9m 2019 Report

Ramón y Cajal, Seville.

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AEDAS HOMES

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1. Executive summary

In the first nine months of 2019 AEDAS Homes met the key targets set down in its 2017-2023 business plan, injecting further visibility and certainty into the deliveries scheduled for **2019 as a whole, having delivered 261 homes in 9M19. As of 30 September, sales stood at 95% of the full-year deliveries target of 1,055 homes; 25 developments (1,033 homes) had secured completion certificates and 12 developments (482 homes) had obtained occupancy permits, evidencing the company's readiness to complete the deliveries committed to in the last quarter of the year.**

Visibility was similarly strong at the September close regarding the deliveries targeted for 2020: work was underway on 100% of the targeted 1,986 deliveries, with over **80% of these developments having more than 40% complete in terms of construction progress.** Moreover, **65% of the houses slated for delivery in 2020 have already been sold.**

In 9M19, in addition to the developments highlighted in the 6M19 management report, the company's accumulated sales, since starting business, reached **3,379 homes**, representing **revenue of €1.15 billion.** That figure accounts for **56% of the total number of houses put on the market to date**, evidencing the company's operational strength during its ramp-up phase as it moves towards its cruising speed.

During the third quarter, on 25 July 2019, the company's Board of Directors agreed to **buy back shares**, initially in the form of a discretionary programme. Subsequently, on 25 September, the directors resolved to buy back enough shares to lift the number of own shares held as treasury stock (following the discretionary repurchases) to 2,500,000, approving to this end a share repurchase program. Note that the maximum number of shares to be repurchased may be reduced if, during the term of the repurchase programme, the company buys back own shares in a block trade. The number of **own shares repurchased since the start of the initiative stood at 398,724 as of 30 September.**

It is also worth highlighting that at the September close, the company had **€66 million of commercial paper outstanding** under the scope of its **shelf programme**, the AEDAS HOMES 2019 Commercial Paper Notes Programme, having taken advantage of strong demand for this product, thanks to which the company is diversifying its sources of financing at very attractive prices and maturities.

From the business standpoint, it is worth highlighting the number of houses launched: **A cumulative total of 6,029 units** at 30 September, growth of 49% from year-end 2018. **In 9M19, the company launched 31 developments encompassing 1,992 homes. Those homes represent 77% of the launch target for 2019.**

With respect to the guidance for deliveries, note that **the company has delivered 508 units to date**, growth of 83% from year-end 2018. Of that total, **261 were delivered in 9M19 (revenue of €61 million)**, which is equivalent to 25% of the deliveries targeted for all of 2019.

Pre-sales totalled 1,224 units in 9M19 and amounted to €389 million, including two of the four turnkey developments sold to the

AEDAS HOMES

property rental company. The number of units pre-sold marked year-on-year growth of 46%. Those new sales put the **orderbook at 2,871 homes, representing sales revenue totalling €1.02 billion.**

The company ended the first nine months with **3,752 units under construction**. **Work began on 1,691 of those homes during the first nine months o 2019**, which is year-on-year growth of 55%.

AEDAS Homes remained one of the most active purchasers of land. **Its investment thrust throughout 9M19 was focused on 15 new projects with scope for the development of 897 homes.**

The investments closed in the first nine months are designed to fulfil the new development launch targets set by the company in its 2017-2023 business plan. **At 30 September 2019, the company's land bank encompassed c.15,545 housing units, up 4.4% from year-end 2018, net of the deliveries completed to date.**

In addition to the acquisitions already closed, the company holds **purchase rights** over land with scope for the development of **673 units**.

Note additionally that, under the **agreement entered into with Castlelake, L.P.**, by virtue of which AEDAS Homes can co-invest in strategic land that is not fully permitted and manage it until it is ready to build by means of investment in a number of special purpose vehicles (SPVs), the company has closed a total of **four transactions** covering the potential development of **508 homes (the figure corresponding to AEDAS Homes)**, which will be recognised as inventories by the company once the land is fully permitted and it has exercised its conversion right. Additionally, these transactions would allow the company to acquire land to develop 854 units by executing the Right Of First Offer (ROFO).

This strategic agreement, known as "Land Feeder", provides the company an additional long-term source of land. The initial acquisitions closed under the agreement have demonstrated the alliance's **ability to create value**.

At the 30 September close, inventories accordingly stood at €1.34 billion, up 24% from year-end 2018, shaped by notable growth in finished products (slated for upcoming delivery) of €197 million and in work in progress which increased by €41.6 million. **Similarly evidencing the company's ramp-up, net debt increased to €298 million, to put the company's LTV and LTC ratios at 15% and 22%, respectively.**

The key factors driving demand for housing in Spain remain solid. The Bank of Spain is estimating GDP growth of 2% in 2019. That growth continues to push unemployment lower, towards an estimated 14.1% by year-end, down from a peak of 25.8% in 2012. Although growth is expected to slow, Spain will continue to create jobs, this being one of the **strongest drivers of demand for housing**. Employment is rising at a healthy pace and there remains upside, as unemployment is still very high in comparison with prior lows. In parallel, the growing demand for workers is pushing wages higher.

