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

Condensed consolidated financial statements (unaudited) for the year ended December 31, 2017.

AEDAS HOMES, S.A. and subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2017 AND 2016

(Euros)

ASSETS	Note	Dec 31, 2017 (*)	Dec 31, 2016	EQUITY AND LIABILITIES	Note	Dec 31, 2017	Dec 31, 2016
NON-CURRENT ASSETS:				**EQUITY**:			
Intangible assets		**315,819**	**48,775**	**Capital**		**47,966,587**	**3,000**
Software		207,001	48,775	Share capital		47,966,587	3,000
Other intangible assets		108,818	-	**Share premium**		**500,076,721**	**-**
Property, plant and equipment		**705,771**	**348,071**	**Parent company reserves**		**(310,653,657)**	**(355)**
Land and buildings		72,193	129,090	**Parent company retained earnings (prior-period losses)**		**(2,241,561)**	**-**
Plant and other PP&E		489,269	217,583	**Reserves at fully-consolidated companies**		**(91,876)**	**(3,632)**
Construction work in progress and prepayments		144,309	1,398	**Other owner contributions**		**740,071,256**	**9,372,875**
Non-current financial assets		**578,782**	**31,938**	**Profit/(loss) for the period attributable to equity holders of the parent**		**(40,078,380)**	**(2,369,805)**
Other non-current financial assets		578,782	31,938	**Non-controlling interests**		**2,245,802**	**507,280**
Deferred tax assets	**7**	**12,602,937**	**51,488**	**Total equity**	**5**	**937,294,891**	**7,509,363**
Total non-current assets		**14,203,309**	**480,273**	**NON-CURRENT LIABILITIES:**			
				Non-current borrowings		**137,326**	**-**
				Derivatives		137,326	-
				Non-current borrowings from related companies and associates	**6 & 8**	**-**	**28,213,625**
				Total non-current liabilities		**137,326**	**28,213,625**
				CURRENT LIABILITIES:			
CURRENT ASSETS:				**Current provisions**		**367,913**	**-**
Inventories	**4**	**880,669,169**	**31,720,592**	**Borrowings classified as current due in the long term**	**6 & 8**	**28,455,143**	**8,834,522**
Trade and other receivables		**52,592,622**	**2,245,958**	**Current borrowings**	**6**	**33,080,996**	**-**
Trade receivables		5,963,497	22,914	**Other financial liabilities**	**6 & 8**	**500**	**2,815,889**
Sundry receivables		8,774,024	-	**Current borrowings from related companies and associates**	**6 & 8**	**8,309,370**	-
Current tax assets		353,721	-	**Trade and other payables**		**121,373,761**	**927,995**
Other receivables from public authorities		37,501,380	2,223,044	Trade and other payables		64,237,741	-
Current financial assets		**5,996,527**	**-**	Trade payables, group companies and associates		88,716	-
Other current financial assets		5,996,527	-	Payable for services received		5,696,255	558,465
Prepayments and accrued income		**3,122,811**	**27,545**	Employee benefits payable		1,500,600	-
Cash and cash equivalents		**172,435,462**	**13,827,027**	Current tax liabilities		3,007,741	-
				Other payables to public authorities		13,713,730	369,530
				Customer prepayments		33,128,977	-
Total current assets		**1,114,816,591**	**47,821,121**	**Total current liabilities**		**191,587,683**	**12,578,405**
TOTAL ASSETS		**1,129,019,900**	**48,301,394**	**TOTAL EQUITY AND LIABILITIES**		**1,129,019,900**	**48,301,394**

The accompanying notes 1 to 10 are an integral part of the condensed consolidated balance sheet at December 31, 2017.

(*) Unaudited

AEDAS HOMES, S.A. and subsidiaries

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

(Euros)

	Note	Annual period ended December 31, 2017 (*)	Reporting period ended December 31, 2016
CONTINUING OPERATIONS			
Revenue	**9**	**38,694,305**	**15,017**
Revenue		38,558,157	-
Revenue from services rendered		136,148	15,017
Changes in inventories of finished goods and work in progress		**3,428,477**	**-**
Cost of sales		**(29,201,190)**	**-**
Consumption of goods for resale		(27,370,234)	**-**
Inventory impairment losses		(1,830,956)	-
Other operating income		**112,293**	**-**
Non-trading and other operating income		112,293	-
Employee benefits expense		**(33,769,775)**	**(871,873)**
Wages, salaries and similar		(32,646,184)	(729,423)
Employee benefits		(1,123,591)	(142,450)
Other operating expenses		**(15,308,470)**	**(1,436,427)**
External services		(14,804,199)	(1,430,699)
Taxes other than income tax		(487,173)	(5,728)
Other operating expenses		(17,098)	-
Depreciation and amortization		**(137,371)**	**(10,777)**
Impairment of and gains/(losses) on disposal of fixed assets		**(104,211)**	**-**
Impairment and write-downs		(104,211)	-
OPERATING PROFIT/(LOSS)		**(36,285,942)**	**(2,304,059)**
Finance income		**134,413**	**419**
Other finance income		134,413	419
Borrowing costs capitalized in inventories		**996,603**	-
Finance costs		**(11,236,901)**	**(83,221)**
Borrowings from Group companies and associates	8	(9,301,643)	(75,893)
Third-party borrowings		(1,935,258)	(7,328)
Change in fair value of financial instruments		**(137,326)**	**-**
Held-for-trading portfolio and other securities		(137,326)	-
Impairment of and gains/(losses) on disposal of financial instruments		**567,132**	**-**
Gains/(losses) on disposals		567,132	-
NET FINANCE INCOME/(COST)		**(9,676,079)**	**(82,802)**
PROFIT/(LOSS) BEFORE TAX		**(45,962,021)**	**(2,386,861)**
Income tax		5,639,269	13,111
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(40,322,752)**	**(2,373,750)**
DISCONTINUED OPERATIONS		-	-
Profit/(loss) after tax for the period from discontinued operations		-	-
PROFIT/(LOSS) FOR THE YEAR		**(40,322,752)**	**(2,373,750)**
Attributable to:			
Non-controlling interests		(244,372)	(3,945)
Equity holders of the parent		(40,078,380)	(2,369,805)
Earnings/(loss) per share from continuing operations (in euros):			
Basic		(0.84)	(790)
Diluted		(0.84)	(790)

The accompanying notes 1 to 10 are an integral part of the condensed consolidated income statement for the year ended December 31, 2017.

