



**Quabit**  
Inmobiliaria

**RESULTS JANUARY SEPTEMBER 2020**



[Free translation from the original in Spanish. In the event of discrepancy, the Spanish Language version prevails]

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## 1. BUSINESS PERFORMANCE AND GROUP SITUATION

### 1.1. Key highlights for the period

#### FRAMEWORK ACTIVITY. COVID 19

Activity during the 9 months of 2020 has been conditioned by the pandemic caused by COVID 19, which exploded in Spain in March 2020. From a macroeconomic point of view, the pandemic has conditioned both the evolution of the main activity parameters and the projections in the medium term. Therefore, the Government of Spain in its General State Budget (“PGE”) project forecasts:

- a fall in GDP of 11.7% by 2020 and a recovery of 7.2% by 2021.
- an unemployment rate of 17.2% at the end of 2020 with little recovery in 2021 (forecast to year-end at 16.95%).

From the point of view of the main figures of the sector, the most relevant elements of the evolution in this period have been the following:

- Fall in the number of home sale transactions. The decrease has been more relevant in second-hand housing than in new-build housing. Regarding the latter, the number of transactions during the 9 months 2020 was 59,713, a decrease of 15.4% with respect the same period in 2019. This reduction was concentrated in the 2nd quarter of 2020, with 14,138 transactions, has suffered a reduction of 38.74% in relation to the same period of the previous year.
- Fall in house prices. Although in the first quarter of 2020 the average house price increased by 2.5% in relation to the same period of 2019, in the third quarter of 2020 the variation has been a fall of 0.4%.

The main impacts that the pandemic has had on Quabit activity have been shown in:

- Fall in sales, as consequence of the reduction in demand for new houses, the shut down of sales offices for practically four months and mobility restrictions both nationally and internationally.
- Delays in the rhythms of works in the construction segment, which has meant a delay of about 2.5 to 3 months and which is equivalent to a reduction of approximately 30% over the initial production forecast.
- Falls in margins as consequence of the aforementioned delays in execution, delays in the administrative procedures for obtaining licenses and in the process of delivery homes, which also adds extra financial costs.
- Freezing of land sale operations, as demand practically disappeared during these months of the year.
- Delays in the levels of generation of cash available to carry up new investments and continue with the expansion of activity of the last 5 years.

In this situation, QUABIT has focused its action in this period on facing the different consequences derived from the pandemic and the priority has been to adapt the activity and the structure of the Group to the reality with which it is having to live since March 2020 , with the objective of having both the organizational and financial structure prepared to return to

the path of growth at the moment when the expected (and foreseeable) recovery of 2021 begins. This has been materialized in several measures taken in this period:

- In the first place, adopting protocols of action with sanitary measures that guarantee the sanitary quality of work and third parties' relationships (clients, suppliers, financial entities, shareholders).
- Commercial measures adapted to the new situation, enhancing online sales and reservation tools.
- Measures to reduce / contain the cost of the operating structure: (i) Temporary Employment Regulation Files (ERTE) for productive reasons; (ii) a 20% reduction in the gross salary of the Board members and (iii) a plan to reduce general expenses.
- Measures to adapt the financial structure: (i) signing of new conditions of the financing lines granted by funds advised by Avenue Europe International ("Avenue") and the payment agreement with SAREB; (ii) slowdown in the launch of new projects (mainly to promote second homes on the coast); (iii) stoppage of works in 4 developments until they reach a sufficient level of pre-sales and (iv) freezing the rate of investment in land, limiting it to the materialization of the committed purchases.
- Measures to adapt the financial statements. In the first quarter, a provision for impairment of the land portfolio was recorded for an amount of 37.6 million euros, which mainly affects land in the planning phase.
- Business Plan under review: The situation caused by the pandemic certainly affects business expectations for at least the next 2 or 3 years. The current Business Plan is no longer valid and the Group has opened a process of reconsideration of the objectives to adapt them to the realism resulting from the effects caused by the health crisis, although it waits for a greater degree of certainty, at least at the sanitary level.