A healthy mortgage sector, low household leverage and a recapitalised banking system are additional factors underpinning solid demand in a market in which prices remain well below their peak; the price situation is in turn improving affordability (measured as house prices / annual household income), an indicator which also remains more propitious for home-buying than in the past.

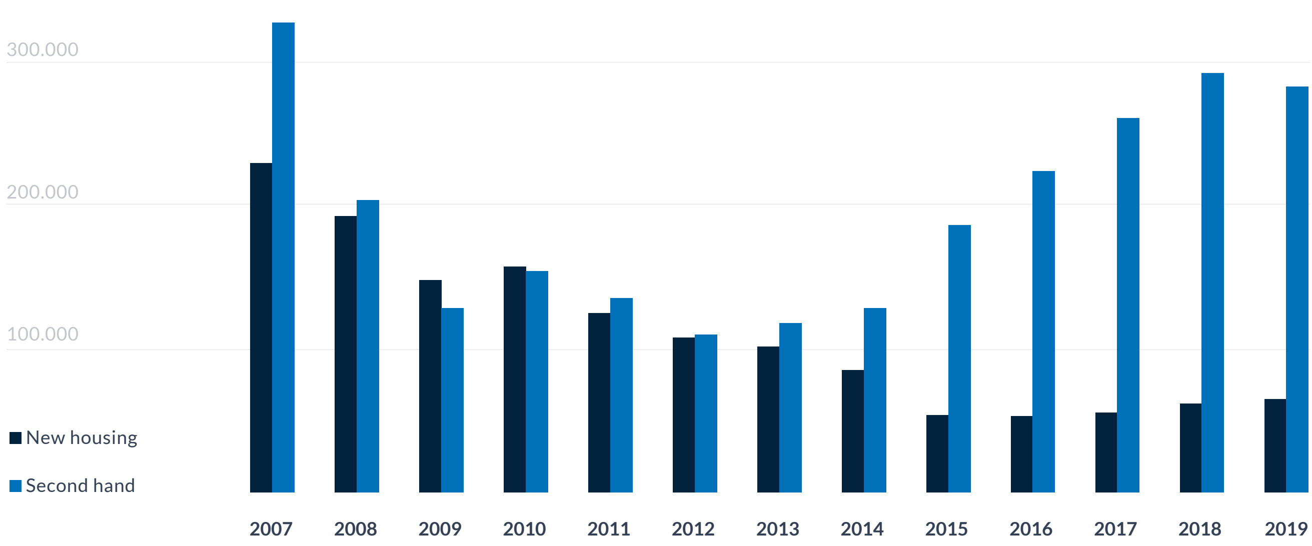
Solid demand, coupled with reduced supply in good locations, drove annual growth in average house prices of 4.2% to September, **evidencing the prevailing imbalance between supply and demand** in sought-after locations and specifically well-designed homes at attractive prices.

Despite that price growth, as of September 2019, average sales prices (nationwide) remained 33% below their peak, according to a report published by the appraiser, TINSA (IMIE index).

With regards to the impact of the **evolution of Housing Price Appreciation and Construction Cost Inflation** on the company's gross margin, calculated over a sample of 5,032 units in construction, completed or delivered, has been of +150 bps over the expected at IPO, resulting in a gross margin of 28.8% which is an increase of € 60.5 million compared to the expected at IPO.

Due to the high level of progress of the business plan, visibility over revenues stands at c.1,900 Million € until 2021 which would imply the **generation of cash in this period of c.460 Million €**, net of corporate debt and c.330 Million € of investment in land (implying € 90 million for 2019). Not considering treasury stock. The company forecasts a cash generation of € c.1,300 million until 2023, net of corporate debt and c.500 Million € of investment in land. Not considering treasury stock.

HOUSING TRANSACTIONS FROM JANUARY TO AUGUST



SOURCE: INE

As for the stock markets, in general terms the global markets rallied throughout the third quarter, having sustained widespread losses in mid-August. Most of the main indices, with the exception of the FTSE 100, have recovered to their pre-correction levels. The various indices were performing well at the close of the third quarter, with the European and American markets moving largely in tandem, rebounding from the mid-August correction, despite the fact that many of the sources of uncertainty linger: Brexit, global economic slowdown, trade war dynamics. Not to mention the impact of geopolitical tensions on oil prices following the attacks on refineries in certain producer nations. Against that backdrop, the stock market rally, particularly in Europe, can be attributed almost exclusively to the latest round of easing announced by the central banks, including the Fed and the ECB.