(*) Unaudited

AEDAS HOMES, S.A. and subsidiaries

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

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(Euros)

	Note	Annual period ended December 31, 2017 (*)	Reporting period ended December 31, 2016
PROFIT/(LOSS) FOR THE PERIOD (I)		**(40,322,752)**	**(2,373,750)**
Income and expense recognized directly in equity			
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY (II)		**-**	**-**
TOTAL AMOUNTS TRANSFERRED TO PROFIT OR LOSS (III)		**-**	**-**
TOTAL RECOGNIZED INCOME AND EXPENSE (I+II+III)		**(40,322,752)**	**(2,373,750)**
Total recognized income and expense attributable to equity holders of the parent		(40,078,380)	(2,369,805)
Total recognized income and expense attributable to non-controlling interests		**(244,372)**	**(3,945)**

The accompanying notes 1 to 10 are an integral part of the condensed consolidated statement of changes in equity for the year ended December 31, 2017.
(*) Unaudited

AEDAS HOMES, S.A. and subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

B) STATEMENT OF TOTAL CHANGES IN EQUITY

(Euros)

	Capital	Share premium	Reserves of the parent	Retained earnings (prior-period losses)	Reserves at fully-consolidated companies	Owner contributions	Profit/(loss) for the period	Non-controlling interests	TOTAL
OPENING BALANCE AT JUNE 9, 2016 (*)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total recognized income and expense	-	-	-	-	-	-	**(2,369,805)**	**(3,945)**	**(2,373,750)**
Transactions with shareholders	**3,000**	**-**	**(355)**	**-**	**(3,632)**	**9,372,875**	**-**	**511,225**	**9,883,113**
Incorporation	3,000	-	(355)	-	-	-	-	-	2,645
Shareholder contribution	-	-	-	-	(3,632)	9,372,875	-	-	9,369,243
Other transactions with equity holders or owners	-	-	-	-	-	-	-	511,225	511,225
OPENING BALANCE AT DECEMBER 31, 2016	**3,000**	**-**	**(355)**	**-**	**(3,632)**	**9,372,875**	**(2,369,805)**	**507,280**	**7,509,363**
Total recognized income and expense	**-**	-	**-**	**-**	**-**	**-**	**(40,078,380)**	**(244,372)**	**(40,322,752)**
Distribution of prior-period profit	**-**	-	-	**(2,241,561)**	**(128,244)**	**-**	**2,369,805**	**-**	**-**
Transactions with shareholders	**47,963,587**	**500,076,721**	**(310,930,826)**	**-**	**-**	**730,698,381**	**-**	**1,982,893**	**969,790,756**
Non-cash proceeds from shares issued (note 1.2)	47,963,587	500,076,721	(310,930,826)	**-**	**-**	**-**	**-**	-	237,109,482
Shareholder contribution (note 5)	**-**	-	-	**-**	-	730,698,381	**-**	**-**	730,698,381
Other transactions with equity holders or owners	**-**	-	-	**-**	-	-	**-**	1,982,893	1,982,893
Consolidation scope and other changes	**-**	**-**	**277,524**	**-**	**40,000**	**-**	**-**	**-**	**317,524**
CLOSING BALANCE AT DECEMBER 31, 2017 (*)	**47,966,587**	**500,076,721**	**(310,653,657)**	**(2,241,561)**	**(91,876)**	**740,071,256**	**(40,078,380)**	**2,245,801**	**937,294,891**

The accompanying notes 1 to 10 are an integral part of the condensed consolidated statement of changes in equity for the year ended December 31, 2017.

(*) Unaudited

AEDAS HOMES, S.A. and subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017

(Euros)

	Note	Annual period ended December 31, 2017 (*)	Reporting period ended December 31, 2016
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(45.962.021)**	**(2,386,861)**
Adjustments to profit/(loss):		**18,349,797**	**93,579**
Depreciation and amortization charges		137,372	10,777
Impairment and write-downs		104,211	(419)
Inventory impairment losses	**4**	2,363,060	-
Finance income		(134,413)	(419)
Finance costs		11,236,901	83,221
Borrowing costs capitalized in inventories		(996,603)	-
Other income and expenses		5,639,269	-
Other cash flows used in/from operating activities		**(1,568,523)**	**419**
Interest received		134,413	419
Interest paid		(1,702,936)	-
Changes in working capital:		**(130,613,193)**	**(23,101,130)**
Increase/(decrease) in inventories		(148,486,098)	(21,685,459)
Increase/(decrease) in trade receivables		(40,409,781)	(2,245,958)
Increase/(decrease) in trade payables		65,487,376	890,442
Increase/(decrease) in other current assets and liabilities		1,570,990	(27,545)
Increase/(decrease) in other non-current assets and liabilities		(8,775,680)	(32,610)
Net cash used in operating activities (1)		**(159,793,941)**	**(25,393,993)**
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments | disposals		**21,608,397**	**(407,623)**
Intangible assets		(314,821)	(48,775)
Property, plant and equipment		(551,506)	(358,848)
Business unit		22,474,723	**-**
Net cash from/(used in) investing activities (2)		**21,608,397**	**(407,623)**
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments for equity instruments		**217,214,940**	**9,883,143**
Incorporation of the Parent		-	2,645
New contributions secured from shareholders	**5**	217,214,940	9,369,243
Other transactions with external shareholders		-	511,255
Proceeds from and repayment of financial liabilities		**79,579,040**	**29,745,500**
New financing obtained from banks		69,410,269	1,531,875
New financing obtained from shareholders	**6**	9,396,797	28,213,625
Other borrowings		771,974	-
Net cash from financing activities (3)		**296,793,980**	**39,628,643**
4. Effect of changes in exchange rates on cash and cash equivalents (4)			
5. NET INCREASE IN CASH AND CASH EQUIVALENTS (1+2+3+4)		**158,608,435**	**13,827,027**
Cash and cash equivalents - opening balance		**13,827,027**	**-**
Cash and cash equivalents - ending balance		**172,435,462**	**13,827,027**

The accompanying notes 1 to 10 are an integral part of the condensed consolidated statement of cash flows for the year ended December 31, 2017.
(*) Unaudited

1. Business activity and Group information

The Aedas Homes Group comprises, Aedas Homes, S.A. (the Parent or Company), and its subsidiaries.

The Parent's registered office is located in Madrid, Spain, at Paseo de la Castellana, 42. It is registered with the Madrid Companies Register.

Aedas Homes, S.A. and its subsidiaries (together, the Aedas Group or the Group) are devoted to the following business activities, pursuant to article 2 of the Company's bylaws:

a) The acquisition, development and refurbishment of all manner of properties, whether for holding, use, disposal or lease.

b) The acquisition, holding, usage, sale and administration of marketable Spanish or international securities and of any titles or rights, such as the shares of limited-liability companies, that give it an equity interest in other companies, all of which as principal and not agent.

The Parent was incorporated as a result of the subscription and payment of 3,000 indivisible equity interests (*participaciones sociales)*, numbered sequentially, with a unit par value of 1 euro. They were paid for in cash. Hipoteca 43 Lux, S.A.R.L. purchased 100% of these interests on July 5, 2016. The Company's name was changed to Aedas Homes Group, S.L.U. on July 18, 2016. It assumed its current name in the wake of the restructuring transaction outlined in note 1.1 below.