## RESIDENTIAL DEVELOPMENT

- Despite of the difficulties associated with COVID -19 pandemic, Grupo Quabit has delivered 575 units in the period of 9 months 2020 (an increase of 827.4% compared to the same period in 2019).
- As at 30 September 2020 Grupo Quabit has under management 52 developments with a total of 3,471 homes and an estimated billing amount of EUR 765,3 million. The projects portfolio, its status and geographic distribution are detailed in section 1.4.1 of this Report.
- The net pre-sales for the period have been affected by the impact of the COVID 19 pandemic and have reached 337 homes, representing a decrease of 42.6% compared to the same period in 2019.
- The pre-sales portfolio as at 30 September 2020 (customers commitments through reservations and contracts) is 1,447 homes (a decrease of 9.6% compared to 30 September 2019) for a total billing amount of EUR 300 million.
- During 9M 2020, Construction licenses were obtained for 5 developments that total 286 new homes.
- During 9M 2020 First Occupancy Permit (FOP) were obtained for 733 homes and 216 were in process of obtaining FOP. The projects in the delivery or construction phase total 1,794 homes and 411,0 million euros of expected turnover as of 30 September 2020.

## CONSTRUCTION ACTIVITY

- The revenues of the Construction activity amount to 31.5 million euros during the period. Third-party billing contribution to the Group's Consolidated Income Statement amounts 6.9 million euros.
- Quabit Construcción's portfolio of works as of 30 September 2020 amounts to 98.4 million euros. Of this amount, 63.0 million euros correspond to works of building 1,000 homes for the Group companies.
- The construction margin pending of recognition in the income statement, as it corresponds to construction works for the group's pending of delivery, amounts to 3.1 million euros.

## GENERAL SHAREHOLDERS' MEETING

On 30 July 2020, the Ordinary General Shareholders' Meeting was held, in which all the points submitted for voting were approved.

## ISSUE OF CLASS B SHARES

One of the points approved at the General Shareholders' Meeting referred to the authorization of an increase in share capital for compensating credits of a maximum of 25,000,000 nominal euros with the issuance of new non-voting shares belonging to a new class B. In a decision of 30 July the Board of Directors agreed to execute the capital increase, with incomplete subscription, for a nominal value of 24,793,948.50 euros, by issuing 49,587,897 class B shares at nominal value and without premium. With the approval of this point, the suspensive condition to which the agreement signed with the funds managed by Avenue was fulfilled for its full effectiveness.

## APPOINTMENT OF NEW DIRECTORS

Another of the points agreed at the General Shareholders' Meeting referred to the appointments of Mr. Simon Blaxland and Ms. Carmen Recio Ferrer as members of the Board of Directors with the category of Independent Directors of the Company.

## RESULTS FOR 9M 2020

### Key figures of the P&L account

<i>(in thousand euros)</i>	30/09/2020	30/09/2019	Variation
<b>Turnover</b>	<b>130,728</b>	<b>24,939</b>	<b>424.2%</b>
<b>EBITDA (*)</b>	<b>(10,630)</b>	<b>(9,926)</b>	<b>(7.1%)</b>
<b>Operating results</b>	<b>(49,701)</b>	<b>(10,824)</b>	<b>(359.2%)</b>
<b>Financial Results</b>	<b>(7,450)</b>	<b>(3,384)</b>	<b>(120.2%)</b>
<b>Earnings before tax</b>	<b>(57,160)</b>	<b>(14,213)</b>	<b>(302.2%)</b>
<b>Net results</b>	<b>(57,460)</b>	<b>(5,713)</b>	<b>(905.8%)</b>
- <i>Attributable Parent Company</i>	<i>(56,927)</i>	<i>(5,632)</i>	<i>(910.8%)</i>
- <i>Attributable to Minority Interests</i>	<i>(532)</i>	<i>(81)</i>	<i>(556.8%)</i>

(\*) See note on Alternative Performance Measurements (at the end of this Management Report).