Despite the Spanish stock market's strong performance, with the IBEX-35 up 8.2% in 9M19, the Spanish homebuilding sector continues to trade at a significant discount to NAV. **AEDAS Homes continued to withstand** the concerns over the sector's ability to deliver on guidance better than its peers: its share price has **rallied firmly** from its annual low, reached on 14 August in the midst of a widespread correction in equities. Nevertheless, **the company's strong business performance has not been echoed in its share price performance**: its shares ended September at €21.05, down 5% from year-end 2018.

2. Business performance

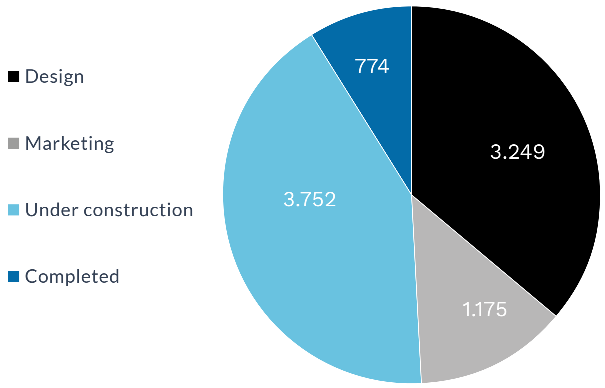
2.1 Homes under development

Homes are considered under development from when they enter the design phase until their delivery.

At 30 September 2019, the company had a total of 8,950 homes under development, having started to develop 1,895 units over the course of 2019.

The breakdown of the homes under development by phase of development is as follows: 3,249 units at the design stage; 1,175 in the marketing phase; 3,752 under construction; and 774 finished.

ACTIVE UNITS CLASIFICATION



2.2 Launches

Housing units are considered launched once marketing is underway, i.e., they are classified as 'launched' subsequent to the design phase, once they are put up for sale.

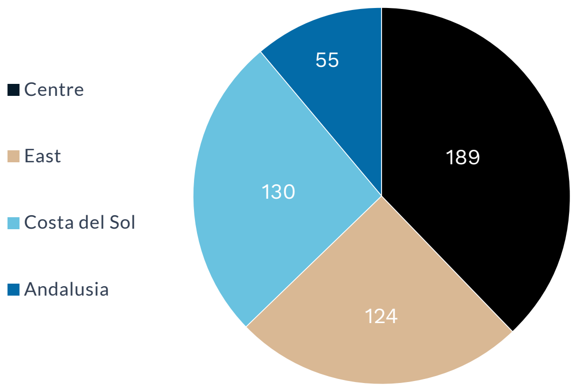
During 9M19, the company launched **31 residential developments** encompassing **1,992 units** in total. That marks year-on-year growth of 29% in the number of developments and of 9% in the number of units launched.

The **target** is to launch 2,580 units in 2019, so that the 9M19 volume marks a **77% delivery rate** with just three months to go.

The GDV of the units launched in 2019 is €663 million, implying an **average selling price (ASP) per unit launched of €332,831** (subject to change).

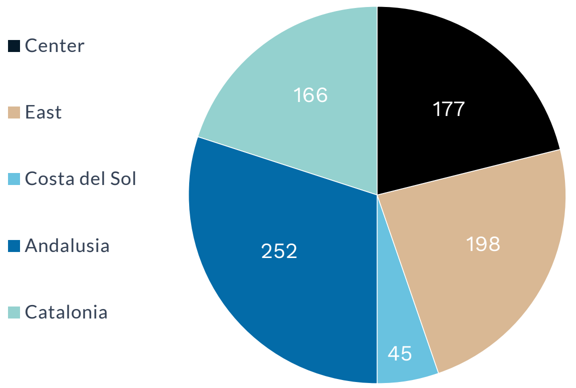
In the first quarter of 2019, the company launched **498 units** corresponding to ten developments. Of that total, 189 units were launched in the Centrer region; 124 units in the East region; 55 in Andalusia; and 130 on the Costa del Sol. No new developments were launched in Catalonia in the first quarter.

Q1 REGIONAL LAUNCHES BREAKDOWN (HOUSING UNITS)



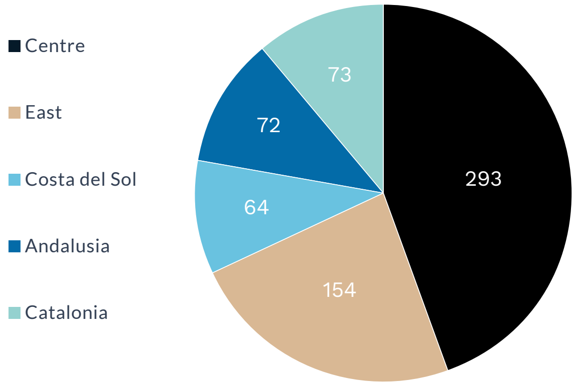
In the second quarter of 2019, the company launched **838 units** corresponding to 13 developments. Of that total, 177 units were launched in the Centre region; 166 units in Catalonia; 252 in Andalusia; 198 in the East region; and 45 on the Costa del Sol.