On May 23, 2017, pursuant to resolutions adopted by the Majority Shareholder, the Parent (Transferee and at the time called Aedas Homes Group, S.L.U.) merged with one of its subsidiaries, Aedas Homes (Transferor). The related merger deeds were formally registered on June 29, 2017 and the name and registered office of the Transferee were changed to those of the Transferor, so that the Company's name was changed from Aedas Homes Group to Aedas Homes.

On September 12, 2017, the Company's legal form of incorporation was changed to that of a public limited company (*sociedad anónima*) so that it took the name of Aedas Homes, S.A. (Sociedad Unipersonal).

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

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

1.2 Business contribution

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

As stipulated in paragraph 2 thereof, IFRS 3 *Business combinations* does not apply to a combination of entities or businesses under common control. Paragraph 10 of IAS 8 *Accounting policies, changes in accounting estimates and errors* states that "In the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgment in developing and applying an accounting policy that results in information that is:" The Company's directors have analyzed whether the contributions constitute a business and whether the transactions qualify as transactions involving entities under common control, all of which with the aim of accounting for them as a common control combination.

In terms of determining whether the contributions made by the Majority Shareholder constitute a business, it is important to note that Aedas Homes, S.A. was incorporated with the purpose of reorganizing the Majority Shareholder's real estate development business in Spain but that neither the Company's key management personnel nor the management of the business change as a result of the reorganization; moreover, the reorganization does not result in a change of control.

In reaching their conclusion as to whether the contributions constitute a business, the directors based their analysis on the contents of paragraphs 17 and 18 of *Basis for Conclusions on IFRS 3*. And as for whether the transactions qualify as common control combinations, they based their analysis on the *IFRS 3 Appendix B - Application guidance appendix*, paragraph B1, which states that "A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory".

The Parent's directors concluded that the contributions did indeed constitute a real estate development business as well as a combination involving entities under common control, opting accordingly, in keeping with the terms of paragraph 10 of IAS 8 regarding the development of an appropriate accounting policy for transactions not specifically contemplated in IFRS-EU, to recognize the contributions at the amounts at which the assets and liabilities received were carried in the financial statements of the Majority Shareholder rather than at the amounts at which the contributions were actually made. The difference arising between the amounts at which the contributions were made and the carrying amounts of the assets and liabilities received has been charged against "Voluntary reserves" (note 5).

The Parent's directors decided not to present the business contribution as if it had taken place in the earliest comparative reporting period as so doing would not have added meaningful information for the purposes of the consolidated 2017 financial statements.

Below is a summary of the difference between the amounts at which the inventories were contributed and the amounts used for consolidated financial statement accounting purposes:

	Euros		
	Amounts at which contributed	Carrying amounts in the books of the entities contributed (*)	Impact on voluntary reserves (note 5)
Contribution of March 30, 2017	829,436,052	596,293,156	(233,142,896)
Contribution of June 29, 2017	60,569,456	43,691,035	(16,878,421)
Contribution of August 16, 2017	110,596,625	49,687,116	(60,909,509)
Total	**1,000,602,133**	**689,671,307**	**(310,930,826)**

(*) Stated at the Group's percentage interest in the inventories at each contribution date.

In addition, as a result of the contributions of March and June, the Group recognized non-current borrowings from the Majority Shareholder of 470,173,453 and 22,714,507 euros, respectively, and current borrowings of 4,845,163 and 257,657 euros, respectively (note 6).

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

a) *Basis of presentation*

The consolidated financial statements of the Group comprising Aedas Homes S.A. and its subsidiaries for the year ended December 31, 2017 were prepared from the accounting records of the Parent and the other companies comprising the Group (refer to Appendix I) in keeping with the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

The Group has prepared these Condensed consolidated financial statements in accordance with International Accounting Standard number 34. This information does not include all the information and disclosures required in the preparation of the consolidated annual accounts under the international financial reporting standards adopted by the European Union. For this reason, these Condensed consolidated financial statements must be read together with the Interim Consolidated Financial Statements for the six-month period ended June 30, 2017.

The accounting policies used in the preparation of these Condensed consolidated financial statements are the same as those applied in the Interim Consolidated Financial Statements for the 6-month period ended June 30, 2017, incorporated in the share issue prospectus.

However, given that the accounting principles and measurement criteria used to prepare the Group's consolidated financial statements for the year ended December 31, 2017 may differ from those used by certain of the Group entities, the appropriate adjustments and reclassifications have been made upon consolidation in order to standardize the various principles and criteria and bring them in line with IFRS-EU.

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

b) Functional and presentation currency

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

c) Responsibility for the information presented and estimates made

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

The Group’s consolidated financial statements for the year ended December 31, 2017 make occasional use of estimates made by the senior executives of the Group and of its consolidated companies, later ratified by their respective directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations recognized therein. Essentially, these estimates refer to:

- The estimation of the net realizable value of the Group's inventories: the Group has assessed at the reporting date the realizable value of its inventories, understood as their estimated sale price less all of the estimated costs necessary to complete their construction.

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

Although these estimates were made on the basis of the best information available at December 31, 2017 regarding the facts analyzed, future events could make it necessary to revise these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with IAS 8, recognizing the effects of the change in estimates in the related consolidated income statement.

d) Basis of consolidation

In order to present the financial information on a uniform basis, the accounting policies and measurement rules used by the Parent have been applied to all of the companies consolidated.

Subsidiaries are investees over which the Parent exercises control either directly or indirectly via other subsidiaries. The Parent controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with it and has the ability to affect those returns through its power over the investee. The Parent is deemed to have power over an investee when it has existing rights that give it the current ability to direct its relevant activities. The Parent is exposed, or has rights, to variable returns from its involvement with the investee when the returns obtained from its involvement have the potential to vary as a result of the entity’s performance.

The Parent re-evaluates whether it controls an investee when events and circumstances indicate the existence of changes in one or more of the control elements itemized above. The Parent consolidates a subsidiary from when it obtains control (and deconsolidates when it ceases to have such control).

At present, all of the Group companies are consolidated using the full consolidation method.

Any non-controlling interests are measured at their percentage interest in the fair values of the identifiable assets and liabilities recognized. Accordingly, any loss attributable to non-controlling interests in excess of the carrying amount of such interests is recognized with a charge against the Parent's equity. Minority interests in:

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

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

   The income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the acquisition date or until the date of change in control, as warranted.

Material intra-group balances and transactions among fully-consolidated investees are eliminated upon consolidation, as are the gains or losses included in the inventories deriving from purchases from other Group companies.

Given that all of the Group companies have the same financial year-end no adjustments have had to be made to ensure uniform reporting periods.

All of the assets, liabilities, equity, income, expenses and cash flows related with transactions among the Group companies are fully eliminated upon consolidation.

The Parent has notified all the companies in which it has ownership interests of 10% or more, directly or indirectly through subsidiaries, of this fact, in keeping with article 155 of Spain’s Corporate Enterprises Act. The list of non-Group companies that hold an equity interest in any of the fully-consolidated subsidiaries of 10% or more is provided in Appendix II.

e) First-time consolidation differences

The assets, liabilities and contingent liabilities of a newly-acquired subsidiary are stated at their acquisition-date fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets acquired (i.e., a bargain acquisition), the gain is recognized in profit and loss in the period of the acquisition.