- Increase of the turnover:
  - Increase of 336.9% in the turnover of residential development (103.8 million euros in 2020 compared to 23.8 million euros in 2019). 575 homes have been delivered (vs 62 units in 2019), although with a lower average price (180.5 thousand euros / unit in 9M 2020 compared to 383.1 thousand euros / unit in 9M 2019). The 2019 average price was especially unusual due to the delivery of the majority residential development of single-family chalets with a price much higher than the average of the projects developed by Quabit.
  - Increase in the turnover of land sales, which corresponds to the debt cancellation operation agreed with SAREB through the delivery of land for a sale price of 19.9 million euros. Land sales for the same period of 2019 amounts 1.2 million euros.
  - Contribution from the construction activity, which was not incorporated into the Group as 30 September 2019 for an amount (external sales to the Group) of 6.9 million euros.
- EBITDA decrease by 7.1% compared to the same period 2019. On one hand, the land sale transaction with SAREB for debt cancellation has result recording a loss of 2,5 million euros. On the other hand, although the volume of deliveries has increased, they correspond to promotions that contribute a lower percentage of gross margin than those delivered in 2019, mainly due to strains in construction costs and higher financial expenses due to the delay in project management deadlines, aggravated by the COVID 19 crisis.

The Operating result for 9M 2020 is negatively impacted by the impairment provision of the land value for a total amount of 37,600 thousand euros registered in March 2020 as a result of the estimation of the correction of land value, most of them planned lands which are the ones that receive the greatest impact due to the uncertainties derived from the COVID 19 crisis.



- The financial result worsens as the amount of debt not associated with projects is higher in 2020 (the cost of debt associated with projects is capitalized in the value of inventories) and impairment of financial assets for an amount of 2.0 million euros.
- With all this, Earnings Before Taxes (EBT) for 2020 worsens by 42,947 thousand euros in relation to the EBT of 2019. Excluding the effect of the impairment provisions for an amount of 37,600 thousand euros due to the COVID crisis registered in 2020, the EBT 2020 would worsen by 5,347 thousand euros compared to the same period in 2019.

## CASH FLOWS

<i>(in thousands of euros)</i>	30/09/2020	30/09/2019	Variation
Investment in inventories	(64,404)	(95,138)	(32.3%)
Other operating cash flows	103,531	41,958	146.7%
<b>OPERATING CASH FLOWS</b>	<b>39,127</b>	<b>(53,180)</b>	<b>173.6%</b>
<b>INVESTMENT CASH FLOWS</b>	<b>(253)</b>	<b>(3,562)</b>	<b>92.9%</b>
<b>FINANCING CASH FLOWS</b>	<b>(41,548)</b>	<b>63,584</b>	<b>(165.3%)</b>
Cash and equivalents at the beginning of the period	22,978	21,132	8.7%
Cash and equivalents at the end of the period	20,304	27,974	(27.4%)
<b>INCREASE / (DECREASE) CASH AND EQUIVALENTS FOR THE PERIOD</b>	<b>(2,674)</b>	<b>6,842</b>	<b>(139.1%)</b>

The bigger volume of activity has allowed the generation of operating cash flows and has allowed the recovery of retained deposits related to the promotions delivered (positive financing flow) and the repayment of debt. On the other hand, the developer loan withdrawals (49.6 thousand euros) are providing a coverage level of 77% of the investment in Inventories, which corresponds, for the most part, to the costs of the promotions that are being carried out.

## 1.2. KEY FIGURES

### 1.2.1. FINANCIAL FIGURES

#### Consolidated net Debt

<i>(in thousands of euros)</i>	30/09/2020	31/12/2019	Variation
Non-current debts with credit institutions	24,475	13,007	88.2%
Debts with current credit institutions	267,584	311,389	(14.1%)
<b>TOTAL GROSS DEBT</b>	<b>292,059</b>	<b>324,396</b>	<b>(10.0%)</b>
Liquid assets	(22,109)	(25,400)	(13.0%)
<b>TOTAL NET DEBT (*)</b>	<b>269,950</b>	<b>298,996</b>	<b>(9.7%)</b>

(\*) See note on Alternative Performance Measurements (at the end of this Management Report).

The classification of the debt as current and non-current on the Consolidated Balance Sheet is made based on the asset associated with the financing. A large part of the Group financing has mortgage guarantees established on the inventories, included as part of current Assets, and therefore the associated debt must be recorded as current debt, regardless of the maturity. This classification therefore bears no relation to the maturity of the operations.