Q2 REGIONAL LAUNCHES BREAKDOWN (HOUSING UNITS)



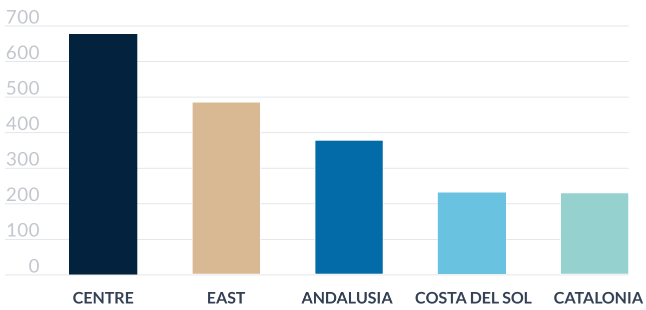
In the third quarter of 2019, the company launched **656 units** corresponding to eight developments. Of that total, 293 units were launched in the Centre region; 73 units in Catalonia; 72 in Andalusia; 154 in the East region; and 64 on the Costa del Sol.

Q3 REGIONAL LAUNCHES BREAKDOWN (HOUSING UNITS)



As of 30 September 2019, the company had **launched a cumulative 95 residential developments** encompassing **6,029 housing units** with a **GDV of €2.16 billion**. The breakdown of the units launched in 9M19 by regional branch is as follows: in the Central region, 659 units representing 33% of the total; in Catalonia, 239 units accounting for 12% of the total; in Andalusia, 379 units representing 19%; on the Costa del Sol, 239 units accounting for 12% of the total; and, lastly, in the East region, 476 units representing 24%.

TOTAL LAUNCHES REGIONAL BREAKDOWN 9M 2019 (HOUSING UNITS)



2.3 Sales

The sale of a unit begins with execution of a presale agreement. Once the company has a building permit for a pre-sold house, the customer is asked to execute a sale contract. Lastly, when the construction work is complete and the occupancy licence has been obtained, the customer is asked to sign the deed of purchase, upon which the house is delivered immediately.

In 9M19, **pre-sales totalled 1,224 homes**, marking year-on-year volume growth of 45% (9M18: 843).

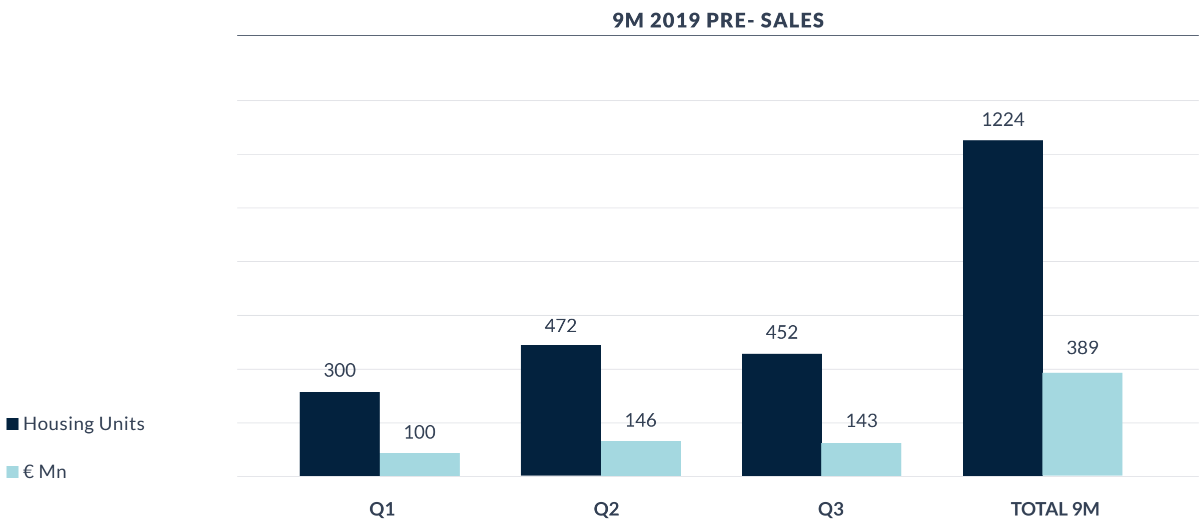
The value of the units pre-sold in 9M19 is **€389 million**, implying an average selling price (ASP) **per unit of €318,000**. Pre-sales increased by 27% by value year-on-year.

The breakdown of pre-sales by quarter:

In the first quarter of 2019, the company pre-sold **300 units** for €100 million.