The Group has not recognized any such goodwill or gains to date.

f) Comparative information

As required under Spanish company law, the Group discloses comparative information in respect of the previous reporting period for all the amounts disclosed in the 2017 consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows. The notes also include comparative information for narrative and descriptive disclosures in respect of the previous reporting period.

3. Changes in the Group's composition

Over the course of 2017, the Majority Shareholder contributed its Spanish real estate development business to the Company. More specifically, it made the following contributions:

On March 30, 2017, the Majority Shareholder made a non-monetary equity injection into the Parent in the amount of 314,032,037 euros, a transaction that materialized in the creation of 31,403,231 shares with a unit par value of one euro and an increase in the share premium account of 282,629,106 euros. That contribution primarily implied the first-time recognition of inventories with a net carrying amount of 596,293,156 euros (stated at the Group's ownership interest therein) which were mainly financed by a loan extended by the Majority Shareholder in the amount of 475,018,616 euros (note 1.2). The companies added to the consolidation scope as a result of this contribution:

- ESPEBE 12, S.L.U.
- ESPEBE 14, S.L.U.
- ESPEBE 16, S.L.U.
- ESPEBE 17, S.L.U.
- ESPEBE 18, S.L.U.
- ESPEBE 20, S.L.U.
- ESPEBE 22, S.L.U.
- ESPEBE 23, S.L.U.
- ESPEBE 25, S.L.U.
- SPV SPAIN 7, S.L.U.
- SPV SPAIN 17, S.L.U.
- ESPEBE 26, S.L.U.
- ESPEBE 27, S.L.U.
- ESPEBE 29, S.L.U.
- ESPEBE 28, S.L.U.
- ESPEBE 32, S.L.U.
- ESPEBE 34, S.L.U.
- ESPEBE 2, S.L.U.
- ESPEBE 4, S.L.U.
- ESPEBE 7, S.L.U.
- ESPEBE 35, S.L.U.
- ESPEBE 15, S.L.U.
- SPV SPAIN 16, S.L.U.
- SPV SPAIN PROJECT 1, S.L.U.
- DAMALANA SERVICIOS Y GESTIONES, S.L.U.
- MILEN INVESTMENT, S.L.U.
- CORNETALA SERVICIOS Y GESTIONES, S.L.U
- SPV SPAIN 2 S.L. (the Group has a 65% interest in this entity)

On June 29, 2017, the Majority Shareholder made a non-monetary equity injection into the Parent in the amount of 23,140,283 euros, a transaction that materialized in the creation of 2,314,028 shares with a unit par value of one euro and an increase in the share premium account of 20,826,255 euros. That contribution primarily implied the first-time recognition of inventories with a net carrying amount of 43,691,035 euros (stated at the Group's ownership interest therein) which were financed by a loan extended by the Majority Shareholder in the amount of 22,972,164 euros (note 1.2). The companies added to the consolidation scope as a result of this contribution:

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

On August 16, 2017, the Parent's Majority Shareholder made a non-monetary equity contribution to the Aedas Homes Group, specifically contributing its interest in Danta Investment, S.L.U.; the contribution had the effect of increasing the Company's share capital by 11,086,771 euros (issuing the same number of shares with a unit par value of one euro) and the share premium account by 99,780,938 euros. The purpose of the above contribution was to contribute a business consisting of the Majority Shareholder's interest in FAB MAY, a company that had inventories at various stages of development, tax credits and cash. The balancing entry for that contribution consisted of the transfer of 95% of the shares of Danta Investment S.L.U. and a credit claim against FAB for a loan that was cancelled on August 21, 2017.

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

FAB MAY was subsequently liquidated on September 15, 2017, all of its liabilities were cancelled and 100% of its assets were allocated to Danta Investments, S.L.U. In a single act, Danta Investments, S.L.U. paid

SAREB (the acronym in Spanish for the management company for assets arising from bank restructuring, more popularly known as the bad bank) consideration totaling 4,800,000 euros plus VAT.

The difference between the amount at which the businesses were contributed and the amount at which the related net assets were carried in the books of the entities contributed gave rise to a difference of 310,930,826 euros that has been recognized against 'Voluntary reserves' in the accompanying consolidated financial statements.

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

4. Inventories

The breakdown of the Group's inventories at December 31, 2017 and December 31, 2016 is as follows:

	Euros	
	Dec. 31, 2017	Dec. 31, 2016
Land and sites	694,199,047	21,392,051
Developments in progress (*)	167,957,641	100,000
Completed buildings	8,436,570	-
Prepayments to suppliers	10,075,910	10,228,541
Total	**880,669,169**	**31,720,592**

(*) At December 31, 2017, 'Developments in progress' includes the cost of the land on which the developments are being carried out in the amount of 117,335,239 thousand euros.

The main change in 'Inventories' in 2017 corresponds to the additions arising from the contributions made by the Majority Shareholder, detailed in note 1.2. The carrying amount of assets contributed as part of those transactions is 596 million euros in respect of the assets contributed on March 30, 2017, 48 million euros in respect of those received on June 29, 2017 and 49 million in respect of those received on August 16, 2017.

The deferred payments for the sites contributed to the Group and/or acquired during the year ended December 31, 2017 amount to 53,547,945 euros.

Inventories carried at 23,409,654 euros were derecognized in 2017 as a result of the disposal of assets, primarily land (note 9).

None of the Group's inventories are located outside of Spain. The locations of the Group's inventories, stated at their carrying amounts, without considering prepayments to suppliers:

	Euros	
	Dec 31, 2017	Dec 31, 2016
Madrid	310,053,004	2,387
Catalonia	124,726,718	200
Costa del Sol	204,733,212	-
Rest of Andalusia	59,044,553	18,538,868
Balearic Islands and Spanish east coast	172,035,772	2,950,596
Total	**870,593,258**	**21,492,051**

The Group reviews its inventories for indications of impairment periodically, recognizing the required impairment provisions as warranted. The cost of the land and sites, developments in progress and completed developments is reduced to fair value by recognizing the appropriate impairment provisions. If the fair value of the Group's inventories is above cost, however, the cost/contribution amounts are left unchanged.

The net realizable value assigned by Savills Consultoría Inmobiliaria, S.A. to the portfolio of inventories (without considering supplier prepayments or assets subject to a sale option as the directors assumed there is no indication that these assets are impaired), considering the Group's ownership interest therein, stood at 1,436 million euros at December 31, 2017 (1,468 million euros assuming a 100% interest). In light of the appraiser's methodology, the key valuation hypotheses are the discount rate and sales prices modeled. As a result of the above, the directors have recognized an inventory impairment loss in the consolidated financial statements of 2.3 million euros and unrealized gains of 599 million euros, 2 million euros of which correspond to unrecognized gains on optioned plots.