## 1.2.2. OPERATIONAL FIGURES

### Residential Development. Orderbook, deliveries and stock

Residential Development (units)	30/09/2020	30/09/2019	Variation
Presales for the period (units) (1)	337	587	(42.6%)
Deliveries for the period (units) (2)	575	62	827.4%
Portfolio of final presales for the period (units) (3)	1,447	1,601	(9.6%)
Finished homes stock (units) (4)	338	5	6,660.0%

(1) Presales for the period: Reservations and contracts (less cancellations) signed during the period

(2) Deliveries for the period: Deliveries of homes.

(3) Portfolio of presales: Reservations and contracts for homes to deliver in the future (for completed projects as well as developments being marketed) at a certain date.

(4) Finished homes stock: Finished homes (with or without reservation or contract).

### Turnover

Turnover (in thousands of euros)	30/09/2020	30/09/2019	Variation
Residential Development	103,764	23,751	336.9%
Land management	19,970	1,158	1,624.5%
Construction	6,969	-	n.a.
Other	25	30	(16.7%)
<b>TOTAL</b>	<b>130,728</b>	<b>24,939</b>	<b>424.2%</b>

### 1.3. FINANCIAL STATEMENTS

#### 1.3.1. CONSOLIDATED P&L ACCOUNT FOR THE PERIOD ENDED AT 30 SEPTEMBER 2020 AND 2019

<i>(In thousand euros)</i>	30/09/2020	30/09/2019	Variation
Turnover	130,728	24,939	424.2%
Procurements	(127,901)	(16,955)	654.4%
Other operating income	965	862	11.9%
Variation in traffic provisions	(25,782)	3,006	(957.7%)
Personal expenses	(9,640)	(6,277)	53.6%
Amortization	(1,471)	(898)	63.8%
Other operating expenses	(16,599)	(15,501)	7.1%
Results from sales of assets	(1)	-	n.a.
<b>Operating results</b>	<b>(49,701)</b>	<b>(10,824)</b>	<b>(359.2%)</b>
<b>EBITDA</b>	<b>(10,630)</b>	<b>(9,926)</b>	<b>(7.1%)</b>
<b>Financial result</b>	<b>(7,450)</b>	<b>(3,384)</b>	<b>(120.2%)</b>
Income from investments in associates	(9)	(5)	(80.0%)
<b>Earnings Before Taxes</b>	<b>(57,160)</b>	<b>(14,213)</b>	<b>(302.2%)</b>
<b>Taxes</b>	<b>(300)</b>	<b>8,500</b>	<b>(103.5%)</b>
<b>Net result</b>	<b>(57,460)</b>	<b>(5,713)</b>	<b>(905.8%)</b>
<b>Attributable to:</b>			
Shareholders of the Parent Company	(56,927)	(5,632)	(910.8%)
Minority interests	(532)	(81)	(556.8%)

(\*) See note on Alternative Performance Measurements (at the end of this Management Report).

### 1.3.2. CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2020 AND 31 DECEMBER 2019

(in thousands of €)

ASSETS	30/09/2020	31/12/2019	Variation
<b>NON-CURRENT ASSETS:</b>			
<b>Total non-current assets</b>	<b>91,438</b>	<b>94,183</b>	<b>(2.9%)</b>
<b>CURRENT ASSETS:</b>			
Stock	473,106	551,580	(14.2%)
Others	57,506	60,795	(5.4%)
Cash and other liquid assets	22,109	25,400	(13.0%)
<b>Total current assets</b>	<b>552,721</b>	<b>637,775</b>	<b>(13.3%)</b>
<b>TOTAL ASSETS</b>	<b>644,159</b>	<b>731,958</b>	<b>(12.0%)</b>

