant events which took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2019. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Neinor Homes, S.A. and Subsidiaries.

Other Matters

This report was prepared at the request of the Board of Directors of Neinor Homes, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of Consolidated Spanish Securities Market Law approved by Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Alicia Izaga
24 July 2019

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2019 AND 31 DECEMBER 2018

(Thousands of Euros)

ASSETS	Explanatory notes	30.06.2019	31.12.18 (*)
NON-CURRENT ASSETS:			
Intangible assets		1.567	1.681
Right-of-use assets	2.2 and 11	3.870	-
Property, plant and equipment	6	7.467	7.676
Investment property		498	990
Non-current financial assets	9.4	5.763	1.062
Deferred tax assets	12	22.263	22.263
Total non-current assets		**41.428**	**33.672**
CURRENT ASSETS:			
Inventories	7	1.265.466	1.229.719
Trade and other receivables	8	24.707	28.354
Current financial assets		10	7
Tax receivables	12	11.387	12.122
Cash and cash equivalents		75.749	113.760
Total current assets		**1.377.319**	**1.383.962**
TOTAL ASSETS		**1.418.747**	**1.417.634**

EQUITY AND LIABILITIES	Explanatory notes	30.06.2019	31.12.18 (*)
EQUITY:			
Share capital		790.050	790.050
Share premium		39.247	39.247
Legal reserve		3.363	2.192
Reserves of the Parent		54.376	42.820
Own shares		(23.342)	(3.902)
Other reserves		2.114	1.405
Reserves at fully consolidated companies		(110.884)	(145.133)
Consolidated profit / (loss) for the year		10.408	45.991
Total equity	9	**765.332**	**772.670**
NON-CURRENT LIABILITIES:			
Bank borrowings	11	21.551	-
Other non-current liabilities		3.160	18
Deferred tax liabilities	12	87	87
Total non-current liabilities		**24.798**	**105**
CURRENT LIABILITIES:			
Provisions	10	10.273	13.029
Bank borrowings	11 and 14	333.735	380.529
Other current financial liabilities	2.2 and 11	880	18
Current trade and other payables	7	133.279	114.236
Tax payables	12	29.937	33.029
Other current liabilities	7	120.513	104.018
Total current liabilities		**628.617**	**644.859**
TOTAL EQUITY AND LIABILITIES		**1.418.747**	**1.417.634**

(*) Presented just for comparative purposes.

Notes 1 to 16, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of financial position regarding to the period of six months ended 30 June 2019.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2019 AND 2018
(Thousands of Euros)

	Explanatory notes	30.06.19	30.06.18 (*)
Net revenues	13	161.815	77.720
Cost of sales	13	(111.195)	(57.328)
Employee benefits expenses	13	(12.209)	(10.566)
Depreciation and amortisation charges	6	(2.106)	(456)
External services	13	(14.322)	(18.698)
Change in trade provisions	13	(2.146)	6.256
Other operating gains/(losses)		143	1.140
Gains/(losses) on disposal of fixed assets	6	(142)	(90)
PROFIT / (LOSS) FROM OPERATIONS		**19.838**	**(2.022)**
Finance revenue		8	7
Finance costs	11 and 14	(4.737)	(5.345)
PROFIT / (LOSS) BEFORE TAX		**15.109**	**(7.360)**
Income tax	12	(4.701)	(2.803)
PROFIT / (LOSS) FOR THE YEAR		**10.408**	**(10.163)**
Earnings/(losses) per share (Euros):			
Basic	9	0,123	(0,129)
Diluted	9	0,123	(0,129)

(*) Presented just for comparative purposes.

Notes 1 to 16, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of comprehensive income corresponding to the period of six months ended 30 June 2019.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONDENSED CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2019 AND 2018

(Thousands of Euros)

	Explanatory notes	30.06.19	30.06.18 (*)
CONSOLIDATED PROFIT / (LOSS) FOR THE PERIOD		**10.408**	**(10.163)**
OTHER RECOZNIZED INCOME (EXPENSES)		**-**	**-**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		**-**	**-**
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		**-**	**-**
TOTAL RECOGNISED INCOME AND EXPENSE		**10.408**	**(10.163)**
a) Attributable to the Parent		10.408	(10.163)
b) Attributable to non-controlling interests		-	-

(*) Presented just for comparative purposes.

Notes 1 to 16, described in the explanatory notes atteched, form an integral part of the condensed consolidated statement of recognised income and expense at 30 June 2019.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2019 AND 2018

(Thousands of Euros)

	Share capital	Share premium	Legal reserve	Other reserves of the Parent	Own shares	Other reserves	Reserves at consolidated companies	Consolidated profit/loss for the period	Total equity
Balance at 31 December 2017 (*)	**790.050**	**39.247**	**2.066**	**38.385**	**(4.126)**	**667**	**(117.937)**	**(25.934)**	**722.418**
Distribution of profit/loss for the period:									
To reserves	-	-	126	1.136	-	-	(27.196)	25.934	**-**
Income/expense recognised in the period	-	-	-	-	-	-	-	(10.163)	**(10.163)**
Transactions with Treasury Shares	-	-	-	(407)	346	-	-	-	**(61)**
Other (Note 9)	-	-	-	2.010	-	43	-	-	**2.053**
Balance at 30 June 2018	**790.050**	**39.247**	**2.192**	**41.124**	**(3.780)**	**710**	**(145.133)**	**(10.163)**	**714.247**
Income/expense recognised in the period	-	-	-	-	-	-	-	56.154	**56.154**
Transactions with Treasury Shares	-	-	-	407	(569)	-	-	-	**(162)**
Other (Note 9)	-	-	-	1.289	447	695	-	-	**2.431**
Balance at 31 December 2018	**790.050**	**39.247**	**2.192**	**42.820**	**(3.902)**	**1.405**	**(145.133)**	**45.991**	**772.670**
Distribution of profit/loss for the period:									
To reserves	-	-	1.171	10.537	-	-	34.283	(45.991)	**-**
Income/expense recognised in the period	-	-	-	-	-	-	-	10.408	**10.408**
Transactions with Treasury Shares	-	-	-	-	(19.440)	-	-	-	**(19.440)**
Other (Note 9)	-	-	-	1.019	-	709	(34)	-	**1.694**
Balance at 30 June 2019	**790.050**	**39.247**	**3.363**	**54.376**	**(23.342)**	**2.114**	**(110.884)**	**10.408**	**765.332**

(*) Presented just for comparative purposes.

Notes 1 to 16, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of changes in equity at 30 June 2019.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2019 AND 30 JUNE 2018
(Thousands of Euros)

	Explanatory notes	30.06.19	30.06.18 (*)
Cash flows from/(used in) operating activities			
Profit/(loss) from operations		15.109	(7.360)
Adjustments-			
Depreciation and amortisation	6	2.106	456
Change in provisions	6, 7 and 10	(1.052)	2.284
Impairment and gains/(losses) on disposal of intangible and tangible assets		97	90
Finance costs		4.737	5.345
Finance revenue		(8)	(7)
Incentive Plans	9	2.719	2.053
		23.708	**2.861**
Increase/(Decrease) in current assets and liabilities:			
Inventories	7	(37.446)	(151.051)
Trade and other receivables	8	4.404	12.382
Current trade and other payables		12.463	71.808
Other current and non-current assets and liabilities		16.495	33.348
Net income tax payment		(1.168)	-
Total net cash flows from operating activities (I)		**18.456**	**(30.652)**
Cash flows from/(used in) investing activities:			
Investments in intangible and tangible assets		(1.017)	(4.764)
Disposals of investment property	6	354	300
Other assets	2.9	(5.405)	(95)
Total net cash flows from investing activities (II)		**(6.068)**	**(4.559)**
Cash flows from/(used in) financing activities:			
Proceeds from bank borrowings	11	46.472	69.126
Repayment of bank borrowings	11	(93.266)	(45.988)
Interests paid and loan agreement expenses	11 and 14	(4.691)	(5.338)
Transactions with Treasury Shares		1.086	(61)
Total net cash flows from financing activities (III)		**(50.399)**	**17.739**
Net increase/(decrease) in cash and cash equivalents (I+II+III)		**(38.011)**	**(17.472)**
Cash and cash equivalents at beginning of the period		113.760	76.822
Cash and cash equivalents at end of year		**75.749**	**59.350**

(*) Presented just for comparative purposes.

Notes 1 to 16, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of cash flows for the period of six months ended 30 June 2019.

Neinor Homes, S.A. and Subsidiaries

Summarised Consolidated Interim Financial Statements for the period ended 30 June 2019, prepared in accordance with International Financial Reporting Standards

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of summarised consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (Notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.

Translation of summarised consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (Notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.

Neinor Homes, S.A. and Subsidiaries

Notes to the Summarised Consolidated Interim Financial Statements for the period ended 30 June 2019

1. Activity of the Neinor Homes Group

Neinor Homes, S.A. was incorporated under the Spanish law. On 1 March 2017, the Parent was registered as a public limited liability company ("S.A.") with a view to its admission to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges. The corporate purpose of Neinor Homes, S.A. is to promote, manage and develop all kind of Real Estate operations. Its registered addess is in Calle Ercilla 24, Bilbao (Vizcaya).The bylaws and other public information on the Company can be consulted in its registered address and on the website: www.neinorhomes.com.

In addition to the operations carried out directly, Neinor Homes, S.A. is the Parent of a Group of subsidiaries with the same corporate purpose and which, together constitute Neinor Homes Group the Parent´s shares were admitted to trading on the official secondary market during 2017. Therefore, the Company is obliged to prepare, in addition to its own separate financial statements, the Group's consolidated financial statements and half-yearly financial reports for both the Parent and the consolidated Group in accordance with Royal Decree 1362/2007, of 19 October, implementing Spanish Securities Market Law 24/1988, of 28 July, in relation to the transparency requirements regarding the information on issuers whose securities are admitted to trading on an official secondary market or on another regulated market in the European Union.

The Neinor Homes Group was incorporated in the context of the memorandum of understanding entered into in 2014 by Kutxabank, S.A. and the Lone Star investment fund, through its investee Intertax Business, S.L.U. (now Neinor Holdings, S.L.U.) for the sale and purchase of a portion of the Kutxabank Group's property assets. This transaction was completed on 14 May 2015 through the transfer by Kutxabank, S.A. to Neinor Holdings, S.L.U. of all the shares held by the former in Neinor Homes, S.A., once the conditions precedent established in the purchase and sale agreement entered into by the parties on 18 December 2014 had been met.

In addition, and as part of this transaction, on 1 January 2015, all the employees who had been performing the property group's development and management tasks at the Kutxabank Group, and the technical and other resources required to perform this activity, were transferred to the various Neinor Homes Group companies. In this regard, on 14 May 2015, an asset administration and management agreement was entered into by the various Kutxabank Group companies and Neinor Homes, S.A. in relation to the property assets owned by the former. This agreement has an initial seven-year term and may be extended automatically for further one-year periods. As consideration for these services, the various companies paid remuneration depending on the type and volume of the managed assets, plus additional variable remuneration based on success, applicable to asset sales and for performing certain specific related actions, and accruals. The contract can be terminated early in certain circumstances relating to a change of control at the successful bidder for the contract involving a competitor of Kutxabank, negligence in the provision of the service or interruption thereof for more than seven days, except in the event of fortuitous events or force majeure. In addition, in the event of Kutxabank's loss of control of entities within the scope of this contract, there is an option for early termination, although the corresponding compensation for termination is regulated.In 2017, in accordance with the terms and conditions established in the property asset administration and management agreement, Kutxabank and the Neinor Homes Group entered into an agreement whereby the Neinor Homes Group has proceeded to open bank accounts for the sole purpose of enabling the Neinor Homes Group to manage directly the expenses paid under the aforementioned agreement in relation to the companies Kutxabank, S.A. and Cajasur Banco, S.A.U., to which the balances deposited in these cash accounts belong. As a result, the cash balances of these accounts at 30 June 2019, amounting to EUR 50 thousand are not recognised in the accompanying consolidated balance sheet (5 thousand euros at 30 June 2018), and nor are any liabilities, income or expenses associated with the balance recognised in the accompanying consolidated financial statements.

On 29 March 2017, the Parent's shares were admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, for which the Group obtained the related waivers/approvals from the banks from which it had received any kind of financing to avoid such financing being subject to early total payment.