At December 31, 2017, inventories with a carrying amount of 163 million euros were pledged to secure financing agreements.

5. Own funds

a) Share capital

The Parent was incorporated on June 9, 2016 with initial share capital of 3,000 euros, represented by 3,000 indivisible, sequentially-numbered equity interests (*participaciones sociales*) with a unit par value of 1 euro, all of which which were subscribed and paid for by Structured Finance Management (Spain), S.L.

On March 30, 2017, the Company received a non-monetary equity contribution from its Majority Shareholder in the amount of 314,032,337 euros. In exchange, the Company issued 31,403,231 equity interests with a unit par value of one euro, with the remainder of the contribution deemed a share premium (note 1.2).

On June 29, 2017, the Company received another non-monetary equity contribution from its Majority Shareholder in the amount of 23,140,283 euros. In exchange, the Company issued 2,314,028 equity interests with a unit par value of one euro, with the remainder of the contribution recognized as a share premium (note 1.2).

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

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

On October 19, 2017, the Company completed its initial public offering, raising 99,999,979.05 euros (via the issuance of 3,159,557 shares with a unit par value of one euro, with the remainder of allocated to the share premium account). Those shares were admitted to trading on the Madrid, Barcelona, Bilbao and Valencia stock exchanges on October 20, 2017. The IPO costs amount to 31,301 euros.

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

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

b) Owner contributions

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

Subsequently, between September 13 and December 29, 2016, the Majority Shareholder, Hipoteca 43 Lux, S.A.R.L., injected equity into the Parent in the form of cash on several occasions (totaling 8,837,875 euros) to fund the Company's business activities. Specifically:

On December 29, 2016, the Majority Shareholder resolved to capitalize certain loans totaling 7,000 euros, which had been deposited at the Company by means of two bank wires, one on July 19, 2016 in the amount of 5,000 euros, and the other on August 1, 2016 in the amount of 2,000 euros. Note that this contribution qualifies as an owner contribution to the Company's equity. The purpose of the contribution was to finance the acquisition by the Company of 3,000 equity interests in SPV REOCO 1, S.L.U. and the associated transaction costs as well as to cover the expenses deriving from the acquisition of another 3,000 equity interests of Aedas Homes.

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

During the year ended December 31, 2017, the Majority Shareholder continued to make contributions to the Parent to fund its business activities:

- On May 9, 2017, it contributed 8,085,000 euros in cash.

- On May 21, 2017, it contributed 1,400,000 euros in cash.

- On June 22, 2017, it contributed 635,000 euros in cash.

- On September 20, 2017, it contributed 70,900,000 euros in cash.

- On October 3, 2017, it contributed credit claims held by the Majority Shareholder against the Company in the amount of 623,497,318 euros.

- - On November, 2017, the Majority Shareholder proceeded to pay the MIP to its beneficiaries for a joint amount, in cash and in shares of the Company, of 26,181,063 euros. This payment, fully paid by the Majority Shareholder, was reflected in the Company's Profit and Loss Account as a personnel expense, in accordance with the principles established in IFRS2 and, as a counterpart, an owner contribution from the Majority Shareholder was recorded in own funds for the same amount.

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

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

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

6. Borrowings and other financial liabilities

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

	Euros				
	Dec 31, 2017				
	Limit	Current liabilities: Due in the long term	Current liabilities: Due in the short term	Non-current Current	Total
Shareholder Loan Agreement with External Shareholders	-	4,698,548	-	-	4,698,548
Shareholder Credit Facility Agreement with External Shareholders	10,032,805	3,083,302	285,743	-	3,369,045
Interest on group company borrowings			241,777		241,777
All borrowings from external shareholders	**10,032,805**	**7,781,850**	**527,520**	**-**	**8,309,370**
Mortgage loans secured by inventories	169,221,700	28,455,142	271,915	-	28,727,058
Interest on developer loans			8,571		8,571
Total developer loans	**169,221,700**	**28,455,142**	**280,486**	**-**	**28,735,628**
Mortgage loans secured by inventories	35,535,133	-	35,535,133	-	32,735,133
Interest on mortgages secured by inventories	-	-	65,377	-	65,377
Total loans taken over as part of land purchase	**35,535,133**	**-**	**32,800,510**	**-**	**32,800,510**
Derivatives	-	-	-	137,326	137,326
Security deposits received	-	-	500	-	500
Other loans	-	-	-	-	-
Total other borrowings	**-**	**-**	**500**	**137,326**	**137,826**
Total	**214,789,728**	**36,236,992**	**33,609,016**	**137,326**	**69,983,334**

The Group had the following borrowings at December 31, 2016:

	Euros				
	Dec 31, 2016				
	Limit	Current liabilities: Due in the long term	Current liabilities: Due in the short term	Non-current Current	Total
Mortgage loans secured by inventories	10,035,133	7,219,244	2,815,889	-	10,035,133
Shareholder Master Credit Facility Agreement	100,000,000	-	-	28,213,625	28,213,625
Shareholder Loan Agreement with External Shareholder	1,531,875	1,531,875	-	-	1,531,875
Interest accrued but not due	-	83,403	-	-	83,403
Total		**8,834,522**	**2,815,889**	**28,213,625**	**39,864,036**

Loans from the Majority Shareholder

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

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

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

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

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

Loans from non-controlling shareholders

On February 8, 2017, but with effect from December 22, 2016, a Credit Facility Agreement was arranged between SPV REOCO 15 and PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.U. in the amount of 6,675,000 euros; this facility is due December 31, 2022. The amount drawn down at December 31, 2017 stood at 1,544,375 euros. This facility carries interest at an annual rate of Euribor plus 3.5%.

In addition, as a result of the real estate business contributions made by the Majority Shareholder during the year ended December 31, 2017, the following loans from external shareholders were recognized for the first time:

- On September 30, 2016, Group subsidiary FACORNATA SERVICIOS Y GESTIONES, S.L. borrowed 657,895 euros from its non-controlling shareholder, OPTIMIZA ASSET MANAGEMENT, S.L.; the loan is due March 31, 2018. The amount drawn under that loan at December 31, 2017 amounted to 285,743 euros. This facility carries interest at an annual rate of Euribor plus 3.5%.

- On December 30, 2015, Group subsidiary SPV Spain 2, S.L. borrowed 1,924,615 euros from its non-controlling shareholder, Promociones y Propiedades Inmobiliarias Espacio, S.L.U.; the loan is due December 31, 2019. The amount drawn under that loan at December 31, 2017 amounted to 1,692,376 euros. This facility carries interest at an annual rate of Euribor plus 3.5%.

- On March 2, 2016, Group subsidiary SPV Spain 2, S.L. borrowed 2,694,033 euros from its non-controlling shareholder, Bigchange Gestión, S.L.; the loan is due December 30, 2019. The amount drawn under that loan at December 31, 2017 amounted to 3,006,172 euros. This facility carries interest at an annual rate of Euribor plus 3.5%.