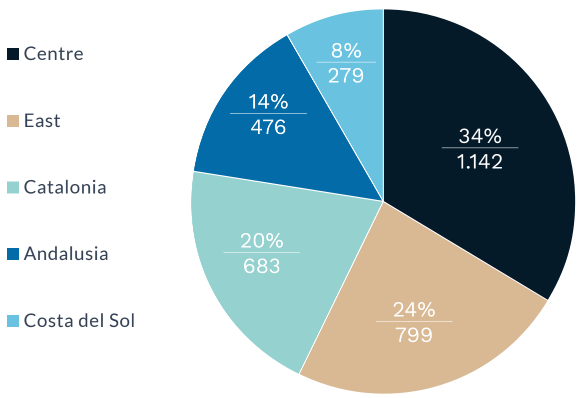
In the second quarter of 2019, it pre-sold **472 units** for €146 million.

In the third quarter, it pre-sold **452 units** for €143 million.



At 30 September 2019, the company had **sold an accumulated** (2017, 2018 and 9M19) **3,379 units** representing sales revenue of **€1.15 billion**. Of that total, **508**, valued at **€128 million**, had been delivered. As a result, the **pipeline at the September close amounted to 2,871 units valued at €1.02 billion.**

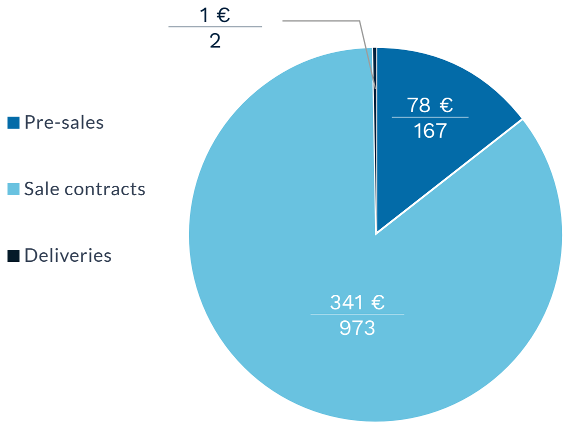
REGIONAL BREAKDOWN - ACCUMULATED SALES
(% / nº units)



Accumulated sales in the Centre region stood at 1,142 units (33.8% of the total), of which 167 are pre-sales, 973 are under sale contract and two have been delivered. The pre-sales amount to €78.4 million, the contracts to €340.7 million and the deliveries to €0.8 million. The average sales price of those units is €368,000.

Sales to date in this region - €420 million - account for 36.6% of total accumulated sales.

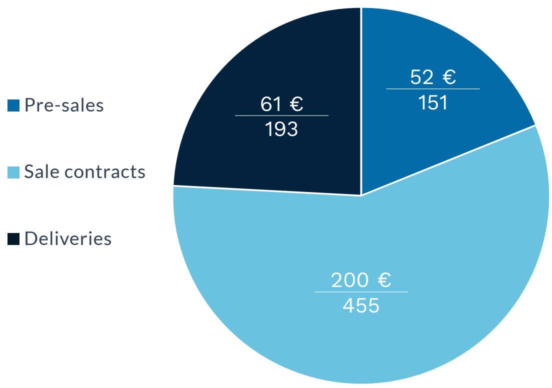
CENTRE - ACCUMULATED SALES
(€ Mn / nº units)



Accumulated sales in the East region stood at 799 units (23.6% of the total), of which 151 are pre-sales, 455 are under sale contract and 193 have been delivered. The pre-sales amount to €51.6 million, the contracts to €199.9 million and the deliveries to €60.5 million. The average sales price of those units is €390,488.

Sales to date in this region - €312 million - account for 27. % of total accumulated sales.

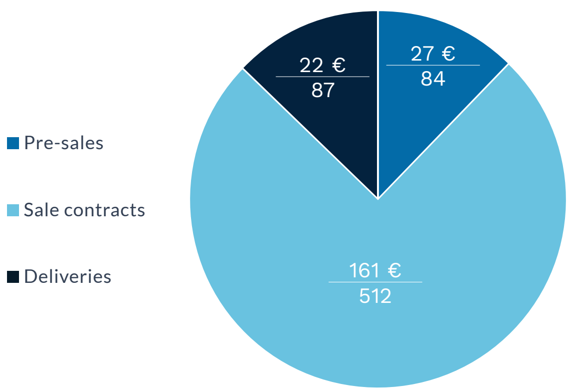
EAST - ACCUMULATED SALES
(€ Mn / nº units)



Accumulated sales in Catalonia stood at 683 units (20.2% of the total), of which 84 are pre-sales, 512 are under sale contract and 87 have been delivered. The pre-sales amount to €26.7 million, the contracts to €161.3 million and the deliveries to €22 million. The average sales price of those units is €307,540.

Sales to date in this region - €210.05 million - account for 18.3% of total accumulated sales.