Neinor Homes has entered Ibex Small Cap, a stock market financial index prepared by Bolsas y Mercados Españoles (BME), which groups together the small-cap companies of the four Spanish stock exchanges.

The Group´s consolidated financial statements for 2018 were approved by the Company´s Sole Shareholder on 3 April 2019.

These summarized consolidated interim financial statements are presented in euros as this is the currency of the primary economic area in which he Group operates.

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

2.1 Basis of presentation

In accordance with Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, every company governed by the laws of a European Union member state, and having its equity shares listed on a regulated market of any of its member states is required to file its consolidated financial statements for the reporting periods starting on or after 1 January 2005, in compliance with such International Financial Reporting Standards (IFRS) as may have been previously adopted by the European Union.

The Group's 2018 consolidated financial statements were prepared at 27 February 2019 by the Parent Company Directors in compliance with the International Financial Reporting Standards adopted by the European Union, and applying the basis of consolidation, accounting standards and measurement bases described in Note 4, so as to present fairly the Group's consolidated equity and financial position, consolidated results of operations, consolidated changes in equity, and consolidated cash flows for the reporting period ended on 31 December 2018.

These summarised consolidated interim financial statements are in compliance with IAS 34 on interim financial reporting, and were prepared by the Group Directors on 24 July 2019, all the above in accordance with Section 12 of Royal Decree 1362/2007.

Pursuant to IAS 34, the only purpose of interim financial reporting is to update the contents of the latest consolidated financial statements presented by the Group, placing emphasis on any new activity, event or circumstance occurred over the six-month period, but not repeating the information previously reported on the 2018 consolidated financial statements. Therefore, for a better understanding of the information contained in these summarised consolidated six-month financial statements, they should be read together with the Group's 2018 consolidated financial statements.

These six-monthly summarised consolidated financial statements were prepared using the same accounting policies and methods used for the 2018 consolidated financial statements.

2.2 Adoption of International Financial Reporting Standards

The following mandatory standards and interpretations, already adopted in the European Union, became effective in 2019. Where applicable, the Group has used them in the preparation of these consolidated financial statements:

New standards, amendments and interpretations mandatorily applicable in the year

Approved for use in the European Union		**Mandatory application for annual periods beginning on or after:**
IFRS 16 Leases (published January 2016)	Eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases.	1 January 2019
Amendments to IFRS 9 Prepayment Features with Negative Compensation (issued in October 2017).	Permit the measurement at amortised cost of certain financial instruments with prepayment features, which may be put back to the issuer before maturity for an amount lower than the unpaid amounts of the principal and interest on the principal amount outstanding.	1 January 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (issued in October 2017).	Clarify that IFRS 9 should be applied to long-term interests in associate or joint venture if the equity method is not applied.	1 January 2019
Improvements to IFRSs, 2015-2017 cycle (issued in December 2017)	Minor amendments in relation to some IFRS.	1 January 2019
Amendments to IAS 19 Amendments in Plan Amendment, Curtailment or Settlement	If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments (*issued in June de 2017*)	IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.	1 January 2019

IFRS 16

IFRS 16 came into force on 1 January 2019 and has superseded IAS 17 and the current associated interpretations. The main development of IFRS 16 is that it introduces a single lessee accounting model in which all leases with an impact similar to that of the existing finance leases (depreciation of the right-of-use asset and a finance cost for the amortised cost of the liability) will be recognised. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments under these leases; however, certain information was disclosed, such as operating lease obligations.

The assessment of the impact this new standard had already been recorded at 30 June 2019, and took into consideration the following aspects:

- The Group identified all the leases which at the end of the current year which in turn were not classified as relating to underlying assets of "low value" (taking as a reference the figure provided in the IFRSs of USD 5,000), focusing the analysis on those that convey the right to control an asset. In accordance with the cost-benefit method permitted by the IFRSs, the leases for underlying assets of low value or short-term leases will be recognised by the Group as an expense on a straight-line basis over the lease term in application of the current accounting policy. At 30 June 2019, these leases amounted to EUR 124 thousand.

- In relation to the identified leases, their compliance with the requirements established in the standard for their recognition as leases was analysed, i.e.:

  a) where there is an identified asset (either in the form of a separate asset or a "physically distinct portion" thereof) which, in accordance with the clauses of the lease, conveys the right to control the use of the identified asset.
  b) where the use of this asset provides the customer with the right to obtain substantially all the economic rewards from use of the asset over the term of the lease.

- The leases subject to this new standard relate mainly to both its branches (Bilbao, Barcelona, Madrid, Córdoba, Valencia and Malaga) and the offices for the sale of housing units ("Neinor stores" and sales cabins). The impact associated with the rights of use of these assets was determined on a case-by-case basis, without separating, due to their scant significance, those additional service items not associated with the lease and without, therefore, taking into consideration that, as permitted by the standard, these items could have been grouped together in a portfolio if they shared similar features. In addition, regarding the initial recognition of this asset, no direct costs were incurred and no dismantling and restoring costs that should be taken into consideration are envisaged.

- The initial recognition of the liability included both the fixed lease payments (less any incentives granted by the lessor) and the variable lease payments that depend on an index (mainly, the CPI). This calculation did not identify any optional payments or other disbursements payable on expiry of the lease. As provided in the standard, the total amount of these lease payments is discounted using the incremental borrowing rate of the Group's loans, as the interest rate implicit in the leases cannot be readily determined. As regards the discount rate, a homogenous rate of 2% was used, as the leased assets do not significantly differ in terms of the nature, are located in Spain and the terms of the leases are of similar duration.

- For the purposes of recognising this new accounting standard, the Group has recognised the impact by applying the modified retrospective method, in such a way that at 1 January 2019 the right-of-use asset is equivalent to the lease liability. The impact on 30 June 2019 amounted to around EUR 4.4 million (with expiration date between 2021 and 2027). On 30 June 2019 the net book value of the right-of-use amounts to 3.870 thousand euros (Note 11) registered under the non-current assets of the accompanying consolidated balance sheet.

(2) ***New standards, amendments and interpretations of mandatory application for annual periods after the calendar year starting on 1 January 2019:***

At the date of authorization of these annual consolidated financial statements, the following standards and interpretations had been published by the IASB but had not become effective, either because their effective date was subsequent to the date of the consolidated financial statements or because they had yet to be adopted by the European Union:

Approved for use in the European Union		**Mandatory application for annual periods beginning on or after:**
Amendments to IFRS 3 *Definition of a business*	Clarifications for the definition of the business	1 January 2020
Amendments to IAS 1 and IAS 8 *Definitions of "materiality"*	Amendments to IAS 1 and IAS 8 to align the definition to meet the conceptual framework	1 January 2020
NIIF 17 *Insurance contratcs* (issued on May 2017)	It includes the principiples of registration, valuation and breakdown of insurance contracts, replacing IFRS 4	1 January 2021

2.3 Estimates

The consolidated profit(loss) and equity are sensitive to the accounting standards and principles, measurement bases and estimates applied by the Parent Company Directors when preparing the summarised consolidated interim financial statements. The main accounting policies and principles and measurement criteria are indicated in Note 4 to the consolidated financial statements for 2018.

The summarised consolidated interim financial statements incorporate a number of estimates made by the Senior Management of the Parent Company and consolidated entities to measure certain items of their assets, liabilities, income, expense and commitments registered therein. These estimates, which are based on the best available information, basically refer to:

1. The corporate tax expense, which under IAS 34 is recognised on interim periods according to the best estimate of weighted average tax rate calculated by the Group for the whole year, and taking into account that the Tax Group headed by Neinor Homes, S.A. will pay taxes under tax consolidation basis in 2018 in accordance with Article 99.2 of Bizkaia Corporation Tax Regulation 11/2013, of 5 December (Note 12).

2. The market value of the Group Real Estate assets. The Group has obtained valuations from independent experts for its Real Estate assets (Notes 7).

3. The assessment of possible impairment losses on certain assets

4. The useful life of the property, plant and equipment and intangible assets.

5. The calculation of provisions.

6. The assessment of the possibility to have future taxable profits to which to apply any recognised and unused tax credits.

7. The valuation of long-term employee benefits

Although these estimates were made on the basis of the best available information on the analysed facts, future events may require them to be modified prospectively (upwards or downwards), in accordance with IAS 8. The effects of any change would be recognized in the corresponding consolidated income statement.

No significant changes were made to the estimates used at 2018 year-end during the six-month period ended on 30 June 2019.

2.4 Contingent assets and liabilities

Note 21 to the Group´s consolidated financial statements for the period ended on 31 December 2018 contains the information on the guarantee commitments to third parties and other contingent liabilities as that date. During the first six-month period of 2019 there have been no significant changes in this area.

At 30 June 2019 the Group had provided guarantees to third parties for a total amount of EUR 178.979 thousand (EUR 148.035 thousand at 31 December 2018). Included in this figure there is an amount of EUR 43.412 thousand (EUR 35.382 thousand at 31 December 2018) thousand related mainly to guarantees provided to different local authorities to secure the development of different properties and EUR 135.567 thousand to secure payments in advance received by customers (EUR 112.653 thousand at 31 December 2018).

Additionally, the Group has received at 30 June 2019 from different suppliers and contractors guarantees for a total amount of EUR 35.976 thousand (EUR 34.486 thousand at 31 December 2018) to secure the perfect completion of the corresponding construction works. "Current Trade and Other Payables" under current liabilities in the half-yearly condensed consolidated balance sheet as at 30 June 2019 includes an amount of EUR 26.958 thousand (31 December 2018: EUR 22.759 thousand) relating to amounts withheld from contractors as a guarantee.

There is no restriction for the availability of the cash and cash equivalents of the Group neither as of 30 June 2019 nor 31 December 2018, except for the fact that, as described in Law 20/2015, of July 14, advances received and associated with a development (Note 7) are deposited in a special account, separate from any other class of funds belonging to the Group, and are only drawn against in connection with the construction of the developments. The balance subject to this restriction amounted to EUR 34.896 thousand at 30 June 2019 (EUR 40.698 thousand at 31 December 2018), which differs from the advances as a result of the cash used to pay the progress billings of developments to which such advances are allocated.

2.5 Comparative information

The information relating to the 2019 consolidated financial statements is presented for comparison purposes with that relating to period ended 31 December 2018.

At 30 June 2019, the impact of the application of IFRS 16 (see Note 2.2) on these half-yearly condensed consolidated financial statements had been recognised and, accordingly, "Rights of Use" includes EUR 3,870 thousand, with balancing entries of EUR 812 thousand under "Other Non-Current Financial Liabilities" and EUR 3,146 thousand under "Other Current Financial Liabilities". Also, an amortisation charge of EUR 754 thousand was recognised in connection with this right of use, together with the corresponding finance cost of EUR 38 thousand.

Additionally, there has been a reclassification in the accompanying interim consolidated income statement to facilitate the understanding of the figures contained in "Cost of sales" and "Change in trade provisions". In this sense, the application of the impairment associated with sold real estate assets has been reclassified to “Cost of sales”. Consequently, the interim consolidated statement of income for the six-month period ended June 30, 2018 included for comparative purposes in the accompanying consolidated annual accounts differs from that included in the interim financial statements of that year approved by the Board General dated July 23, 2018 in an amout of 6.256 thousand euros.

2.6 Seasonal nature of the Group’s transactions

Given the nature of the activities conducted by the Group’s Companies and the percentage of completion accounting criterion, the Group’s transactions are not cyclical or seasonal. Therefore, these notes to the summarised consolidated financial statements for the six-month period ended 30 June 2019 do not contain any specific breakdown.

2.7 Relative importance

Pursuant to IAS 34, when determining which details to disclose in these notes to the summarised consolidated financial statements in relation to the various items of the financial statements or other issues, the Group has considered the relative importance of the summarised consolidated financial statements for the six-month period.

2.8 Correction of errors

In preparing the accompanying summarised consolidated interim financial statements relating to the six-month period ended 30 June 2019, no errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for year ended 31 December 2018.

2.9 Summarised consolidated cash flow statements

The summarised consolidated cash flow statements have been prepared using the indirect method and the terms used are defined as follows:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

2. Operating activities: the principal revenue-producing activities of the entities composing the consolidated Group and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents, if they have a direct impact on current cash flows.

4. Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities, if they have a direct impact on current cash flows.