LIABILITIES AND NET EQUITY	30/09/2020	31/12/2019	Variation
<b>NET SHAREHOLDERS EQUITY:</b>			
<b>Total equity attributable to the shareholders of the Parent Company</b>	<b>223,853</b>	<b>281,071</b>	<b>(20.4%)</b>
Minority interest	646	4,803	(86.6%)
<b>Total net equity</b>	<b>224,499</b>	<b>285,874</b>	<b>(21.5%)</b>
<b>NON-CURRENT LIABILITIES:</b>			
Financial debt	24,475	13,007	88.2%
Others	32,076	16,769	91.3%
<b>Total non-current liabilities</b>	<b>56,551</b>	<b>29,776</b>	<b>89.9%</b>
<b>CURRENT LIABILITIES:</b>			
Financial debt	267,584	311,389	(14.1%)
Others	95,525	104,919	(9.0%)
<b>Total current liabilities</b>	<b>363,109</b>	<b>416,308</b>	<b>(12.8%)</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>644,159</b>	<b>731,958</b>	<b>(12.0%)</b>

The main variations are as follows:

#### Current assets (EUR -85.1 million)

The main variation (-78.5 million euros) is in inventories. The decrease is explained by the impairment provision for land in planning registered in the first half of the year (37.6 million euros), deliveries (-118.3 million euros) and work in progress (+ 78.4 million euros). The impairment provision for 37.6 million euros was registered in March 2020 due to the re-estimation of the value of land in planning and non-residential land, to the extent that they will be the most affected by the crisis caused by the COVID-19 pandemic. The difference in the asset value is 42.0 million euros with an impact on the net book value of the aforementioned 37.6 million euros.

The evolution of the different items of Inventories (net book value ) is as follows:

(In thousands of euros)	30/09/2020	31/12/2019	Variation
Land	242,510	301,907	(19.0%)
Development under construction	144,817	212,044	(32.7%)
Stock	84,798	33,569	152.6%
Advances to suppliers	981	4,060	(75.8%)
<b>Net book value</b>	<b>473,106</b>	<b>551,580</b>	<b>(14.2%)</b>

### Net equity (EUR -61.4 million)

The decrease in Net Equity is due to Net Income for the period and variation in Minority interest derived from the acquisition by Quabit of the share capital owned by the funds advised by Avenue in the investments of Line 2 within the agreement to renegotiate conditions agreed with the funds managed by Avenue.

### Liabilities. Debt with credit institutions

Debt with credit institutions is 69.6% of total liabilities. Breakdown of the debt with credit institutions as at 30 September 2020 compared with 31 December 2019 is as follows:

<i>(in thousands of euros)</i>	30/09/2020	31/12/2019	Variation
Non-current debts with credit institutions	24,475	13,007	88.2%
Debts with current credit institutions	267,584	311,389	(14.1%)
<b>TOTAL GROSS DEBT</b>	<b>292,059</b>	<b>324,396</b>	<b>(10.0%)</b>

### Variations in the year

The movement in Gross Debt in the period of 9 months 2020 is as follows:

<i>(In thousands of Euros)</i>	
<b>Balance as of 31 December 2019</b>	<b>324,396</b>
Drawdowns of development loans	49,601
Drawdowns of Avenue III	5,359
Drawdowns of other loans	4,390
New debt with Avenue	13,945
Issue of Class B Shares	(24,794)
Adjustment to amortized cost	1,754
Amortization of maturities	(35,185)
Cancellation for sales	(64,080)
Accrued interest	16,673
<b>Balance as of 30 September 2020</b>	<b>292,059</b>

During the year 2020 Quabit has reached agreements with two of the most important financial creditors of the group, with the funds managed with Avenue and SAREB. As consequence of the agreements signed:

- Maturities of the years 2020 and 2021 associated with the different lines of financing granted by the funds managed by Avenue for a total amount of 60.8 million euros have been postponed.
- SAREB debt with maturities in 2020 and 2021 has been canceled for a total amount of 19.9 million euros.

### Non-current liabilities. Others

The main variation (+15.1 million euros) is due to Non-current financial liabilities derived from the derecognition of the equity loans associated with line II of Avenue for an amount of 9.7 million euros and the addition of the 24,8 million euros of class B shares. The group has recorded the issue of class B shares in accordance with international accounting standards as long-term shares considered as financial liabilities given the specific characteristics of this issue.