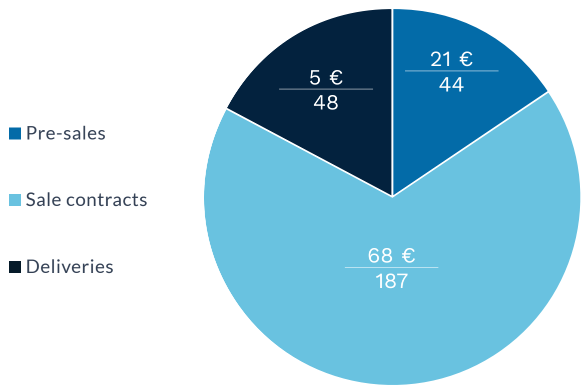
CATALONIA - ACCUMULATED SALES
(€ Mn / nº units)



Accumulated sales in the Costa del Sol region stood at 279 units (8.2% of the total), of which 44 are pre-sales, 187 are under sale contract and 48 have been delivered. The pre-sales amount to €21.2 million, the contracts to €67.6 million and the deliveries to €5.3 million. The average sales price of those units is €337,000.

Sales to date in this region - €94.1 million - account for 8.2% of total accumulated sales.

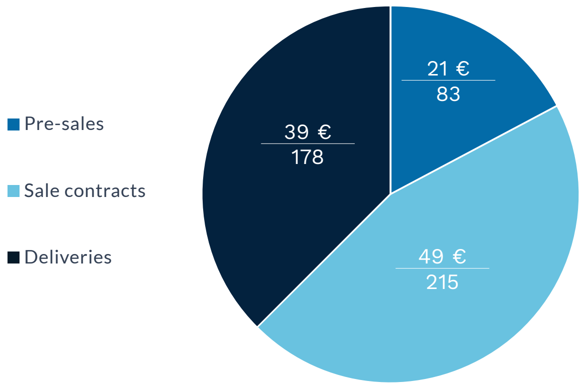
COSTA DEL SOL - ACCUMULATED SALES
(€ Mn / nº units)



Accumulated sales in Andalusia stood at 476 units (14% of the total), of which 83 are pre-sales, 215 are under sale contract and 178 have been delivered. The pre-sales amount to €21.15 million, the contracts to €49.3 million and the deliveries to €39.3 million. The average sales price of those units is €230,000.

Sales to date in this region - €109.8 million - account for 9.6% of total accumulated sales.

ANDALUSIA - ACCUMULATED SALES
(€ Mn / nº units)



2.4 Construction

During the first nine months of 2019, the company began construction on 1,691 homes, marking growth of 55% over the 1,094 on which building started in the same period of 2018. At 30 September 2019, the company had a total of **3,752 units under construction, having finished 774 and delivered 508**, bringing the number on which the company has begun work since getting started to a **total of 5,034**.

In the first quarter of 2019, construction began on 520 units and work finished on 162.

In the second quarter, construction began on 863 units and finished on 250.

In the third quarter, construction began on 308 units and finished on 576.

2.5 Building permits

Building permits are awarded by the municipal authorities. Permit applications include the architectural plans which must necessarily comply with municipal planning and zoning requirements. Municipal authorities are obliged to grant building permits to the extent the plans meet those requirements. The permitting period depends on each authority's responsiveness.

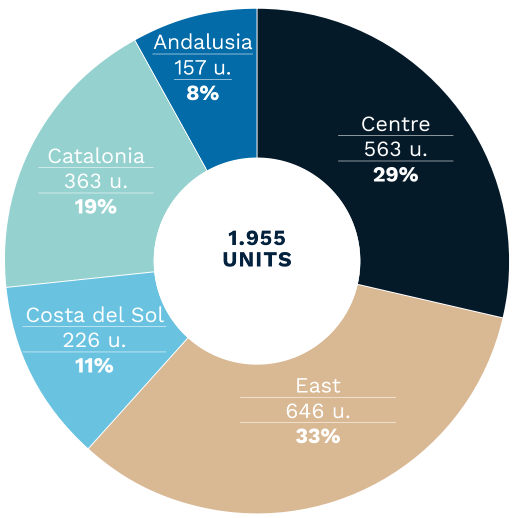
During the first nine months of 2019, the company obtained a total of 1,955 building permits, growth of 78% over the 1,100 obtained in 9M18. That means that by the September close, the company had obtained building permits for 5,338 homes in total.

In the first quarter of 2019, building permits were obtained for 904 units.

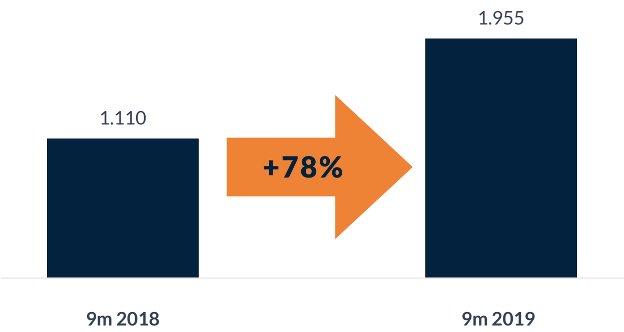
In the second quarter, building permits were obtained for 648 units.