The condensed consolidated statement of cash flows for the six-month period ended 30 June 2019 does not reflect the repayment of the loan of EUR 75 million from JP Morgan, nor the subsequent receipt of a loan from Deutsche Bank for the same amount, since this repayment was made directly between the two banks without the Group's involvement.

2.10 Subsequent events

No other significant events have been taken since the end of these consolidated interim financial statements.

3. Changes in the Group´s composition

The consolidation principles used in the preparation of these six-month summarised consolidated financial statements are consistent with those used for the 2018 consolidated financial statements.

Appendix I to the notes to the 2018 consolidated financial statements includes the detail of the consolidated Group companies and the information related thereto at 31 December 2018.

There were no changes in the scope of consolidation of the Neinor Homes Group in the six-month period ended on 30 June 2019.

4. Dividends paid by the Group in the period

No dividend distributions have been approved in the six-month period ended on 30 June 2019.

5. Segment information

	Legacy		Development		Assets management – Servicing / Corporate		Total	
	30.06.19	30.06.18	30.06.19	30.06.18	30.06.19	30.06.18	30.06.19	30.06.18
Revenue: Third party sales	10.451	20.640	136.084	41.944	15.280	15.136	161.815	77.720
Total Revenue:	**10.451**	**20.640**	**136.084**	**41.944**	**15.280**	**15.136**	**161.815**	**77.720**

(*) Includes under "Legacy" segment an amount of EUR 33 thousand in the six-month period ended on 30 June 2019 (EUR 55 thousand in 2018) corresponding to rental income of the investment properties (Note 9).

	Legacy		Development		Assets management – Servicing / Corporate		Total	
	30.06.19	30.06.18	30.06.19	30.06.18	30.06.19	30.06.18	30.06.19	30.06.18
Income:								
Third party sales (**)	10.451	20.640	136.084	41.944	15.280	15.136	161.815	77.720
Cost of sales	(20.071)	(26.944)	(96.196)	(30.384)	-	-	(116.267)	(57.328)
Application of impairments for sold stocks	5.072	6.256	-	-	-	-	5.072	6.256
Gross margin	**(4.548)**	**(48)**	**39.888**	**11.560**	**15.280**	**15.136**	**50.620**	**26.648**
Employee benefits expenses	(122)	(212)	(6.804)	(5.474)	(2.564)	(2.827)	(9.490)	(8.513)
Employee benefits expenses – Incentive Plan (Notes 9 and 15)	-	-	(2.719)	(2.053)	-	-	(2.719)	(2.053)
External Services (***)	(1.669)	(3.157)	(9.870)	(11.886)	(2.783)	(3.657)	(14.322)	(18.700)
Change in trade provisions – Others	(1.735)	-	(413)	-	2	-	(2.146)	-
Other operating gains / (losses)	-	989	143	151	-	-	143	1.140
Gains/(losses) on disposal of fixed assets	(142)	(90)	-	-	-	-	(142)	(90)
EBITDA	**(8.216)**	**(2.518)**	**20.225**	**(7.702)**	**9.935**	**8.652**	**21.944**	**(1.568)**
Net interest expense and others	-	-	(4.729)	(5.338)	-	-	(4.729)	(5.338)
Depreciation and amortization	(12)	(456)	(1.593)	-	(501)	-	(2.106)	(456)
Profit / (Loss) Before Tax	**(8.228)**	**(2.974)**	**13.903**	**(13.040)**	**9.434**	**8.652**	**15.109**	**(7.362)**
Employee benefits expenses – Incentive Plan (Note 9)	-	-	2.719	2.010	-	-	2.719	2.010
External Services (Note 13.d)	-	-	-	-	-	-	-	-
Net interest expense and others	-	-	4.729	5.338	-	-	4.729	5.338
Depreciation and amortization	12	456	1.593	-	501	-	2.106	456
IFRS 9 (Note 9)	-	-	-	368	-	2	-	370
ADJUSTED EBITDA (*)	**(8.216)**	**(2.518)**	**22.944**	**(5.324)**	**9.935**	**8.654**	**24.663**	**812**

(*) A financial measure used by Group management, which does not take into consideration the personal expenses associated with the incentive plan assumed by Neinor Holdings, S.L.U.

(**) Includes an amount of EUR 33 thousand in 30.06.2019 (EUR 55 thousand in 2018) corresponding to rental income of the investment properties.

(***)Includes the provision of Real Property Tax for the entire portfolio owned by the Group on January 1, as of both June 30, 2019 and 2018.

The main figures of the summarised consolidated statements of financial position by segment at 30 June 2019 and for the exercise 2018 are as follow:

	Thousands of Euros									
	Legacy		Development		Management Assets - Servicing		Others / Corporate		Total	
	30.06.19	31.12.18	30.06.19	31.12.18	30.06.19	31.12.18	30.06.19	31.12.18	30.06.19	31.12.18
Balance sheet:										
Non-Current assets	498	990	9.020	5.023	-	-	31.910	27.659	41.428	33.672
Current assets	25.700	43010	1.265.365	1.217.438	10.505	9.754	75.749	113.760	1.377.319	1.383.962
Total Assets	**26.198**	**44.000**	**1.274.385**	**1.222.461**	**10.505**	**9.754**	**107.659**	**141.419**	**1.418.747**	**1.417.634**
Financial Debt (*)	-	-	333.735	380.520	-	-	-	-	333.735	380.529
Other Non-current liabilities	14	105	24.784	-	-	-	-	-	24.798	105
Other current liabilities	5.024	4.653	280.109	249.452	2.021	1.699	7.728	8.526	294.882	264.330
Total Liabilities	**5.038**	**4.758**	**638.628**	**629.981**	**2.021**	**1.699**	**7.728**	**8.526**	**653.415**	**644.964**

(*) Non - Current and Current Bank Borrowings

6. Property, plant and equipment

The changes in this heading in the six-month period ended 30 June 2019 and the exercise ended 31 December 2018, were as follows:

6 months period ended 30 June 2019

	Thousands of euros		
	Technical items and machinery	Other items of Property, Plant and equipment	Total
Cost:			
Balance at 31 December 2018	6.942	2.268	9.210
Additions	586	83	669
Balance at 31 December 2018	**7.528**	**2.351**	**9.879**
Accumulated amortisation:			
Balance at 31 December 2018	(436)	(508)	(944)
Charges	(503)	(375)	(878)
Balance at 30 June 2019	**(939)**	**(883)**	**(1.822)**
Accumulated depreciation:			
Balance at 31 December 2018			
Transfers from "Inventories"	(590)	-	(590)
Balance at 30 June 2019	**(590)**	**-**	**(590)**
Net Balance at 30 June 2019	**5.999**	**1.468**	**7.467**

<u>Exercise ended 31 December 2018</u>

	Thousands of euros		
	Technical items and machinery	Other items of Property, Plant and equipment	Total
Cost:			
Balance at 31 December 2017	883	1.337	2.220
Additions	4.671	931	5.602
Transfers from "Inventories" (Note 12)	1.388	-	1.388
Balance at 31 December 2018	**6.942**	**2.268**	**9.210**
Accumulated amortisation:			
Balance at 31 December 2017	(114)	(228)	(342)
Charges	(322)	(280)	(602)
Balance at 31 December 2018	**(436)**	**(508)**	**(944)**
Accumulated depreciation:			
Balance at 31 December 2017	-	-	-
Transfers from "Inventories" (Note 12)	(590)	-	(590)
Balance at 31 December 2018	**(590)**	**-**	**(590)**
Net Balance at 31 December 2018	**5.916**	**1.760**	**7.676**

The Neinor Homes Group takes out all the insurance policies it considers necessary to cover the risks which might affect its property, plant and equipment.

At 30 June 2019 and 31 December 2018, there were no property, plant and equipment items fully amortised.

At 30 June 2019 and 31 December 2018, there were no property, plant and equipment items provided as collateral for any obligation.

At 30 June 2019 and 31 December 2018, the Group did not have any significant commitments to purchase items of property plant and equipment.

7. Inventories

Details of "Inventories" at 30 June 2019 and 31 December 2018 are as follows:

	Thousands of euros	
	30.06.19	31.12.2018
Sites and land	496.034	565.301
Construction work in progress	689.220	588.251
Completed buildings	81.089	81.234
Advances to suppliers	23.934	23.117
Less – Impairment losses (Note 6 and 13.5)	(24.811)	(28.184)
	1.265.466	**1.229.719**

In the period ended 30 June 2019 borrowing costs amounting to EUR 1.476 thousand were capitalised to inventories (in the year ended 31 December 2018 EUR 1.872 thousand were capitalised).

The additions in the period 2019 relate mainly to work certifications of the ongoing promotions and capitalized costs associated with the pre-construction for a value of EUR 148 million (234 million euros in 2018). Additionally, during 2019 purchases of land have not taken place (95 million euros in 2018).

Also "Trade and Other Payables - Payable to Suppliers" under "Current Liabilities" in the condensed consolidated balance sheet as at 30 June 2019 includes EUR 37,2 million relating to the deferred portion of the price for the purchase of two plots of land, which will be due and payable when the development project is definitively approved or three years have elapsed since the agreement was entered into, whichever is sooner (31 December 2018: EUR 36.8 million).

In addition, in 2019 the main property developments delivered by the Group have been the followings; one in Madrid (Atria Homes), one in Andalusia (Medina Homes), one in Catalonia (Aigualdoç Homes) and one in Gipuzkoa (Goiegi Homes) and had recognised 61 property developments under "Property Developments in Progress" at 30 June 2019.

At 30 June 2019 there are assets included in "Inventories" caption in the accompanying consolidated balance sheet with a net cost of EUR 1.240 million corresponding to assets classified as "Development" which include advances granted for an amount of 24 million euros (EUR 1.188 million and EUR 23 million at 31 December 2018) and 25 million euros relating to "Legacy" assets (EUR 43 million at 31 December 2018).

At 30 June 2019, there are assets included under "Inventories" with a gross cost of EUR 890 million securing a loan the Group has assumed the borrower position as the payment of the price arranged with the seller for the acquisition of a plot of land (see Note 11).

In 2019 the Group entered into a financing agreement for EUR 75 million with Deutsche Bank to repay the loan of the same amount granted by J.P. Morgan. To secure repayment of this financing a mortgage in principle was arranged for the lender on various property assets with a market value of up to EUR 252 million and a loan-to-value ratio of 35% was agreed with the bank (see Note 11).

At 30 June 2019 and 31 December 2018, there were no commitments to sell any plots of land.

At 30 June 2019, the Group had made advances to suppliers for future purchases of land amounting to EUR 23.394 thousand and EUR 23.117 net of impairment loss all of which are guaranteed by a mortgage or by a deposit account. At 30 of June 2019 and 31 December 2018 the Group does not maintain commitments to purchase additional significant land.

The property development sale commitments entered into with customers at 30 June 2019 and 31 December 2018, relating to those units in which a private purchase and sale agreement was signed, have resulted in the collection or reception of notes receivables amounting to EUR 118.702 and 102.138 thousand respectively, which have been recognised under "Current liabilities - Customer advances" in the consolidated balance sheet at 30 June 2019 and 31 December 2018.

The Group periodically reviews the fair value of its inventories, recognising, where appropriate, the related inventory write-downs. The changes in the period ended 30 June 2019 and in the exercised ended 31 December 2018 in the write-downs associated with the inventories were as follows:

	Thousands of Euros
Balance at 31.12.2017	**39.591**
Write-downs recognised	1.856
Write-downs reversed	(12.673)
Transfers to "Investment Property" (Note 6)	(590)
Balance at 31.12.2018	**28.184**
Write-downs recognized	1.700
Write-downs reversed	(5.073)
Transfers to "Investment Property" (Note 6)	-
Balance at 30.06.2019	**24.811**

At 30 June 2019, all the Development assets have been evaluated by an independent expert. The net realisable value determined by "Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U.)" for the inventories and investment property (see Note 9) owned by the Group amounted to approximately EUR 1.870 million (EUR 1.873 million at 31 December 2018). This figure includes the value of land advances for an amount of EUR 101 million (104 million in 2018). During 2019, the Group has capitalized costs in inventories amounting to 27 million euros and registered sales with an associated market value of 24 million euros.

Considering the external appraiser's methodology, the key assumptions identified in the appraisals for the development assets are the discount rate and the sale prices. In the case of the discount rate a sensitivity of +/- 100 basis points was established, based on the different economic scenarios forecast in the short and medium term, as well as the rate of return that would be required by other developers with different characteristics to the Group. In addition, a positive performance of sale prices was envisaged, given that the appraisal models involved conservative assumptions on the current economic situation and, accordingly a sensitivity of + 1%/ +5% was set.