## 1.4 - BUSINESS AREAS

### 1.4.1 .- RESIDENTIAL DEVELOPMENT

#### DEVELOPMENTS IN EXECUTION

Developments underway are in the following stages:

- Finished developments: The construction project is finished and the first occupation license has been obtained.
- In construction: Project licence obtained.
- In marketing: with formalisation of reservations and/or sales contracts.
- Pre-marketing: basic sales information exists (such as typologies or features) and a client waiting list is created before moving on to the marketing stage.
- Design: preliminary design of the building and facades based on the needs project created by the company in accordance with the market analysis of supply and demand.

The following table details the status of active developments as at 30 September 2020.

Provincia	Finished developments			Under construction			In marketing			In pre-marketing			In design			Total		
	No. Deve lop.	No. Homes	No. Pre-sales	No. Deve lop	No. Homes	No. Pre-sales	No. Deve lop	No. Homes	No. Pre-sales	No. Deve lop	No. Homes	No. Pre-sales	No. Deve lop	No. Homes	No. Pre-sales	No. Deve lop	No. Homes	No. Pre-sales
Guadalajara	3	135	99	5	383	190	4	350	110	1	83	-	5	559	-	18	1,510	399
Madrid	3	1	1	7	619	515	2	164	84	-	-	-	-	-	-	12	784	600
Málaga	5	200	139	5	285	184	4	238	53	2	150	-	1	93	-	17	966	376
Zaragoza	1	2	2	-	-	-	-	-	-	-	-	-	-	-	-	1	2	2
Menorca	-	-	-	1	50	8	-	-	-	-	-	-	-	-	-	1	50	8
Valencia	-	-	-	2	119	62	-	-	-	1	40	-	-	-	-	3	159	62
<b>Total</b>	<b>12</b>	<b>338</b>	<b>241</b>	<b>20</b>	<b>1,456</b>	<b>959</b>	<b>10</b>	<b>752</b>	<b>247</b>	<b>4</b>	<b>273</b>	<b>-</b>	<b>6</b>	<b>652</b>	<b>-</b>	<b>52</b>	<b>3,471</b>	<b>1,447</b>

#### Evolution of the project portfolio

The launch and level of progress of the projects under execution in 2020 has been conditioned by the situation created by the COVID 19 pandemic. The Group has paralyzed some works and has delayed some of the launches that were planned in the year in order to apply the resources to those projects with greater immediacy and visibility in the short term. With this, the following aspects should be highlighted in relation to the evolution of the project portfolio in 2020:

- The total number of homes in operation (3,471 homes) is lower than as at 31 December 2019 (4,158 homes). The selection of projects has supposed that the 575 homes delivered in the year have not been replaced by new launches.
- The commercial portfolio pending of sale (homes in delivery, under construction and in commercialization minus the pre-sale portfolio) has been reduced (1,090 homes as of 30 September 2020 compared to 1,723 as at 31 December 2019), breaking the ascending line that had been maintaining until the fourth quarter of 2019.
- The construction works of those developments that did not have a sufficient level of pre-sales to obtain financing via developer loan have been stopped. This has affected 4 promotions of those included in the promotions under construction in the previous table that total 185 units and presales portfolio of 17 units.

## ORDERBOOK

The movement of the presales portfolio of Grupo Quabit in the period of 9 months 2020 has been as follows:

<b>Pre-sales as at 31 December 2019</b>	<b>1,685</b>
Presales for the period	337
Deliveries for the period	(575)
<b>Pre-sales as at 30 September of 2020</b>	<b>1,447</b>

The total turnover for these 1,447 units of the portfolio is EUR 300 million and 84.2% corresponds to promotions that are in the construction or delivery phase.

Net pre-sales for the period have decreased by 42.6% compared to same period 2019. This reduction has several elements to consider:

- There is a clear incidence due to the beginning of the health crisis. The positive trend of presales in the first two months (+ 6%) was reversed in March (-74%). Even Though after the end of the alarm state a recovery in pre-sales levels has been observed, this has not been enough to recover the previous fall.
- There have been almost no resolutions of sale contracts.
- The stoppage of some of the projects planned to be launched in 2020 has slowed down the replacement of the commercial portfolio (it has gone from a commercial portfolio of 1,723 homes as of 31 December 2019 to 1.090 as of 30 September 2020)

Deliveries for the period have increased by 827.4% compared to the same period 2019. Despite the situation suffered in these first 9 months, it has been possible to finish works, obtain the LPOs and materialize the delivery of 575 units.