And in the third quarter, permits were obtained for 403 units.

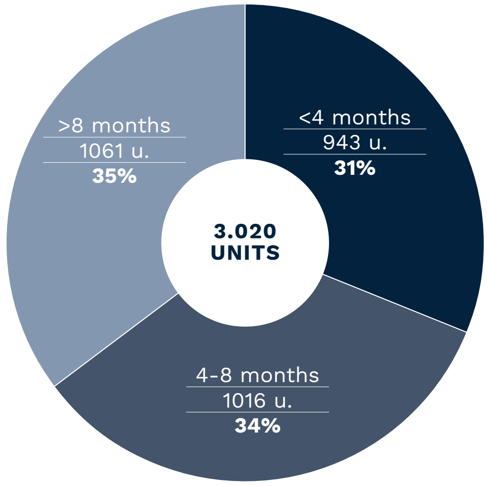
PERMITS GRANTED IN 2019 BY REGION



BUILDING PERMITS GRANTING EVOLUTION



PERMIT REQUEST MATURITY AS OF Q3 2019



2.6 Deliveries

REGION	DEVELOPMENT	TOTAL UNITS	2017	2018	1Q19	2Q19	3Q19	DELIVERY TARGET 2019	TOTAL 2019	TOTAL ACCUMULATED
CATALONIA	RESIDENCIAL NOU EIXAMPLE MAR	88	0	29	45	12	1	58	58	87
EASTERN REGION	BRISAS DEL ARENAL	64	0	53	5	4	2	11	11	64
EASTERN REGION	HACIENDA DEL MAR 2	126	0	122	2	2	0	4	4	126
COSTA DEL SOL	RES. GALERA SUN	48	0	27	5	0	0	5	5	32
COSTA DEL SOL	MARINA REAL	80	0	0	0	0	3	80	3	3
ANDALUSIA	RES. JARDINES HACIENDA ROSARIO F-1	78	0	0	0	23	47	77	70	70
ANDALUSIA	RES. JARDINES HACIENDA ROSARIO F-2	63	0	0	0	0	11	60	11	11
ANDALUSIA	RES. VILLAS DE ARCO NORTE F-1	50	0	0	0	4	42	50	46	46
ANDALUSIA	RAMON Y CAJAL	54	0	0	0	0	27	40	27	27
ANDALUSIA	RES. VILLAS DE ARCO NORTE F-2	62	0	0	0	0	24	57	24	24
CENTRAL REGION	TERRAZAS DE LOS FRESNOS I	30	0	0	0	0	2	30	2	2
	TOTAL	**743**	**16**	**231**	**57**	**45**	**159**	**472**	**261**	**508**

3. Investments

AEDAS Homes remains one of the most active purchasers of land in Spain. The investments closed over the course of the first nine months of 2019 are designed to meet the new development launch targets set by the company in its 2017-2023 business plan.

In keeping with the company's investment policy, the assets acquired in 9M19 comprised, at a minimum, Fully Permitted Land (FPL), i.e., land zoned for development but in respect of which either (i) the relevant urban planning and allotment processes have not been fully approved and/or implemented; or (ii) only the utilities and services required for urban use need to be completed for classification as Ready-to-Build (RTB) Land, i.e., land for which only the corresponding building permits are required for the housing developments to proceed. The newly acquired land is located in the provinces with the most dynamic homebuilding markets. Land development is managed by the company's five regional branches. All of the land acquired presents upside of at least 20% in terms of the net developer margin, calculated assuming acquisition-date average sales prices and costs. The land will be earmarked to the development of unsubsidised homes in the mid to upper-mid segments of the market.

In all, the company closed 15 land purchase transactions in 9M19. It is worth highlighting the strategic purchase of land for the first time in the cities of Zaragoza, Pamplona and Vigo. The land acquisitions break down as follows by location/region: three transactions in each of Granada and Seville (Andalusia); three in Javea, one in Denia, one in Valencia and one in Alicante (Eastern region); one in Vigo, to be coordinated from the Central region; one in Pamplona and one in Zaragoza, to be coordinated by the Catalan region.

In total, the company invested €70.3 million in 9M19 in 15 new projects which will require additional investment of an estimated €1.8 million. The newly acquired land presents scope for the development of 897 housing units. 47% of those units are located on Ready-to-Build Land and the remaining 53% on Fully Permitted Land.

In sum, the average acquisition cost per housing unit once all of the land is brought to RTB permitting status is estimated at €80,000/unit, ranging from a low of €27,000/unit in the province of Seville to a high of €184,000/unit in Pamplona.