Assuming the remaining variables to be constant, the appraised values of development projects and the carrying amount thereof would be affected as follows, taking into account the change in the key assumptions:

	Thousands of Euros					
Assumption	Discount Rate		Sale Price			
	+1%	-1%	+1%	-1%	+5%	-5%
			Increase (Decrease)			
Change in appraised values	(34.531)	35.392	29.790	(30.710)	149.556	(152.832)
Change in carrying amount (*)	(19)	23	23	(5)	4.415	(3.796)

(*) The carrying amount is based on the lower of cost or realisable value. Increases in the net realisable value are not necessarily accompanied by impacts on the carrying amount of inventories.

The Savills valuation models adopted by the Group are sufficiently conservative and prudent to make it inappropriate to consider sensitivities to a negative price performance. In addition, the directors consider that we are currently undergoing a price growth scenario and the forecasts point towards continuing in that positive direction. However, the Group has performed a sensitivity analysis considering a 1%/ 5% fall in prices in the base scenario without subsequent price growth and the other variables remaining constant. In such an adverse scenario, which is not considered likely at the moment, the effect on the value of the real estate assets would be a reduction of EUR 30.710 thousand and EUR 152.832 thousand, while it would have an effect on the net book value of the assets of EUR 5 thousand and EUR 3.796 thousand.

8. Trade and other receivables

"Trade and other receivables" includes the following items:

	Thousands of euros	
	30.06.19	31.12.2018
Trade receivables and notes receivables	11.874	11.971
Other receivables – Down Payments	12.748	16.275
Other receivables – Provision of Services	217	231
Impairment (Notes 5 and 13.e)	(132)	(123)
	24.707	**28.354**

"Trade Notes Receivable" in the foregoing table mainly includes the amount receivable relating to the asset management and administration agreement entered into between various companies of the Kutxabank Group and Neinor Homes, S.A. amounting to EUR 9.822 thousand (9.498 thousands of EUR at 31 December 2018).

"Other receivables" in the foregoing table includes mainly the amounts receivable from third parties for services rendered (Notes 13.1 and 14) and amounts paid in advance by the Group to service providers for deeds and management of housing taxes, as well as the de commercialization of promotions that have not been accrued and / or liquidated. As of June 30, 2019, the advances paid by the Group to creditors amount to 12.748 thousand euros, an amount that includes 8.030 thousand euros of advances paid to agents that have intervened in the execution of the purchase and sale agreements pending deed (EUR 16.275 thousand and EUR 9.020 thousand, respectively, as of December 31, 2018).

Trade receivables do not generate interest, in general terms and there are no doubtful assets for which impairment losses additional to those already recognised at year-end must be recognised.

IFRS 9 superseded IAS 39 for reporting periods beginning on or after 1 January 2018. There are very significant differences with respect to the previous standard for the recognition and measurement of financial instruments. However, the only difference applicable to the Group is that in relation to impairment losses on financial assets, since IFRS 9 requires the application of a model based on the expected credit loss, as opposed to the model in IAS 39 which is based on incurred credit losses. Under this model, the entity updates the expected loss and the changes therein at each reporting date to reflect the changes in credit risk since initial recognition; therefore, it is no longer necessary for an impairment event to have occurred before credit losses are recognised. In addition, changes in the contractual cash flows of a financial liability not leading to the derecognition of the financial liability must be recognised as a change in estimate of the contractual cash flows of the liability, maintaining the original effective interest rate and adjusting its carrying amount to enable the recognition of a balancing entry in profit or loss.

The Group measures its assets at amortised cost, since the objective of the business model is to hold assets in order to collect the contractual cash flows the application of IFRS 9 has not changed this policy. In this connection, in accordance with the new impairment model based on the expected credit loss over the next twelve months, the Group considers that the financial assets measured at amortised cost are subject to impairment, taking into consideration the facts and circumstances that exists as indicated below in accordance with a preliminary assessment, since it is still completing its expected credit loss model and this would result in a reduction in the amount of reserves (in thousands of euros):

Concept	Gross Amount 30/06/2019	Estimated loss at 12 months (%) (*)	Estimated loss at 6 months at 30/06/2019	Net Amount 30/06/2019
Bonds and deposits	5.787	0% - 3%	24	5.763
Advances to creditors (Note 7)	24.674	0% - 3%	740	23.934
Clients – servicing (Note 13)	9.824	0,02%	2	9.822
Advances to suppliers (Note 13)	13.147	3%	399	12.748
Trade and other receivables (Note 8)	2.191	0% - 3%	54	2.137
Cash	75.787	0% - 0,06%	38	75.749
TOTAL	**131.410**		**1.257**	**130.153**

(*) The estimate was made taking into consideration the credit rating of the counterparties issued by agencies of recognised prestige. In the estimation of the expected loss on advances to suppliers, the Group opted to recognise a provision for 3% of the total amount of advances delivered, since no public individual credit rating is available.

A reversal of 34 thousand euros has been charged to the "Change in trade provisions" caption in the six month consolidated income statement. The estimated loss amounting to 1.257 thousand euros has been registered in each of the caption of the consolidated balance sheet previously mentioned.

The Group periodically analyses the risk of insolvency of its accounts receivable by updating the related provision for impairment losses. The Group's directors consider that the amount of trade and other receivables approximates their fair value.

9. Capital and reserves

9.1 Share capital

The statements of changes in equity for the periods ended 30 June 2019 and 31 December 2018 show the changes in equity attributable to the shareholders of the Parent and the non-controlling interests in the aforementioned periods.

At 30 June 2019 and at 31 December 2018, the Parent's share capital consisted of 79.005.034 fully subscribed and paid shares of EUR 10 par value each.

	30.06.19		31.12.18	
	% Ownership Interest Registered	Total Share Capital Amount	% Ownership Interest Registered	Total Share Capital Amount
Adar Capital Partners Ltd	28,68	226.586	28,68	226.586
Orion European Real Estate Fund V, SLP.	15,46	122.142	-	-
Bank Of Montreal	5,21	41.162	5,21	41.162
Invesco Limited	-	-	5,02	39.661
Julius Baer Group, Ltd	5,62	44.401	5,01	39.582
Kairos International Sicav	4,93	38.949	-	-
Ksac Europe Holdings, L.p.	4,20	33.182	4,20	33.182
Norges Bank	-	-	4,20	33.182
King Street Capital Management GP, L.L.C	3,92	30.970	-	-
Portsea Asset Management Llp	-	-	3,27	25.835
Others	31,98	252.658	44,05	348.017
Total	**100**	**790.050**	**100,00**	**790.050**

9.2 Earnings/(loss) per share

Basic earnings/ (loss) per share are calculated by dividing net profit/ (loss) for the year attributable to the Group (i.e., after tax and non-controlling interests) by the weighted average number of shares outstanding during that year.

Accordingly:

	Thousands of euros	
	30.06.19	30.06.18
Earnings / (loss) for the year (thousands of euros)	10.408	(10.163)
Weighted average number of shares outstanding (thousands of shares) (*)	84.654	78.771
Basic earnings/ (loss) per share (euros)	**0,123**	**(0,129)**

(*) Note: average number of shares adjusted for treasury shares.

At 30 June 2019 and 31 December 2018, the diluted earnings/loss per share of the Neinor Homes Group coincided with the basic earnings/loss per share. The impact of the unique variable included in the calculation, the retribution in shares, is not significant.

9.3 Other equity holder contributions

As a result of the Parent's admission to listing and in recognition of the work performed by its executives, in February 2017 the Board of Directors of Neinor Holdings, S.L.U. approved an incentive plan for the CEO and five members of the executive team of the Neinor Homes Group, which includes fixed and variable remuneration payable partly in cash and the rest in shares of the Group held by Neinor Holdings, S.L.U. One portion of the incentive was a fixed amount accrued as a result of the Parent's admission to listing (exit bonus, a fixed amount) amounting to approximately EUR 14 million, of which EUR 5,1 million were payable in cash on the date of the stock market flotation and the rest in shares at a pre-set price. The other portion is of a variable amount, payable in shares, for a maximum total amount of EUR 13,5 million, the number of which will be determined based on the share price on each of the three anniversaries following the initial public offering and the accrual of which is subject to the achievement of certain annual increases in the share price during the last quarter prior to each of the three anniversaries of the potential stock market flotation, the first reference date being the date of admission to listing on the Spanish Stock Exchanges, subject in certain cases to minimum holding commitments, with the possibility of accrual in proportion to the share price revaluations obtained in certain circumstances. However, if at any given time during three years following the potential stock market flotation the increase in the share price were to reach 152,09% of the flotation share price (with certain adjustments), the beneficiaries will be entitled to receive all the shares to which they may be entitled under the incentive plan. In any event, it is established that the remuneration will be delivered to them directly by Neinor Holdings, S.L.U. Bearing in mind that payment of these bonuses was approved in its capacity of sole shareholder in February 2017 immediately prior to the flotation and was designed conceptually to be paid in full by Neinor Holdings, S.L.U. (sole shareholder of the Parent until its flotation), the Group recognised (the fixed portion) and continue to recognise (the variable portion) on an accrual basis the corresponding contribution of the shareholder in consolidated equity with a charge to "Staff Costs" in the statement of profit or loss. At 30 June 2019, the amount recognised in this connection amounted to EUR 2.010 thousand (4.020 thousand euros at 31 December 2018). The assistance of an external appraiser was used for the accounting recognition of the variable portion. Applying the Monte Carlo method and, in view of the absence of a reasonable trading period that could be considered as a benchmark by the Parent, taking into consideration the share price volatility of companies in the European real estate industry over a comparable period, the external appraiser estimated that the fair value of the aforementioned variable portion amounted to approximately, EUR 8.1 million.

On the first anniversary, March 2018, and taking into account the evolution of the share price of Neinor Homes, S.A. in the quarter preceding the first anniversary, a variable remuneration was accrued and paid for a total amount of 3.256.363,33 euros, which has been payable through the delivery of shares and cash to assume the corresponding taxes, in the terms set out in the brochure of exit to Stock Exchange, being assumed its cost by Neinor Holdings, S.L.U. In relation to the second anniversary, no payments have been made.

9.4 Treasury shares

The Annual General Meeting held on 6 March 2017 authorised the derivative acquisition of treasury shares for the maximum period permitted by law and subject to the requirements established in Article 146 of the Spanish Limited Liability Companies Law.

On May 4, 2017, the Group began a program of Treasury Stock, and a total of 199,406 treasury shares were acquired until September 20, 2017. On September 22, 2017, the Parent Company signed a contract of liquidity with "Gestión de Patrimonios Mobiliarios, S.V. S.A."

On 4 April 2019, Neinor Homes, S.A. signed an agreement with Goldman Sachs International whereby the bank undertook to acquire at the Company's request up to a maximum of 7,900,500 shares of Neinor Homes, S.A. or shares for up to an equivalent notional amount of EUR 100 million. Payment for the aforementioned shares, which will entail their physical delivery to Neinor Homes, S.A., will take place on 5 October 2020 and the arrangement will accrue interest at a fixed rate of 3.25%. In accordance with CNMV Circular 1/2017, of 26 April, on liquidity agreements, the agreement establishes that the bank's daily volume of purchases shall not exceed 15% of the average daily trading volume in the previous 30 trading sessions. Also, in relation to this agreement, Neinor Homes, S.A. has provided a guarantee through the delivery of cash of EUR 5 million which will increase based on the notional amount arranged and the evolution of the loan-to-value (LTV) ratio. On 30 June 2019, Goldman Sachs International acquired at the Group's request 2.004.126 shares for EUR 21.551 thousand recognised with a balancing entry under "Non-Current Liabilities – Bank borrowings" in the condensed consolidated balance sheet. Additionally, during July 2019, the Group expects to use this share buy-back program to arrange a reverse accelerated book build with the goal of acquiring its own shares, up to a maximum of EUR 50 million.

At 30 june 2019, the total number of own shares of the Parent Company amount to 2.151.943 (300.201 shares at December 2018). On June 30,2019, the average unit acquisition price amounts to 11,05 euros (14,49 euros on 2018).