## STOCK OF FINISHED HOMES

The evolution of the finished homes stock in 1H 2020 was as follows:

<b>Stock as at 31 December 2019 (units)</b>	<b>180</b>
Homes finished in the period (units)	733
Homes delivered in the period (units)	(575)
<b>Stock as at 30 September 2020 (units)</b>	<b>338</b>

The 733 units finished in the year correspond to developments located in: Málaga (267); Comunidad de Madrid (107); Guadalajara (190); Costa del Sol (133) and Zaragoza (36).

Additionally to the 733 homes, another 216 homes are at 30 September 2020 in the process of obtaining the First Occupation Permit (FPO).

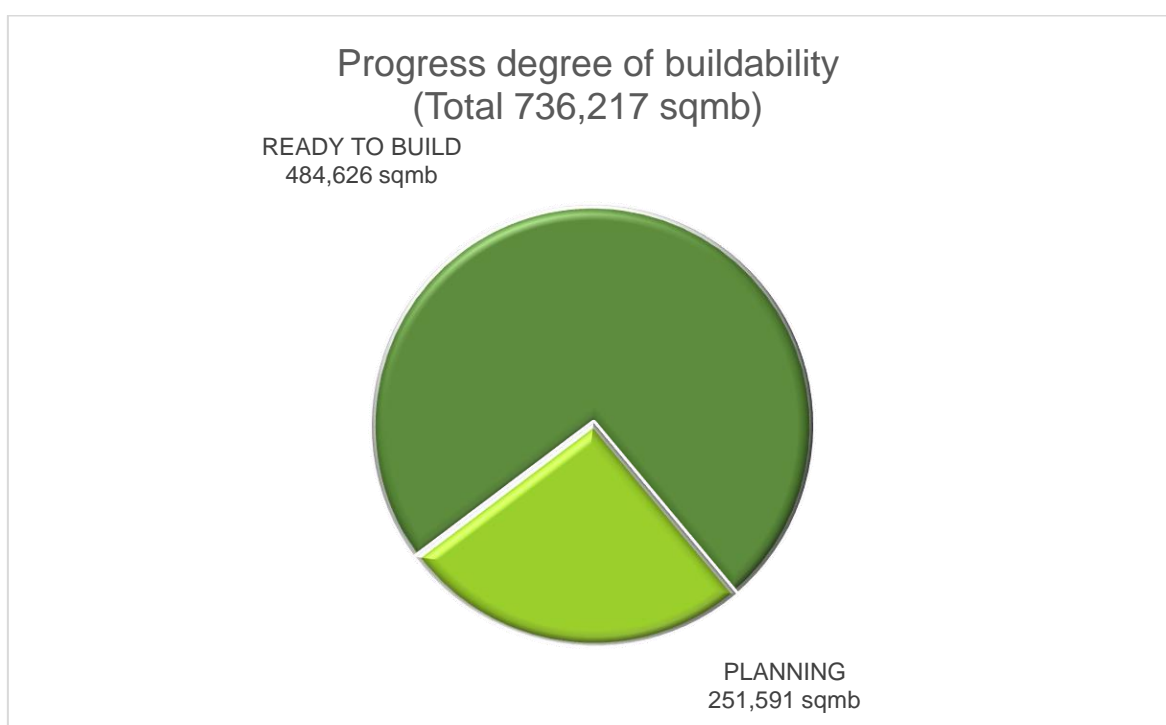
## 1.4.2. LAND MANAGEMENT

### LAND PORTFOLIO

The Group has a land portfolio (in the case of investees not integrated by global consolidation taking the meters based on the percentage of participation in them), with a building area of 736.2 thousand square meters of buildable height (sqmb) at 30 September 2020, plus 5,352 thousand square metres of non-developable land.

The following chart details the distribution of the buildability considering the following classification, in accordance with the degree of development:

- Planned and/or urban development land: land in which the instruments for planning are currently being processed or have been approved, or that which development projects have already started.
- Ready to build land: Land in which you can complete the procedures to obtain a building license and start work.