- Group subsidiary Espebe 11, S.L. had the following loans at year-end 2017:

    - On August 7, 2015, it borrowed 984,073 euros for a 48-month term from its non-controlling shareholder, Promociones y Propiedades Inmobiliarias Espacio, S.L.U. This facility carries interest at an annual rate of Euribor plus 3.5%.

    - On September 14, 2016, it borrowed 175,000 euros for a term of 48 months. This facility carries interest at an annual rate of Euribor plus 3.5%.

    - On October 18, 2016, it borrowed 40,000 euros for a term of 48 months. This facility carries interest at an annual rate of Euribor plus 3.5%.

    - On February 29, 2016, it borrowed 240,000 euros for a term of 48 months. This facility carries interest at an annual rate of Euribor plus 3.5%.

- On March 21, 2016, it borrowed 50,000 euros for a term of 48 months. The facility carries interest at an annual rate of Euribor plus 3.5%.

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

Developer loans

As a result of the real estate business contributions made by the Majority Shareholder during the year ended December 31, 2017, several mortgage-secured developer loans were recognized for the first time in an aggregate amount of 28,455,143 euros distributed among several Group companies, mainly Damalana Servicios y Gestiones, S.L.U., Facornata Servicios y Gestiones, S.L., SPV Spain 2, S.L. and Espebe 11. The limit on those loans is 169,221,700 euros in total, so that the Group had drawn down 17%. They carry interest at rates ranging between 1% and 3.25% and fall due between 2018 and 2054.

Loans taken on to purchase land

On December 1, 2016, Group subsidiary SPV REOCO 5, S.L. took over a mortgage loan of 10,035,133 euros as a result of the acquisition of certain estates. That loan has been recognized within current liabilities because it was used to fund the acquisition of properties classified as inventories. There was a grace period on the repayment of principal until October 2017, when the sum of 2.8 million euros fell due, with the remainder falling due in 2018. The loan carried a fixed annual rate of 3% until December 1, 2017. After that date and until the end of the agreement, it will carry a benchmark rate plus 300 basis points.

In addition, as a result of the real estate business contributions made by the Majority Shareholder during the year ended December 31, 2017, the following mortgage-secured loans for the acquisition of land were recognized for the first time:

- On February 23, 2016, Group subsidiary SPV Spain 7, S.L.U. acquired a plot of land which it financed by assuming the mortgage which the seller had taken out over the site. That mortgage amounts to 11,500,000 euros and falls due on February 23, 2018.

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

The above loan agreements do not entail any covenants. The loan agreements do not contain any change of control clauses.

Loans classified as current due in the long term

The maturity profile of the face value of the loans classified as current borrowings but due in the long term is as follows:

	Euros
Year	Non-current
2019	6,992,567
2020	961,844
2021	982,443
2022 and beyond	27,300,139
	36,236,992

7. Taxes payable and receivable and tax matters

a) Applicable legislation and years open to inspection

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period has elapsed. At December 31, 2017, the Parent and other Group companies had all their tax returns open to inspection as the authorities have no time limit for checking and investigating the tax credits and tax losses used in the returns open to inspection.

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

b) Unrecognized deferred taxes

The breakdown of tax losses not recognized as tax assets at December 31, 2017:

	Euros
	Dec 31, 2017
AEDAS HOMES S.A.	-
Other group companies	21,749,600
TOTAL	**21,749,600**

The Group has analyzed the scope for utilizing its tax credits as a function of its business plan and considering the fact that it has applied to have the tax authorities allow it to file its taxes under the consolidated tax regime from January 1, 2018.

c) Deferred taxes

The reconciliation of deferred tax assets at the beginning and end of 2017 is shown below:

	Dec. 31, 2016	**Changes recognized in**			**Dec. 31, 2017**
(Thousands of euros)	**Opening balance**	**Income statement**	**Equity**	**Additions due to business combinations**	**Closing balance**
Deferred tax assets					
Unused tax losses	51,488	8,930,789	-	3,620,661	12,602,938
Total	**51,488**	**8,930,789**	**-**	**3,620,661**	**12,602,938**

The movement in recognized tax assets with respect to December 31, 2016 relates to (i) the recognition of tax assets based on the recoverability analysis conducted by the Group; and (ii) the contributions made by the Majority Shareholder (note 1.2).

At December 31, 2017, the Board of Directors resolved to avail of the consolidated tax regime (contemplated in article 55 *et seq.* of the Spanish Corporate Income Tax - Law 27/2014) in 2018 and thereafter, Aedas Homes, S.A. being the parent of the tax group.

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

- The projections drawn up by the Company for 2017-2023; and

- The appraisal of its inventories provided by Savills which indicates a gross asset value (GAV) of 1,436 million euros (1,468 million euros assuming a 100% ownership interest).

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

8. Related-party transactions

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

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

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

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

- The assets contributed to the Company by the Majority Shareholder (note 1.2).

- The financing extended to the Company by the Majority Shareholder (note 6).

- The services provided by Merlin Properties SOCIMI, S.A. amounted to 250,000 euros plus VAT during the year ended December 31, 2017.

- The lease over the Company's offices at Castellana 83-85, Madrid with Merlin Properties SOCIMI, S.A. (dated June 15, 2016) implied expenditure of 70,426 euros. That contract was terminated early on May 3, 2017.

- On April 25, 2017, the Parent transferred the lease over the offices located at Castellana 42 in Madrid. It was transferred from Merlin Properties SOCIMI, S.A. to RREEF Investment GMBH, Sucursal en España. As a result, the Company paid Merlin a security deposit of 74,745 euros and received from Merlin the sum of 81,822 euros corresponding to two months' rent as grace. The agreement with RREEF Investment GMBH, Sucursal en España terminates on December 1, 2023; it is mandatory for the first five years, until December 1, 2020.

- The lease over the Company's offices in Barcelona with Merlin Properties SOCIMI, S.A. (dated October 15, 2016) implied expenditure of 37,331 euros in 2017. That lease terminates on September 30, 2021.

- The sum of 54,325 euros invoiced to FAB MAY and the administration and management of the assets of Fondo de Activos Bancarios May pursuant to the agreement entered into on November 1, 2016.

- One member of the Company's senior management team received remuneration in cash from Merlin Properties SOCIMI, S.A. for work performed for the latter until September 15, 2017, when that relationship was terminated. However, the economic rights accrued until the date of termination of his employment contract remain valid.

- The Majority Shareholder approved a management incentive plan (MIP) to be settled in a mix of cash and shares. The amount payable under the MIP was tied to the internal rate of the return obtained as a result of the IPO. The total paid under the MIP was 26 million euros. Fifty per cent was paid in cash and the remaining 50% in Company shares.