In 2019 and 2018, the accruals of the incentive plans described in Note 4.s have been recorded in this section for 40 key employees of the Group. It consists of three consecutive overlapping three-year periods, i.e. 2017-2019, 2018-2020 and 2019-2021 in which the achievement measurement metrics are, in thirds, EBITDA, the developer margin and shareholder return, with a downward correction coefficient of 10% regarding the achievement of the aforementioned metrics determined by the evolution of the average Loan to Value (LTV) ratio in excess of a target ratio. Minimum amounts below, which the incentives do not accrue, and the possibility of an extra bonus of up to 150% were established. The sale of the number of shares thus acquired is restricted for periods of between one year and six months for the CEO and the members of the management committee. The shares to be received by each participant will be determined by the incentive attributed to each participant in the plan (in ranges of between EUR 10 thousand and EUR 250 thousand), the price of the shares for each three-year period (average of the share price in the 20 trading sessions prior to the commencement of each cycle) and by the achievement of objectives (range between 0% and 150%). Shares acquired under this plan are subject to lock-up commitments for periods of one year and 6 months for both the CEO and members of the management committee. In the case of the CEO and members of the management committee, this incentive is subject to a repayment clause if certain circumstances arise. The total amount charged as personnel expense in the consolidated profit and loss account at 30 June 2019 amounted to EUR 0 thousand (EUR 43 thousand at 30 June 2018) (see Notes 13.3 and 14).

Lastly, in 2018 a long-term retention plan was approved aimed at the employees of the Group (with the exception of the Chief Executive Officer). The plan extends from 1 September 2018 to 2 September 2020 and consists of the allocation of an incentive based on each employee's salary payable in shares of Neinor Homes, S.A., provided that resignation or dismissal on disciplinary grounds does not arise, and linked to the increase experienced in the value of the shares on expiry of the plan. In 2019 this plan gave rise to the recognition of staff costs of EUR 709 thousand with a balancing entry under equity in the accompanying consolidated balance sheet.

10. Provisions

10.1 Current provisions

The movement in the current provisions account in the six-month period ended June 30, 2019 and in the year ended December 31, 2018 is as follows:

	Thousands of euros		
Description	Taxes (Note 13.4)	Other Provisions (Note 13.4)	Total
Balance as of December 31, 2017	**2.233**	**3.393**	**5.626**
Net write-downs recognised	5.654	4.979	10.633
Applications	(2.015)	(1.215)	(3.230)
Balance as of December 31, 2018	**5.872**	**7.157**	**13.029**
Net write-downs recognised	6.104	1.232	7.336
Applications	(7.235)	(2.857)	(10.092)
Balance as of June 30, 2019	**4.741**	**5.532**	**10.273**

"Other provisions" caption includes, mainly, amounts set-aside warranty costs, after-sale expenses, as well as other construction costs not yet incurred. These provisions are recognised at the date of sale of the related products according to the Group's best estimate of the possible consideration required to settle the Group's liability.

Also, "For Taxes" caption in the foregoing table includes, mainly, the provisions recognised in relation to the taxes accrued in the period and which, at the reporting dates, have not been settled (mainly property tax) and the provision relating to non-deductible VAT as a result of applying the deductible proportion rule that has not yet been adjusted.

At each reporting date the Group assesses the estimated amounts required for probable or certain liabilities where payment is still not entirely determinable with regard to their exact amount, or the dates on which they will arise are uncertain since they depend on the fulfilment of certain conditions. Where appropriate, it recognises the related provisions. At 30 June 2019 and December 2018, the Group had not recognised any provisions in this connection since the Parent's directors, and its legal advisors, considered that the possible impacts for the Group arising from these liabilities would not be significant. In this connection, at 30 June 2019 there are legal claims in relation with assets owned by the different companies of the Group for a total amount of EUR 1.174 thousand (at 31 December 2018 EUR 1.038 thousand), mainly corresponding to claims for intermediation fees, termination of contracts, refunds of retentions, repairs of constructive defects and challenges of justices in expropriations, as well as an indeterminate demand for the objection of work licenses, which may be prosperous that it has not prospered in the first instance but that, in any case, has been appealed and is not yet firm, in any case, and according to the agreements arranged in the context of the transaction described in Note 1, would be covered by Kutxabank Group, except for an amount of up to 3 million euros established as a franchise, which would be covered by Neinor Homes Group. The directors of the various companies comprising the Neinor Homes Group consider that the provisions made are adequate to cover potential risks in connection with claims under way and that if these risks materialise for amounts higher than these provisions, the additional liabilities would not have a significant impact on the Group's financial statements.

11. Bank borrowings and other financial liabilities

11.1 Bank borrowings

Details of bank borrowings and other financial liabilities at 30 June 2019 and at 31 December 2018 are as follows:

	Thousands of euros	
	30.06.2019	31.12.2018
Long-term bank borrowings:		
Credit lines (*)	21.551	-
Total (non-current)	**21.551**	-
Short-term Bank borrowings:		
Interest payable	946	549
Mortgage loans (*)	327.560	324.395
Credit lines (*)	3.300	48.260
Other loans (*)	1.929	4.385
Factoring	-	2.940
Total (current)	**333.735**	**380.529**

(*) Borrowings are presented at amortised cost, net of the debt arrangement expenses incurred in 2019 amounting to EUR 6.010 thousand, of which EUR 2.869 thousand were charged to "Finance Costs (Net of Capitalised Borrowing Costs)" in the consolidated statement of profit or loss for 2019 (EUR 3.784 and 3.002 thousand respectively in 2018).

Period 2019

Scheduled maturities:	30.06.19
2019 (*)	76.048
2020	114.506
2021	3.250
2022	23.500
2023 and following	116.431
Total	**333.735**

(*) During July 2019 some loans amounting to 41.065 thousand euros have been novated, extending its maturity to the years 2020-2022.

31 December 2018

Scheduled maturities:	31.12.18
2019	240.180
2020	15.674
2021	3.250
2022	121.425
2023 and following	
Total	**380.529**

Long-term bank borrowings

As indicated in Note 9.4, on 4 April 2019 Neinor Homes, S.A. signed an agreement with Goldman Sachs International whereby the bank undertook to acquire treasury shares and payment for the shares would take place on 5 October 2020, with the transaction bearing interest at a fixed rate of 3.25%. On 30 June 2019, Goldman Sachs International acquired at the Group's request 2.004.126 treasury shares for EUR 21.551 thousand.

Short-term bank borrowings

Mortgage loans

The balance recognized under “Bank borrowings – Mortgage loans for land” in the foregoing table which amounts to EUR 327.560 thousand relates to the amount payable on loans regarding plots of land which secure repayment of these loans (324.395 in the period ended 31 December 2018). These loans bear interest at a market rate and ultimately mature between 2019 and 2052.

Certain Group companies are jointly and severally guaranteeing most of these loans.

More specifically, in the first half of 2019 the Group arranged 16 new mortgage loans with an amount of EUR 22.114 thousand. Additionally, the maturity of 9 loans have been extended, establishing their expiration for the years 2019-2052.

Credit lines

"Non-Current Bank Borrowings" includes two credit lines aimed at providing the Group with additional liquidity for its ordinary operations not directly associated with land purchases. These credit lines, which were arranged by the Group's Parent in 2019, have limits of EUR 1,7 thousand and EUR 3,3 thousand, respectively, and mature in July 2019. The credit line of EUR 3,3 thousand has been drawn down in full and the related amount is recognised under "Current Bank Borrowings”. No amount was drawn down against the second credit line during the period.

Two credit lines arranged by the Group to be used for its ordinary operations and to finance deferred payments for purchases of plots of land matured in 2019. At 31 December 2018, approximately EUR 48 million had been drawn down against these credit lines.

VAT lines

This caption at 30 June 2019 includes the balance drawn down of a loan received by the Group in order to finance the input VAT on certain land purchase transactions, which was received in 2015, and upon per annual periods. Hence, the loan matures in 2018 and bears interest at market rates. The limit on these loans amounts to EUR 15 million of which the amount of EUR 1.929 thounsand has been disposed at June 2019 (31 December 2018: EUR 4.385 thousand). To secure repayment of the borrowings, the receivables relating to input VAT arising for the public administration in these transactions were pledged to the financial institutions (Note 12).

Factoring

On 6 June 2017, the Group entered into a recourse factoring agreement with a bank mainly to finance input VAT on certain land purchase transactions. The agreement expires at one year and bears interest at market rates. The factoring line has a limit of EUR 15 million at 30 June 2019 no amount has been drawn (31 December 2018: EUR 2.940 thousand). The amounts owed to it by virtue of the transactions performed will be used to guarantee the repayment of this financing.

Other loans

On 28 August 2017, the Group signed a financing agreement with J.P. Morgan for EUR 150 million. The loan is for an initial term of 12 months and may be renewed for an additional 12 months. It has been drawn by Neinor Norte, S.L.U., Neinor Sur, S.A.U and Neinor Peninsula, S.L.U, acting Neinor Homes S.A. only as guarantor of this debt.

Mainly for the purpose of repaying this loan and improving the Group's financial structure, in April 2019 a financing agreement was entered into with Deutsche Bank for a maximum amount of EUR 75 million, with Neinor Sur, S.A.U. acting as the lender and Neinor Homes, S.A., Neinor Península, S.L.U. and Neinor Norte, S.A.U. as guarantors. The financing agreement gave rise to fees and commissions of EUR 129 thousand, which were recognised under "Finance Costs (Net of Capitalised Borrowing Costs)" in the condensed consolidated statement of profit or loss for the six-month period ended 30 June 2019. This financing, against which EUR 75 million had been drawn down at the end of the reporting period and which was recognised under current liabilities in the condensed consolidated balance sheet, initially matures in April 2020, although it may be extended at the Group's discretion until October 2021, provided that certain conditions are met (such as the delivery of a specified number of housing units). The financing agreement establishes a fixed interest rate of Euribor plus a spread of 3.5% (which may be increased if there are extensions) and at 30 June 2019 interest of EUR 438 thousand had accrued. The financing agreement includes early repayment clauses, which include most notably the undertaking not to exceed a net debt to gross asset value (GAV) of the Group's property assets ratio of 35%.

Covenants and early repayment clauses

In connection borrowings arranged by the Group and disclosed above, the Group has certain early repayment clauses associated with the loans and credit lines, including most notably the following:

- Obligation to achieve a firm and irrevocable LTV Ratio, taken to be the ratio of Net Debt to the Net Value of the Group's Properties (in both cases capex financing should be deducted), which must be below 35- 50%.

- In relation to the factoring contract (see Note 11), 15% worsening in the coverage ratios (net financial debt to EBITDA ratio) and/or leverage (net financial debt to equity ratio) as compared to the measurement of these ratios in the latest annual financial statements; furthermore, when a depreciation of the Group's situation causes doubts as to the viability of its business, on the basis of market information. Management believes that the financial institution is aware of the current situation of the Group.

At June 2019 and 2018, the Group was fully compliant with the covenants and clauses established in the aforementioned loans.

Other

There are other amounts included in the borrowings indicated above, totaling EUR 39.921 thousand (31 December 2018: EUR 34.510 thousand), that have been drawn down against financing granted by a bank related to the Group. The aforementioned amount relates to mortgage loans.

The Group had several undrawn reverse factoring lines amounting EUR 2.041 thousand at 30 June 2019 with a limit of EUR 7.573 thousand at that date.

All the loans and credit facilities outstanding at 30 June 2019 and at 31 December 2018 indicated above were arranged with leading banks and bear interest tied to Euribor plus market spreads.

In 2018 the Group paid borrowing costs amounting to EUR 2.987 thousand plus debt arrangement expenses of EUR 5.095 thousand. During the first semester of 2019, 6.253 thousand euros have been charged to "Finance Cost" in the consolidated statement of profit or loss for 2019 and including 6.010 thousand euros netting Group's financial debt registered in the interim consolidated balance sheet. Additionally, 1.476 thousand euros of financial costs have been capitalized as inventories

The interest rate applicable to the Group, in general terms, is tied to Euribor plus a market spread ranging from 0,8% to 3,5%. The average cost of the borrowings calculated for 2019 and 2018 are 2,96% and 2,87%, approximately.

11.2 Other long and short term financial liabilities

The main variation with respect to the year 2018 corresponds to the operating lease liability, derived from the application of IFRS 16 corresponding to the leased assets held by the Group (Note 2.2). At 30 June, 2019, the net book value associated to this concept amounts to 3.870 thousand euros, being registered the associated debt to these operative leasing's under the caption "Other financial liabilities" of non-current and current liabilities of the accompanying consolidated balance sheet up an amount of 812 and 3.146 thousand euros. The maturities of the contracts associated with these leases expire from 2019 to 2027.