206.2 thousand of sqmb correspond to land in which projects are being developed, which are included in the table of developments in execution included in section 1.4.1. (buildability for the projects in design, pre-marketing and marketing stages), the Group has 530,0 thousand sqmb available for future development or for sale.

In addition to this consolidated land portfolio, the Group has land rights in different stages of planning for different items. The following table sums up these situations and the market value as at 31 December 2019 for the lands:

Item	Million euros
Mortgaged land in favour of the Company or companies of its Group in guarantee of debts	31.8
Private contracts pending notarize	3.6
Use in exchange for development projects	11.5
<b>Total land rights</b>	<b>50.0</b>



The total buildable area associated with these rights is 75,002 sqmb (62,934 sqmb of land mortgaged as collateral and 12,068 sqmb of private purchase and sale contracts pending the property transfer deed). As for the uses in exchange for urbanization works, they will become buildable as the works progress.

#### CHANGES IN LAND PORTFOLIO IN 2020

- Transfers to work in progress: During the 9 months 2020, the buildable area corresponding to the 5 developments (286 homes in the Community of Madrid and Valencia) for which the building license has been obtained has been removed from the land portfolio, for a total of 32,810 sqmb.
- Sales: the sale of land in Menorca within the agreement with SAREB has led to a reduction in total buildable area of 53.589 sqmb.
- Acquisitions: The Group has decided to temporarily freeze new investments in land. During 2020, lands with a buildable area of 14,347 sqmb were added to the portfolio. Almost all of these acquisitions were committed as at 31 December 2019.

## NOTE ON ALTERNATIVE PERFORMANCE MEASURES

In addition to the financial information contained in this Consolidated Management Report prepared in accordance with the applicable International Financial Reporting Standards, certain "Alternative Performance Measurements" (APM) are included, as defined by the directives regarding APM published by the European Securities Markets Authority on 5 October 2015 (ESMA/2015/1057)) ("ESMA Directives"), which entered into force on 3 July 2017.

The ESMA directives define the APM as financial measurements of past or future financial performance of a financial position or cash flows, except for financial measurements defined or detailed within the framework of applicable financial information.

Grupo Quabit uses certain Alternative Performance Measurements that have not been audited with the objective of them contributing a greater comprehension of the financial evolution of the company. The APM as a whole must take into account the latest audited financial statements, which must be considered as additional information, and in no case may substitute the financial information prepared under the International Financial Reporting Standards. Likewise, these measurements may, both in their definition and in their calculation, differ from other similar measurements calculated by other companies, and therefore may not be comparable.

The Company considers that it follows and complies with the ESMA recommendations regarding the APM. In adherence with the recommendations of the aforementioned directives, below is attached the details of the APM used, as well as the reconciliation of certain management indicators with those presented in the Financial Statements.

Ratios and magnitudes of financial structure		Reconciliation with the Consolidated Financial Statements		
		Description	(In thousands of euros)	
<b>EBITDA</b>	Operating profit plus depreciation allowance		<b>30/09/2020</b>	<b>30/09/2019</b>
		Operative result	(49,701)	(10,824)
		Amortization and impairment	1,471	898
		Impairment on inventories	37,600	-
		<b>EBITDA</b>	<b>(10,630)</b>	<b>(9,926)</b>
<b>Gross financial debt</b>	Sum of the current and non-current debt with credit institutions		<b>30/09/2020</b>	<b>31/12/2019</b>
		Debts with credit int. - Non-current	24,475	13,007
		Debts with credit int. - Current	267,584	311,389
		<b>Gross financial debt</b>	<b>292,059</b>	<b>324,396</b>
<b>Net financial debt</b>	Gross financial debt less liquid assets		<b>30/09/2020</b>	<b>31/12/2019</b>
		Gross financial debt	292,059	324,396
		Liquid assets	(22,109)	(25,400)
		<b>Net financial debt</b>	<b>269,950</b>	<b>298,996</b>
<b>Liquid assets</b>	Immediate liquidity assets		<b>30/09/2020</b>	<b>31/12/2019</b>
		Cash and other liquid assets	20,304	22,978
		Current financial assets at fair value with change in Profit and Loss	1,805	2,422
		<b>Liquid assets</b>	<b>22,109</b>	<b>25,400</b>