Year ended December 31, 2017	Euros					
	Income			Expenses		
	Revenue		Finance income	Cost of sales – Supplies	External services	Finance costs
	Revenue	Services rendered				
Hipoteca 43 Lux, S.A.R.L.	-	-	-	-	-	(9,050,753)
Minority interests	-	-	-	-	-	(250,889)
Merlin Properties, SOCIMI, S.A.	-	81,822		-	357,757	-
FAB MAY	-	54,325	-	-	-	-
	-	**136,147**	**-**	**-**	**357,757**	**(9,301,642)**

The balances outstanding with parties related to the Group at December 31, 2017 are shown in the table below:

	Euros					
	Trade and other receivables	Borrowings from shareholders (note 6)	Bank borrowings	Prepayments to suppliers	Trade and other current accounts payable	Customer prepayments
Minority interests	-	8,309,370	-	-	-	-
Merlin Properties, SOCIMI, S.A.	-	-	-	-	75,625	-
	-	**8,309,370**	**-**	**-**	**75,625**	**-**

9. Revenue

Analysis of revenue from continuing operations by business line and geographic segment:

Euros	**2017**	**2016**
By business segment		
Land sales	37,349,157	-
Development sales	1,209,000	-
Services rendered	136,147	15,017
	38,694,305	**15,017**

In 2017, the Group companies sold land for 37 million euros. The most significant sales were the following:

On August 3, 2017, Group subsidiary Delaneto Servicios y Gestiones, S.L.U. sold an estate for 16 million euros.

On July 5, 2017, Group subsidiary Espebe 23, S.L. sold an estate for 9 million euros.

On September 15, 2017, Group subsidiary Espebe 35, S.L. sold an estate for 1 million euros.

On December 21, 2017, Group subsidiary Espebe 16, S.L. sold an estate for 6 million euros.

And on December 20, 2017, Group subsidiary SPV Spain 16 sold an estate for 5 million euros.

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

Changes to the governing bodies

On August 27, 2017, the Majority Shareholder decided to modify the Company's governance structure, implementing a Board of Directors made up of eight members. Consequently, the former directors who were acting jointly and severally stepped down and the following new members were appointed:

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

Remuneration

The compensation accrued by the members of the Company's Board of Directors and its key management personnel amounted to 7,119,700 euros and 14,944,794 euros, respectively.

11. Risk management

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

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

Qualitative disclosures

Credit risk

The Group is not significantly exposed to credit risk as collection of the proceeds from the sale of its developments to customers is guaranteed by the properties sold; in addition, it places its cash surpluses with highly solvent banks in respect of which counterparty risk is not material.

Liquidity risk

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

In order to ensure ongoing liquidity and the ability to service all the payment commitments arising from its business operations, the Group holds the cash balances shown on the balance sheet as well as the credit lines and financing agreements detailed in note 6.

The Parent's directors believe that these arrangements will be sufficient to cover its cash requirements and those of its subsidiaries going forward. The liquidity function is managed at the Group level, so that the operating companies do not face liquidity shortfalls and can concentrate on pursuing their real estate developments, which are financed using external borrowings.

Market risk: interest rate risk

Although the Group's cash balances and borrowings both expose it to interest rate risk, and this could have an adverse impact on its net finance costs and cash flows, the Parent's directors have not deemed it necessary to write interest rate hedges.

Quantitative disclosures

Credit risk

No accounts receivable from Group companies, related parties or third parties were past due at December 31, 2017.

Liquidity risk

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

The Parent's directors expect to use the proceeds from the land sales described in note 4 to service the deferred payments due in the short term in connection with the acquisition of land, which stood at 53,547,945 euros at December 31, 2017.

The borrowings from Group companies were capitalized on October 3, 2017 (note 6), thus improving the Group's capital structure.

Note that the business plan targets a leverage ratio at the Group level of 30-35%.

Interest-rate risk

A 100 basis point movement in interest rates would have increased finance costs by 3,487,372 euros in the year ended December 31, 2017.

12. SEGMENT INFORMATION

The criteria used to assess the Group's reportable segments were the same in both reporting periods.

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

13. OTHER RELEVANT DISCLOSURES

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

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

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

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

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

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

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

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

- There have been no corrections of prior period errors.

- There has not been any loan default or breach of a loan agreement.

14. Events after the reporting period

No events have taken place since the end of the reporting period that could have a material impact on the information presented in the consolidated financial statements authorized for issue by the directors or that are worthy of disclosure on account of their materiality, other than that disclosed below:

- On January 15, 2018, Group subsidiary Danta Investments, S.L.U. sold an estate for 3 million euros.

- On February 8, 2018, Group subsidiary Landata Servicios y Gestiones, S.L. bought an estate for 9 million euros.

- On September 26, 2017, a long-term incentive plan payable in full in shares was approved by the sole shareholder for approximately 50 key employees, including the CEO, members of the Company's Board of Directors and key management personnel, consisting of three consecutive overlapping three-year periods (from the IPO to December 31, 2020, from January 1, 2019 to December 31, 2021 and from January 1, 2020 to December 31, 2022). The measurement metrics of compliance for the first cycle are, by thirds, the EBITDA, the promoter margin and the profitability of the shareholder, establishing minimum amounts below which they are not accrued as well as a possibility of overbonus. The number of shares to be received by each participant will be determined by the price of the shares for each triennium (the price of the IPO for the first three years and the average of the price of the 20 sessions prior to the beginning of each cycle for the second and third triennium) and for the fulfillment of objectives. All of the shares to be received by the CEO and 50% of the shares to be received by the members of Senior Management, are prohibited from being sold for one year from receipt. In the case of the CEO and members of the Management Committee, this incentive is subject to a refund clause if certain circumstances occur. The cost of this long-term incentive plan will be borne by the Group, with the maximum aggregate amount to be received by the beneficiaries of 11 million euros. This plan was approved by the appointments and remuneration committee on February 27. 2018 and it is expected to formalize the same with key employees in the coming dates.

MANAGEMENT REPORT

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

For the year ended December 31, 2017

1. The Group: Organizational and operating structure

The Parent was incorporated as a result of the subscription and payment of 3,000 indivisible equity interests (*participaciones sociales)*, numbered sequentially, with a unit par value of 1 euro. They were paid for in cash. Hipoteca 43 Lux, S.A.R.L. purchased 100% of these interests on July 5, 2016. The Company's name was changed to Aedas Homes Group, S.L.U. on July 18, 2016. It assumed its current name in the wake of the restructuring transaction outlined in note 1.1 below.

On July 18, 2016, the Company's name was changed to Aedas Homes Group, S.A. On September 12, 2017, the Company's legal form of incorporation was changed to that of a public limited company and its name was again changed to Aedas Homes, S.A.

During the year ended December 31, 2017, the Company's Majority Shareholder contributed, in a series of transactions, its Spanish real estate development business to Aedas Homes, S.A.:

- On March 30, 2017, the Majority Shareholder made a non-monetary equity injection into the Parent in the amount of 314,032,337 euros, a transaction that materialized in the creation of 31,403,231 shares with a unit par value of one euro and an increase in the share premium account of 282,629,106 euros. That contribution primarily implied the first-time recognition of inventories with a net carrying amount of 596,293,156 euros (stated at the Group's ownership interest therein) that were financed by a loan extended by the Majority Shareholder.