Risk management

The basic risks to which the Group is exposed and the risk management policies are detailed in the consolidated financial statements for 2018 and are reproduced in the directors report which forms part of these half-yearly condensed consolidated financial statements.

12. Tax matters

All the Group companies, except the subsidiaries Neinor Península, S.L.U. and Neinor Sur, S.A.U., which pay income tax as from the years commencing 1 January 2015 as a Tax Group number 0211BSC in accordance with Corporation Tax Law 11/2013, of 5 December, pay taxes pursuant to Bizkaia Corporation Tax Regulation 11/2013. The tax group was headed by the Parent's former shareholder Neinor Holdings, S.L.U.

Due to Neinor Homes, S.A. admission to listing and Neinor Holdings, S.L.U's loss of participation there has been a breakdown of the Tax Group. On 3 November 2017, the Administration approved the composition of the new Tax Group headed by Neinor Homes, S.A., and number 02117BSC. The Tax Group will pay income on a tax consolidation basis with effect from 1 January 2017 in accordance with Article 99.2 of Bizkaia Corporation Tax Regulation 11/2013, of 5 December. In any case, it should be taken into account that the tax credits that in the previous Tax Group were considered as tax credits generated within the Group, this nature is maintained in the new Tax Group.

On 13 December 2017, Neinor Norte, S.L.U., as the sole shareholder of Promociones Neinor 1, S.L.U, Promociones Neinor 2, S.L.U, Promociones Neinor 3, S.L.U, Promociones Neinor 4, S.L.U, and Promociones Neinor 5, S.L., decided to change the registered office of the aforementioned companies, which will be located in Madrid. As a result, since it does not meet the requirements to file consolidated tax returns in Vizcaya, on 20 December 2017, Neinor Homes, S.A., as the head of the tax group, notified the tax authorities that the legislation applicable to the aforementioned investees of Neinor Norte, S.L. for the tax periods commencing on or after 1 January 2017 will be that of Spain (excluding Navarra and the Basque Country). Therefore, in 2019 and 2018 the Vizcaya consolidated tax group no. 02117BSC was made up of Neinor Homes, S.A. as the parent and Neinor Norte, S.L.U. as subsidiary, under Bizkaia Corporation Tax Regulation 2/2018, of March 21, approved in 2018, and whose main change is the reduction of the tax rate to 26% in the 2018 fiscal year and to 24% from the 2019 fiscal year onwards.

On the other hand, the other group companies file individual tax returns pursuant to Spanish Income Tax Law 27/2014, of 27 November.

The Group calculated the provision for income tax at 30 June 2019 in accordance with the applicable tax legislation. However, if the tax treatment were to differ from that provided for in current legislation as a result of tax reforms, such treatment would be applied immediately in the financial statements issued subsequent to the approval thereof.

The account payable arising from the calculation of the income tax expense for the six-month period ended 30 June 2019 is recognised under "Receivable from Public Authorities" in the accompanying half-yearly condensed consolidated statement of financial position.

Tax receivables and payables

Details of the main tax receivables and payables are as follows:

	Thousands of euros							
	30.06.19				31.12.18			
	Tax assets		Tax liabilities		Tax assets		Tax liabilities	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
VAT receivable / payable	-	8.858	-	8.781	-	10.885	-	14.852
Income tax receivable	-	2.407	-	20.517	-	1.237	-	15.780
Personal income tax withholdings payable	-	-	-	261	-	-	-	1.960
Social Security contributions payable	22.263	-	-	378	-	-	-	434
Deferred tax assets	-	-	-	-	22.263	-	-	-
Deferred tax liability	-	-	87	-	-	-	87	-
Others	-	122	-	-	-	-	-	3
	22.263	**11.387**	**87**	**29.937**	**22.263**	**12.122**	**87**	**33.029**

With regard to VAT, the various Group companies applied the deductible proportion rule set forth in Article 106 of VAT Law 37/1992, of 28 December (Article 106 of Provincial VAT Law 7/1994, of 14 December), which establishes that the amounts of tax paid in the acquisition of goods and services used solely in transactions made that give rise to the right to deduction may be deducted in full. However, the input VAT paid in transactions that do not give rise to the right to a deduction will not be deductible and the general deductible proportion rule will be applied to common expenses.

On 28 June 2017, certain Group companies were notified by the tax agency of the commencement of tax audits of the following taxes and periods:

- VAT of Neinor Península, S.L.U. for 2015 and 2016
- Income tax of Neinor Península, S.L.U. for 2015
- VAT of Neinor Sur, S.A.U. for 2014, 2015 and 2016
- Income tax of Neinor Sur, S.A.U. for 2012 to 2015

In January 2019 the Group received notification of final disciplinary proceedings concerning the tax inspections relating to Neinor Península, S.L.U., which gave rise to adjustments to tax payable amounting to EUR 3.272 thousand, which were recognised under "Income Tax" in the consolidated statement of profit or loss for the year ended 31 December 2018, and also penalties and late-payment interest of EUR 793 thousand and EUR 417 thousand recognised under “Other Operation Expenses” and “Finance Costs (Net of Capitalised Finance Costs)”, respectively, in the consolidated statement of profit or loss for the year ended 31 December 2018. Although pleadings have been filed against this decision, the Parent's directors, in accordance with the opinion of their external tax advisers, consider payment of these amounts probable since a final decision has been handed down in this connection. In addition, during the initial procedural formalities, penalties of EUR 6.3 million also became evident and it is considered that the administrative appeal filed by the Group will, in any event, give rise to a favourable outcome for it. This policy has also been approved by the Group’s external tax advisers.

An appeal for judicial review was filed in February 2019 and the payment was temporarily stayed, for which a guarantee of EUR 3 million was provided. The Parent's directors, in accordance with the opinion of their external tax advisers, consider payment of these amounts probable since a final decision has been handed down in this connection.

Also, in October 2018 tax assessments were signed on an uncontested basis in relation to the income tax of Neinor Sur, S.A.U. The assessments gave rise to the adjustment of the tax losses for 2013, 2014 and 2015 by EUR 426 thousand, EUR 836 thousand and EUR 187 thousand, respectively, without any impact on the Group’s consolidated financial statements.

The directors of the Parent do not expect any additional material liabilities not already covered to arise as a result of the inspections that could occur for the years open to inspection. In addition, if the open inspections prior to the Lion Operation result in any sanctions attributable to the previous owner, under the agreements reached in the sale, these sanctions would be covered by Kutxabank Group (Note 1), except for an amount of EUR 3 million that would be assumed by Neinor Homes Group, as indicated in Note 17).

Deferred tax assets

Until 2018 the Group did not recognise the deferred tax assets relating to tax loss carryforwards as the Parent's directors considered that the economic environment still generated some uncertainty as regards the consolidation of the industry trends and, accordingly, their recoverability by the Group and, therefore, by the companies taken separately was not reasonably assured.

In 2018 a reassessment was carried out and, in the specific case of Neinor Sur, S.A.U., it was considered reasonably assured that future taxable profits would be obtained to enable the partial offset of this subsidiary’s tax losses. There were no changes in the reporting period in the estimate made.

At 30 June 2019 and 31 December 2018 under “Deferred tax assets” an amount of 22.263 thousand euros is recognized.

13. Revenue and expense

13.1 Revenues

The detail of total revenue is presented in Note 5 with the segment information. All sales took place in Spain.

13.2 Cost of sales

Details of this heading in the consolidated income statement are as follows:

	Thousands of euros	
	Total Group	
	30.06.19	30.06.18
Cost of sales	**111.195**	**51.072**
Sites and land	1.592	-
Construction work in progress and completed buildings	109.603	57.072

13.3 Employee benefits expense and average headcount

Details of "Employee benefits expense" are as follows:

	Thousands of euros	
	30.06.19	30.06.18
Wages, salaries and similar expenses	10.517	8.831
Termination benefits	24	175
Social security costs	1.584	1.425
Other employee benefit costs	84	135
Total	**12.209**	**10.566**

The average headcount at Group companies during the six-month period ended 30 June 2018 was 246 (221 during the six-month period ended at 30 June 2017). The breakdown by category is as follows:

	30.06.19			30.06.18		
	Women	Men	Total	Women	Men	Total
Higher degree staff	117	145	262	57	107	164
Medium degree staff	10	2	12	42	24	66
Other				15	5	20
Total	**127**	**147**	**274**	**114**	**136**	**250**

In addition, at 30 June 2019, the Group had 4 employees with a disability of more than 33% (3 employees in 30 June 2018).

13.4 External services

Details of this heading in the consolidated income statement are as follows:

	Thousands of euros	
	30.06.19	30.06.18
Leases and royalties	147	728
Maintenance	926	784
Independent professional services	8.094	7.534
Transport	1	1
Insurance premiums	386	202
Bank services	592	459
Advertising and marketing	1.459	2.094
Supplies	106	200
Other external services	1.392	1.546
Levies (Note 10)	1.219	5.150
Total	**14.322**	**18.698**

"Independent Professional Services" in the foregoing table includes mainly the fees accrued in the period by the investment property agents and other intermediaries involved in the sales; on 30 June 2019 the amount registered under this caption is 5 million euros (4 million on 30 June 2018). Additionally, under the caption "Levies" property tax expenses are registered amounting to 2,4 million euros (3 million euros on 30 June 2018).

13.5 Changes in trade provisions

The detail of "Changes in trade provisions" recognised in the accompanying consolidated income statement is as follows:

	Thousands of euros Income / (Expense)	
	30.06.19	30.06.18
Change in trade provisions – Others		
Impairments of inventories (Notes 7)	1.699	-
Other commercial provisions	447	-
Total change in trade provisions	**2.146**	**-**

14. Related party transactions

The Group's "related parties" are deemed to be, in addition to the subsidiaries, associates and jointly-controlled entities, the shareholders, the Parent's "key management personnel" (its directors and managers, and their close family members) and the entities over which key management personnel may exercise significant influence or control or by which they may be influenced. Specifically, related party transactions are deemed to be transactions with parties outside the Group but with which there are ties as defined in Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, and in Spanish National Securities Market Commission (CNMV) Circular 1/2005, of 1 April. Pursuant to the aforementioned criteria, for disclosure purposes the bank Banco de Santander, S.A. and Banco Popular Español, S.A. are considered a related party, due the link between a senior executive and director of the group and one of the directors. Also, in accordance with the definitions and criteria contained in these provisions, IDOM, S.A. BDO Auditores, S.L.P (till of October 2018), 1810 Capital Investments, S.L. and Global Hespérides, S.L. are also considered to be related companies, due to their relatedness to shareholders and directors.

Six-month period ended 30 June 2019	Thousands of Euros					
	Income			Expenses		
	Net Revenues (Note 13.1)			Cost of Sales – Purchases (Note 13.2)	External Services (Note 13.4)	Financial costs (Note 11)
	Sales	Services Provided	Financial Incomes			
Other Group´s "related parties"-						
Banco de Santander, S.A.	-	-	-	-	29	339
Banco Popular Español, S.A.	-	-	-	-	-	94
1810 Capital Investments, S.L.	4.691	-	-	-	-	-
Global Hespérides, S.L.	-	-	-	-	-	-
Total	**4.691**	-	-	-	**29**	**433**

Six-month period ended 30 June 2018	Thousands of Euros					
	Income			Expenses		
	Net Revenues (Note 13.1)			Cost of Sales – Purchases (Note 13.2)	External Services (Note 13.4)	Financial costs (Note 11)
	Sales	Services Provided	Financial Incomes			
Other Group´s "related parties"-						
Banco de Santander, S.A.	-	-	-	-	47	469
Banco Popular Español, S.A.	-	-	-	-	-	110
BDO Auditores, S.L.P						
18810 Capital Investments, S.L.	-	-	-	-	13	-
Global Hespérides, S.L.						
	-	**-**	**-**	**-**	**60**	**579**

(*) Company related to the Group until 20 October 2018 Alberto Prieto's departure from the Board of Directors, this is expenses prior to this date.

The breakdown of the transactions carried out is as follows:

- The finance costs arose on various loans and credit facilities with the related bank.

These transactions with related parties were performed on an arm's length basis. There are no obligations or guarantees to related parties in addition to those previously disclosed in this Note or in Note 11 in relation to the VAT facilities.

The balances held with companies related to the Group at 30 June 2019 and 31 December 2018 are as follows:

30 June 2019

Thousands of Euros	Cash a cash equivalents	Payables to sole shareholder	Accounts receivable	Customer prepayments
Banco Santander, S.A.	17.120	29.096	-	-
Banco Popular Español, S.A.	2	11.250	-	-
1810 Capital Investments, S.L.	-	-	980	967
Total	**17.122**	**40.346**	**980**	**967**

31 December 2018

Thousands of Euros	Cash a cash equivalents	Payables to sole shareholder	Short-term Bank borrowings	Advances to Suppliers	Current trade and other payables	Customer prepayments
Other Group´s "related parties"-	41.337	34.510	48.967	-	-	-
Banco Santander, S.A. Banco Popular Español, S.A.	45	11.250	11.250	-	-	-
BDO Auditores, S.L.P.	-	-	-	-	-	-
1810 Capital Investments, S.L.	-	-	-	-	792	2.010
Total	**41.382**	**45.760**	**6.217**	**-**	**792**	**2.010**

15. Legal information relating to the Board of Directors and Senior executives

Directors' compensation and other benefits

As of June 30, 2019, the Directors of the Parent Company, including those who have at the same time the status of members of the Senior Management (two people in 2019 and one person in 2018), have received a fixed and variable compensation for their position as administrators an amount of EUR 1.299. In addition, the Group has recorded an expense charged to the "Employee benefits expenses" caption in the accompanying consolidated income statement for an amount of EUR 1.135 thousand (1.553 thousand euros on 30 June 2018) in relation to the Management incentive plan approved in 2017. During the six-month period of 2019 no bonus has been accrued (125 thousand euros on 30 June 2018).

The Parent has taken out third-party liability insurance for directors and senior executives the cost of which amounts to EUR 63 thousand in 2019 (EUR 63 thousand in 2018).

The Parent has no pension obligations to the Directors.

The Parent has granted no advances, loans or guarantees to any of its Directors.

Senior executives' compensation and other benefits

The remuneration of the Parent's senior executives and persons discharging similar duties, including those who are simultaneously members of the Board of Directors (one person), at 30 June 2019 and June 2018 is summarised as follows:

Number of employees		Thousands of euros					
		30.06.19			30.06.18		
30.06.19	30.06.18	Fixed and variable remuneration	Shares	Total	Fixed and variable remuneration	Shares (*)	Total
7	9	792	725	1.517	976	3.256	4.232

(*) The cost of the incentive plan detailed in Note 9.d is assumed by the previous Sole Shareholder, Neinor Holdings, S.L.U.

The Parent has no pension obligations and has granted no advances, loans or guarantees to senior executives.

16. Explanation added for translation to English

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

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

DIRECTORS' REPORT

6 month period ended 30 June 2019

Neinor Homes, S.A. and Subsidiaries

1. <u>The Group: Organisational structure and operations</u>

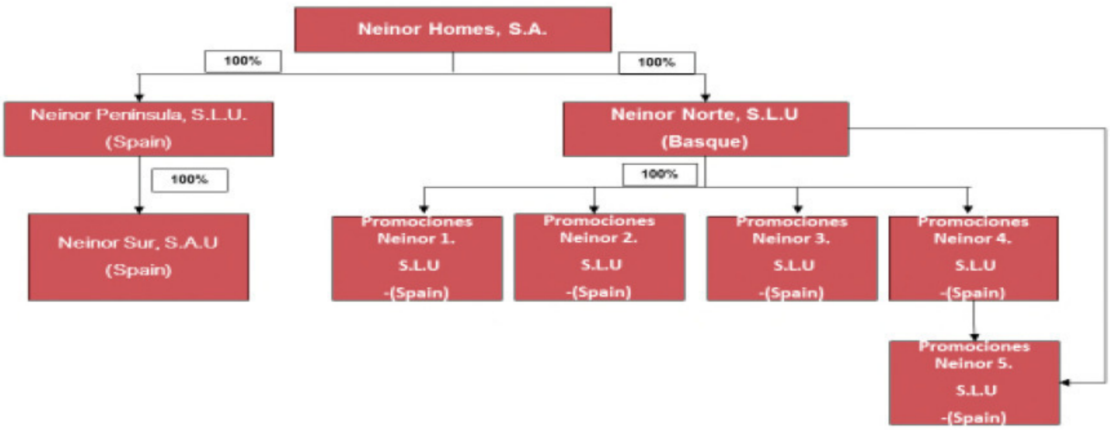
The Neinor Homes Group was incorporated under the memorandum of understanding entered into in 2014 by Kutxabank, S.A. and the Lone Star investment fund, through its investee, Intertax Business, S.L.U. (now Neinor Holdings, S.L.U.), for the purchase and sale of a portion of the Kutxabank Group's property assets. The aforementioned purchase and sale (Operation Lion) was completed on 14 May 2015 through the transfer by Kutxabank, S.A. to Neinor Holdings, S.L.U. of all the shares that the former held in Neinor Homes, S.A., once the conditions precedent set forth in the purchase and sale agreement entered into by the parties on 18 December 2014 had been fulfilled.

On 1 January 2015, within the context of the transaction (the "Transaction"), all the employees who had been performing the property development group's development and management tasks, and the technical resources and means required to carry out the activity, were transferred to Neinor Homes, S.A.

In 2017, the Parent, Neinor Homes, S.A. was registered as a public limited liability company ("S.A.") (a transaction that was formalised by virtue of a public deed executed on 1 March 2017 before the Bilbao notary Raquel Ruiz Torres under number 234 of her protocol) with a view to its admission to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, which took place on 29 March 2017 with the prior authorisation of the Company's sole shareholder on 6 March 2017.

Neinor Homes Homes, is currently the head of a business group which carries on its activities either directly or indirectly through ownership interests in various companies.

A flowchart of the corporate structure of Neinor Homes S.A. and Subsidiaries (the "Group") is as follows:



The Group's business activities are performed exclusively in Spain, and principally, through three business lines:

A) Development business line:

The Group's core and strategic business activity based on the acquisition of land for residential use for its subsequent property development.

The Parent's land portfolio is comprised of 190 lots with a total of 12.500 buildable units. The portfolio is distributed over the Parent's five main geographical areas of activity, namely: Madrid, Catalonia, the Basque Country, Valencia and Andalusia.

The land portfolio arose as a result of both the Transaction and subsequent purchase and sale transactions in 2015, 2016, 2017 and 2018.

B) Servicing business line:

On 14 May 2015, an asset administration and management agreement was entered into between the various companies of the Kutxabank Group and Neinor Homes, S.A. in relation to the property assets which continue to be the property of the Kutxabank Group. This servicing agreement has an initial term of seven years, and may be automatically renewed for additional periods of one year.

As consideration for these services, the Kutxabank Group pays a fixed remuneration based on the type and volume of the managed assets, and an additional variable success remuneration applicable for the marketing thereof and for the execution of certain specific actions relating to the assets.

C) Legacy business line:

Business activity consisting of the disposal of non-strategic assets acquired in the Transaction.

The portfolio is divided into two main types of asset: i) multi-unit new property developments and ii) remnants of new property developments end products.

With the aim of conducting the new business plan, in the first half of 2019 Neinor Homes' management structure was reorganised via the appointment of Borja García-Egotxeaga as new CEO and Jordi Argemí as Deputy CEO.

At an organisational structure level, the Company has a Board of Directors and three Committees: Audit and Control Committee, Nomination and Remuneration Committee and Land Investment Committee.

In the first half of 2019 they held 7 meetings (8, January, 24 January, 27 February, 15 March, 2 April, 8 April and 8 May).

Following are the main agreements, approvals and supervisory activities entered into, granted and performed, respectively, by the Board and its committees in the first six months of 2019.

a) The call for the Genearl Shareholders' Meeting
b) Business Plan for 2019-2023
c) External Accounts Audit Plan for 2019
d) Annual plan for the CAC
e) Incentive plan, salary objetives and bonus system
f) Re-election of external auditors
g) Appointment of a new Independent Director.
h) Financing terms and conditions

i) Analysis of the development of the rental activity
j) External Audit 2018 analysis.
k) Annual accounts and directors' report
l) Internal Control – Personal Data Protection
m) Quarterly, semi-annual and annual financial results and presentation to markets
n) Distribution of 2018 income
o) Review of the negotiation with the Company's own shares
p) Presentation and review of asset valuation methodology
q) Presentation of the 2019 acquisitions and launches and planned program for 2020
r) The Activities Report of the Board and its Commissions
s) The 2018 Corporate Social Responsibility Report 2018 and the CSR Plan 2019
t) The independence report of the external auditors.
u) Result of the audit of 2018 accounts.
v) The 2018 Annual Corporate Governance Report.
w) The annual remuneration report 2018.
x) The 2018 report of activities of Internal Audit and the annual plan for 2019
y) The report of conflicts of interest and related operations
z) The 2018 report compliance activities
aa) Report of activities carried out for the supervision of the RIC
bb) Supervision of ICFR
cc) The audit report on Prevention of Money Laundering and Financing of Terrorism
dd) Supervision of the integrated model of Internal Control and Risks

Regarding the control and compliance model, in Neinor Homes it is implanted an integrated a GRC structure (Government, Risk and Compliance) that is based on:

- Analysis and evaluation of risks that affect internally and to interested parties.
- Integration of all regulatory environments and business processes.
- Homogeneous methodology regarding implementations and projects in the field of compliance.

This model is based on the analysis and evaluation of strategic risks of the company, of all control environments and the entire value chain. In this way, all risks are analyzed, gross and residuals and they are classified according to their economic, reputational and organizational impact.

Currently in the model, all the company's business processes are integrated and the different normative areas, among others, the SCIIF, prevention of criminal responsibility, Prevention of Cybersecurity, RDL 5/2018 on data protection, PBC / FT, LSC, Good Governance recommendations, Order EHA / 3050/2004 on Operations Linked, Circular 3/2015 of the CNMV.

The balance scorecard of the model includes:

- The processes and procedures that apply to an environment of regulatory or operational compliance.
- The controls assigned to each risk and environment
- Which risks are mitigated or eliminated by each control and which business processes are related.
- Who is the responsible for each control, of its supervision and when it is reported

The management of GRC, composed by areas of Internal Audit, Corporate Governance, Compliance, Risks, Corporate Social Responsibility and Quality is in charge of ensuring the entire integrated control and assurance system.

2. ***Business performance and earnings - Significant aggregates***

In the first half of 2019, the Group recognised revenue of EUR 161.815 thousand achieving a gross margin of EUR 50.620 thousand and EBITDA of EUR 21.944 thousand an adjusted EBITDA of EUR 23.955 thousand (without MIP). At equity level, total assets at 30 June 2019 amounted to EUR 1.418.747 thousand, equity to EUR 765.332 thousand and current and non-current liabilities to EUR 653.415 thousand.

Revenue and gross margin

By business volume, the Development business activity recognised sales of EUR 136.084 thousand, with a gross margin of EUR 39.888 thousand, representing a margin of 29,3%. This is followed by the volume in the Legacy business line, with revenue of EUR 10.451 thousand and gross margin of EUR (4.548) and recognising a gross margin of (43,51 %). Finally, the Servicing business line recognised revenue of EUR 15.280 thousand.

Legacy sales, amounting to EUR 10.451 thousand, correspond to more than 222 main units, situated mainly in Southern Spain (49%).

Development sales are due mainly to the completion and delivery of some property developments (80%): *Atria Homes* with sales of EUR 57.372 thousand, Medina Homes with sales of EUR 29,659 thousand, Aigualdoç with sales of EUR 18.234 thousand and Goiegi EUR 3.566 thousand. The remaining 20% that amounts EUR 25.590 thousand corresponds to housing units of developments completed during the previous years and some lands amounting EUR 1.663 thousand.

Servicing revenue relates mainly to: *Management Fee* on the EUR 1.600 million of managed assets (EUR 10.596 thousand (69%)), *Success Fee* calculated on total sales of EUR 92 million (EUR 4.102 thousand (27%)), and other income (EUR 581 thousand (4%)).

EBITDA

The EBITDA in the first half of 2019 stood at (EUR 21.944 thousand), mainly due to "Development" with a EBITDA of EUR 20.225 thousand, "Legacy" with a negative EBITDA of EUR (8.217) thousand. Servicing' profit of EUR 9.935 thousand, which represents a net margin of 13,6%.