- On June 29, 2017, the Company's Majority Shareholder made another non-monetary equity injection into the Company in the amount of 23,140,283 euros, a transaction that materialized in the creation of 2,314,028 shares with a unit par value of one euro and an increase in the share premium account of 20,826,255 euros. That contribution primarily implied the first-time recognition of inventories with a net carrying amount of 43,691 euros (stated at the Group's ownership interest therein) that were financed by a loan extended by the Majority Shareholder.

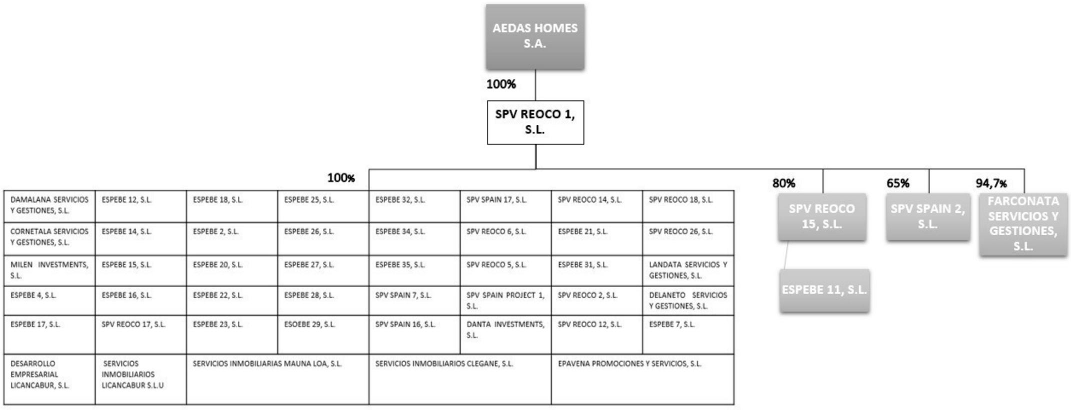
- On August 16, 2017, the Parent's Majority Shareholder made a non-monetary equity contribution to the Aedas Homes Group, specifically contributing its interest in Danta Investment, S.L.U.; the contribution had the effect of increasing the Company's share capital by 11,086,771 euros (issuing the same number of shares with a unit par value of one euro) and the share premium account by 99,780,938 euros. The purpose of the above contribution was to contribute a business consisting of the Majority Shareholder's interest in FAB MAY, a company that had inventories at various stages of development, tax credits and cash. The balancing entry for that contribution consisted of the transfer of 95% of the shares of Danta Investment S.L.U. and a credit claim against FAB for a loan that was cancelled on August 21, 2017. FAB MAY was subsequently liquidated on September 15, 2017, all of its liabilities were cancelled and 100% of its assets were allocated to Danta Investments, S.L.U. In a single act, Danta Investments, S.L.U. paid SAREB (the acronym in Spanish for the management company for assets arising from bank restructuring, more popularly known as the bad bank) consideration totaling 4,800,000 euros plus VAT.

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

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

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

The corporate structure of the group comprising Aedas Homes, S.A. and its subsidiaries (the Group) at December 31, 2017 is presented below:



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

c) The acquisition, development and refurbishment of all manner of properties, whether for holding, use, disposal or lease.

d) The acquisition, holding, usage, sale and administration of marketable Spanish or international securities and of any titles or rights, such as the shares of limited-liability companies, that give it an equity interest in other companies, all of which as principal and not agent.

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

At December 31, 2017, the Group's assets totaled 1,129,019,900 euros, liabilities (current and non-current) amounted to 191,725,009 euros and equity stood at 937,294,891 euros, 623,497,318 euros of which corresponded to capitalized loans extended to the Parent by the Majority Shareholder (note 5).

Revenue and EBITDA

In 2017, the Group recognized revenue of 1,209,000 euros, which was generated by the sale by Espebe 18, S.L. of the Galera Sun development.

The Group subsidiaries also sold land in 2017 for a total of 37,349,157 euros.

EBITDA

EBITDA amounted to a negative 36,044,361 euros in 2017, reflecting the Group's early stage of development.

Profit/(loss)

The result of the year 2017 has amounted to a loss of 40,322,752 euros. Said result includes an expense of 26,181,063 euros associated with the incentive plan for key employees (MIP) that has been paid in full by the Majority Shareholder as mentioned in note 5.

Said expense, fully paid by the Majority Shareholder, was reflected in the Company's Profit and Loss Account as a personnel expense, in accordance with the principles established in IFRS2 and, as a counterpart, an owner contribution from the Majority Shareholder was recorded in own funds for the same amount.

Therefore, the negative effect on the income statement is compensated in its entirety by the increase in the owner contribution (note 5).

Financial situation

At December 31, 2017, liabilities - current and non-current - stood at 191,725,009 euros, compared to 40,792,030 euros at December 31, 2016 (implying an increase of 150,932,978 euros), due mainly to new bank borrowings at year-end 2017 (51,427,058 euros) and deferred payments due on land acquired (53,547,945 euros).

Borrowings

Borrowings stood at 69,983,334 euros at year-end 2017.

Group borrowings break down as follows:

- Shareholder Loan Agreement with External Shareholders: 8,309,370 euros
- Developer loans: 28,735,628 euros
- Loans taken over as part of land purchase: 32,800,510 euros
- Derivatives: 137,326 euros
- Other loans: 500 euros

3. Environmental matters

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

4. Liquidity and capital resources

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

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

In addition, the Group plans to obtain developer loans to fund its investments under construction.

5. Key risks and sources of uncertainty

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

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

Market risk

Exposure to interest-rate risk

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

Most of its loans are benchmarked against Euribor.

Exposure to credit risk

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

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

Exposure to solvency risk

The Group regularly analyzes its credit risk in respect of its accounts receivable, updating the corresponding provision for impairment accordingly. The Parent's directors believe that the carrying amounts of the Group's trade and other receivables approximate their fair value.

Exposure to exchange-rate risk

Given the Group's scant exposure to markets outside the eurozone, exposure to foreign exchange risk is considered immaterial.

6. Significant events after the reporting date

As outlined in note 14 of the condensed consolidated financial statements for the year ended December 31, 2017, no events have taken place since the end of the reporting period that could have a material impact on the information presented in the financial statements authorized for issue by the directors or that are worthy of disclosure on account of their materiality, other than that disclosed below:

- On January 15, 2018, Group subsidiary Danta Investments, S.L.U. sold an estate for 3 million euros.

- On February 8, 2018, Group subsidiary Landata Servicios y Gestiones, S.L. bought an estate for 9 million euros.

7. R&D activities

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

8. Own shares

The Group did not trade in own shares in 2017.

9. Events after the reporting period

There are not events after the reporting period despite of those included on Note 14 of the Condensed consolidated financial statements attached.