The 30 June 2019 consolidated income statetents includes an expense of EUR 2.010 thousand due to MIP (100% assumed by Lone Star). Excluding these this effect, the adjusted EBITDA of the company is 23.954 thousand euros.

Profit/Loss for the year

Loss for the first half of 2018 amounted to EUR 10.408 thousand, EUR 12.418 thousand MIP adjusted.

Financial position

The current liabilities and non-current liabilities at 30 June 2019 amounted to EUR 653.415 thousand compared to EUR 644.964 thousand at 31 December 2018 (an increase of EUR 8.451 thousand).

The borrowing position at 30 June 2019 continues to indicate very sound debt/equity ratios: 27,32 % Loan To Cost ratio (LTC) and 19,19% Loan To Value ratio (LTV).

Borrowings at 30 june 2019

At 30 June 2019, EUR 334 million was recognised under current and non-current bank borrowings. The detail of bank borrowings is as follows:

- Corporate facilities: EUR 78 million
- Land financing facilities: EUR 249 million (119 million euros in WIP), 222 million euros drawn (95 million euros in WIP)
- Capex financing facilities: whit a limit of EUR 544 million, EUR 37 million are drawn.
- VAT facilities: EUR 15 million limit, EUR 2 million drawn
- Factoring facilities: undrawn facilities with as of EUR 15 million limit on 30 June 2019

During the first semester of 2019 the group has repaid debt for a total amount of EUR 49 million, (EUR 31 million of which correspond to a corporate debt whit Bankinter and Banco Sabadell)

In 2019 the Group entered into a financing agreement for EUR 75 million with Deutsche Bank to repay the loan of the same amount granted by J.P. Morgan.

The Group has signed an agreement with Goldman Sachs International whereby the bank undertook to acquire at the Company's shares for up to an equivalent notional amount of EUR 100 million. On 30 June 2019, Goldman Sachs International acquired at the Group's request shares for EUR 21.6 million.

3. Matters relating to the environment and employees

In view of the business activities carried on by the Neinor Homes Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. In addition, the Group's activities do not give rise to situations relating to greenhouse gas emission allowances.

At 30 June 2019, the average number of employees employed in the various companies that make up the Group was 270 people, representing an increase of 8% on the six month period ended 30 June 2018 (250 people). The distribution of the headcount, by gender and professional category, was as follows:

	30.06.19			30.06.18		
	Women	Men	Total	Women	Men	Total
University graduates	117	145	262	71	112	183
Further education college graduates	10	2	12	43	24	67
Total	**127**	**147**	**274**	**114**	**136**	**250**

4. Liquidity and capital resources

The Group has a sufficient level of cash and cash equivalents in order to carry on its business activities.

In this first semester highlights the financing, mainly of land and mortgage loans, obtained by the Group, which amounts in balance to a total of EUR 333.735 thousand.

On 4 April 2019, Neinor Homes, S.A. signed an agreement with Goldman Sachs International whereby the bank undertook to acquire at the Company's request up to a maximum of 7,900,500 shares of Neinor Homes, S.A. or shares for up to an equivalent notional amount of EUR 100 million. At 30 june 2019, the total number of own shares of the Parent Company amount to 2.151.943.

In addition to this financing, the outlook is to arrange developer-type financing to fund the investment and, in turn, link the majority of the required payments and investments with the delivery of the property development and, therefore, the earnings from the sale.

5. Main risks and uncertainties

The Company has a risk map. In this connection, the organisation's procedures have been analysed, the possible sources of risk have been identified and, the appropriate measures have been taken to prevent them.

The most significant financial risks are:

Market risk

Exposure to interest rate risk

The Group does not use interest rate hedges.

Most of the loans and credit facilities in the Group's balance sheet are indexed to Euribor.

Exposure to credit risk

The Group does not have significant credit risk exposure to third parties arising from its own development business since it receives payment for substantially all its sales at the time the transaction is executed in a deed through subrogation of the buyer for the corresponding portion of the developer loan or by any other method of the buyer's choice. The credit risk arising from the payment deferrals in land or completed buildings sale transactions are mitigated through the obtainment of guarantees by the buyer or through the establishment of conditions subsequent in the event of default, which would give rise to the recovery of ownership of the asset sold and the collection of an indemnity payment.

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

Exposure to solvency risk

The Group regularly analyses the insolvency risk of its accounts receivable and adjusts the corresponding impairment loss. The Parent's directors consider that the amount of trade and other receivables approximates their fair value.

Exposure to exchange rate risk

In view of the Group's scant international exposure in markets outside the eurozone, its exposure to foreign currency risk is scantly material.

6. Significant events after the reporting period

Subsequent to six month period ended 30 June 2019 no additional events took place which may significantly affect the financial information detailed in this report, or which should be highlighted in view of its importance.

7. Information on the outlook for the entity in 2019

The Group's main lines of action for the second half of 2019 focus on:

Development business line

- Monitoring of the construction projects which the Group had at 2018 year-end, plus the tenders and contracting of new projects.

- Continuing the upward trend in the number of pre-sales. Also, capture the increases in prices that are occurring in each location due to the increase in demand and low supply of quality products.

- Delivering the property developments for which the construction completion date is forecasted for 2019, while taking due care of our clients' satisfaction and experience.

Servicing business line

- Maintaining the level of client satisfaction.

- Complying with the KPIs agreed between the parties, mainly at the level of new assets that come under management, administrative management of real estate assets, and the launch of their marketing and sale.

Legacy business line

- Continuing with the divestment in order to monetise the majority of the portfolio in 2019 and 2020.

- The gains on this divestment will mainly be used to fund the acquisition of new land for the Development business line.

8. R&D&i activities

Given the lines of business of Neinor Homes, there are no relevant research, development and innovation activities.

9. Treasury shares

At 30 June 2019, the Company's share capital was represented by 79.005.034 fully subscribed and paid shares of EUR 10 par value each. All these shares carry identical voting and dividend rights.

Treasury shares have been acquired, including an amount of 3.342 thousand euros on the balance sheet at 30 June 2019.

The number of shares as of June 30, 2019 would be 2.151.943 shares, with an average price of unit purchase of 11,05 euros.

10. Alternative performance measures

As indicated in Note 2 to the consolidated financial statements, the Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). The Group also presents certain Alternative Performance Measures (APMs) to provide additional information which facilitates the comparability and comprehension of its financial information and enables decision-making and assessment of the Group's performance.

The most significant APMs are as follows:

Gross profit:

Definition: External sales + Cost of sales + Change in operating provisions, allowances and write-downs - Derecognition of write-downs on inventories sold.

Reconciliation: the Parent presents the calculation of gross profit in Note 6 to the consolidated financial statements.

Explanation of use: the Parent considers gross profit to be a performance measure, since it provides information on gross profit, which is calculated on the basis of external sales less the cost incurred to complete those sales. The impairment losses derecognised in connection with real estate assets sold during the year were also taken into consideration for this calculation.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate the gross profit is the same as that used in the previous year.

EBITDA:

Definition: Gross profit + Staff costs + Outside services + Change in operating provisions, allowances and write-downs – Other + Other operating income + Impairment and gains/(losses) on disposals of non-current assets.

Reconciliation: the Parent presents the calculation of EBITDA in Note 6 to the consolidated financial statements.

Explanation of use: the Parent considers EBITDA to be a performance measure since it provides an analysis of the operating results (excluding depreciation and amortisation, as it is a non-cash item) as an approximation of the cash flows from operating activities which reflect the generation of cash. It is also an indicator that is widely used by investors when valuing companies, and by rating agencies and creditors to measure the level of borrowings, comparing EBITDA with net debt.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate EBITDA is the same as that used in the previous year.

Adjusted EBITDA

Definition: Profit or loss before tax + Incentive plan costs + IPO costs + Change in operating provisions, allowances and write-downs + Net financial profit or loss and other income and expenses + Depreciation and amortisation charge + IFRS 9 impact

Reconciliation: the Parent presents the calculation of adjusted EBITDA in Note 6 to the consolidated financial statements.

Explanation of use: the Parent considers adjusted EBITDA to be a performance measure since it provides an analysis of the operating results, excluding the non-cash depreciation and amortisation charge, inventory write-downs, investment property and doubtful debts considered to be non-recurring.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate adjusted EBITDA is the same as that used in the previous year. Additionally, and exceptionally, IFRS 9 impact has been adjusted to present the information homogeneous with respect to the previous year.

Borrowings

Definition: Bank borrowings recognised under non-current liabilities + bank borrowings recognised under current liabilities.

Reconciliation: the Parent presents the calculation of borrowings in Note 11 to the consolidated financial statements.

Explanation of use: Borrowings is a financial indicator that measures the company's debt position. It is also an indicator that is widely used by investors when valuing the financial leverage of companies, and by rating agencies and creditors to assess the level of borrowings.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate borrowings is the same as that used in the previous year.

Net financial debt

Definition: Bank borrowings (current and non-current liabilities) – “Non-current financial assets” (including long term guarantees) - "Cash and Cash Equivalents".

Reconciliation: the detail of the reconciliation of this APM with the consolidated financial statements is as follows (in thousand euros):

	30 June 2019
Non-current liabilities - bank borrowings	21.551
Current liabilities - bank borrowings	333.735
Current trade and other payables - deferred payment for land	(5.763)
Cash and cash equivalents - available cash	(75.749)
Net financial debt	**273.774**

Explanation of use: Net financial debt is a financial indicator that measures a company's net debt position. It is also an indicator that is widely used by investors when valuing the net financial leverage of companies, and by rating agencies and creditors to assess the level of net borrowings.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate net financial debt is the same as that used in the previous year.

Net financial debt adjusted

Definition: Bank borrowings (current and non-current liabilities) + deferred payment for the purchase of land recognised under "Trade and Other Payables" under both non-current and current liabilities - "Cash and Cash Equivalents" (excluding the restricted component associated with the advances received and associated with a property development, which are deposited in a special account and are only available in connection with the construction of the property developments.

Reconciliation: the detail of the reconciliation of this APM with the consolidated financial statements is as follows (in thousand euros):

	30 June 2019
Non-current liabilities - bank borrowings	21.551
Current liabilities - bank borrowings	333.735
Deferred land payment	37.217
Current trade and other payables - deferred payment for land	(5.763)
Cash and cash equivalents - available cash	(40.853)
Net financial debt	**345.887**

Loan to Value (LTV)

Definition: Net financial debt / Assets market value

Explanation of use: The LTV ratio is an indicator that measures the company´s indebtedness position. It is widely used by investors to assess the financial leverage of real estate companies, as well as by rating agencies and banks to assess the level of indebtedness.

Reconciliation: The reconciliation of this APM with the consolidated financial statements is as follows (in million euros):

	30 June 2019
Net financial debt	273.774
Assets market value	1.802.579
LTV	**15,19%**

Loan to Value (LTV) - Adjusted

Definition: Adjusted Net financial debt / Assets market value

Explanation of use: The LTV ratio is an indicator that measures the company´s indebtedness position. It is widely used by investors to assess the financial leverage of real estate companies, as well as by rating agencies and banks to assess the level of indebtedness.

Reconciliation: The reconciliation of this APM with the consolidated financial statements is as follows (in million euros):

	30 June 2019
Net financial debt adjusted	345.887
Assets market value	1.802.579
LTV	**19,19%**

Loan to Cost (LTC)

Definition: Net financial debt / (Inventories + Investment Property)

Explanation of use: The LTC is an indicator that measures the company´s indebtedness position. It is widely used by investors to assess the financial leverage of real estate companies, as well as by rating agencies and banks to assess the level of indebtedness.

Reconciliation: The reconciliation of this APM with the consolidated financial statements is as follows (in million euros):

	30 June 2019
Net financial debt	273.774
Inventories	1.265.466
Investment Property	498
LTV	**21,63%**

Loan to Cost Adjusted (LTC)

Definition: Adjusted Net financial debt / (Inventories + Investment Property)

Explanation of use: The LTC is an indicator that measures the company´s indebtedness position. It is widely used by investors to assess the financial leverage of real estate companies, as well as by rating agencies and banks to assess the level of indebtedness.

Reconciliation: The reconciliation of this APM with the consolidated financial statements is as follows (in million euros):

	30 June 2019
Net financial debt	345.887
Inventories	1.265.466
Investment Property	498
LTV	**27,32%**