The recent entry into the cities of Zaragoza, Pamplona and Vigo is the result of the company's constant strategic monitoring of Spain's main cities. The analysis conducted revealed that demand is solid in all three cities (home purchases have doubled from minimum levels), which also present upside price-wise. That demand is mainly the result of population growth since 2016, in turn fuelled by clearcut economic momentum (unemployment rates of under 10% in Zaragoza and Pamplona and slightly below the nationwide average in Vigo) and population migration to these cities from surrounding towns.

Price recovery in these cities is only recent, so that AEDAS Homes is positioning itself in these markets at the start of their respective housing market recoveries. New builds are clearly under-represented in total home sales in these markets, forcing buyers to look to the second-hand housing market. Indeed, new development take-up rates are higher than average in these cities.

Lastly, the newly acquired sites are considered prime locations, i.e., top-tier locations in terms of 'desirability' for the company's target audience: the developments will be targeted at the mid to upper-mid segments of the market and the sites are conducive to upholding AEDAS Homes' standards in terms of type of housing, specifications, common areas, etc.

With those latest acquisitions, at 30 September 2019, the company's land bank encompassed c.15,545 housing units, up 4.4% from year-end 2018, net of the deliveries completed to date.

In addition to the land acquired, the company holds **call options** on land with scope for the development of **673 units.**

The company has committed to another **four transactions** under the scope of "Land Feeder" with scope for the development of **508 homes (the figure corresponding to AEDAS Homes)**, which will be recognised as inventories by the company once the land is fully permitted and it has exercised its conversion right; additionally, these transactions would allow the company to acquire land to develop 854 units by executing the Right Of First Offer (ROFO). The company has **invested €13.7 million** to acquire these sites , which will require further investments of an estimated **€9 million** to fully permit them. Of those 508 units, 258 are located in the Central region; 197 on the Costa del Sol; and 53 in Andalusia.

4. Treasury Stock

At a meeting held on 25 July 2019, the company's Board of Directors agreed to **buy back shares**, initially in the form of a discretionary program. Subsequently, on 25 September, the directors resolved to buy back enough shares to lift the number of own shares held as treasury stock (following the discretionary repurchases) to 2,500,000, approving a share repurchase programme to this end. Note that the maximum number of shares to be repurchased may be reduced if, during the term of the repurchase programme, the company buys back own shares in a block trade. A total of **398,724 own shares were repurchased between the start of the initiative on 7 August and 30 September 2019 for €8.19 million.**

The cap on the investment in own shares is €50 million during the 36 months elapsing from the start of the Repurchase Programme launched on 1 October 2019.

All of the shares bought back via the **Discretionary Programme** will be **amortized**.

Similarly, all of the shares bought back under the **Repurchase Programme** will be subsequently **amortized**.

Any shares acquired via **block trades** may be **amortized, sold or used in potential M&A or business deals**.

5. Employees

The company conducts its business across five regional branches: Catalonia (Barcelona, Tarragona, Zaragoza and Navarre); the Central region (Madrid, Valladolid and Vigo); Andalusia (Seville and Granada); Costa del Sol (Malaga); and the Eastern region (Valencia, Alicante and Mallorca. **At the September close it had a total of 211 employees**.

6. Corporate governance

6.1 Corporate social responsibility

AEDAS Homes' corporate social responsibility policy was formulated with the aim of creating value sustainably for its shareholders, employees, suppliers and for society in general, by offering its customers the houses they want: meticulously designed houses with personality, sustainably built and equipped with cutting-edge technology so as to provide the people living in them with an ideal experience and well-being.

7. Financial Information

7.1 Statement of profit or loss

The main profit and loss headings clearly evidence the company's ramp-up: revenue increased by 10% year-on-year in the first nine months of 2019 to **€61 million**. All of that revenue derived from the sale of new homes. **9M19 revenue, despite registering growth year-on-year, represents just c.15% of the revenue target for 2019, as the fore-cast deliveries are heavily concentrated in the fourth quarter of the year**. As a result, FY19 revenue will register significant growth compared to FY18. Gross profit amounted to €15 million in 9M19 and the margin stood at 25%. Note, once again, that the houses delivered by 30 September 2019 represent just c.15% (by value) of the figure targeted for the full year.

Direct expenses registered year-on-year growth of 29% to €7.5 million, due to the rise in the number of developments launched

AEDAS HOMES in € Mn[1]	30/09/2019	30/09/2018	Variation € Mn[1]	Variation %
Revenue	**60.8**	**55.4**	**5.4**	**10%**
Cost of Goods Sold	(45.8)	(39.6)	(6.2)	16%
Gross Margin	**15.0**	**15.8**	**(0.8)**	**5%**
% Gross Margin	25%	29%	-	14%
Marketing and Sales commissions	(7.5)	(5.8)	(1.7)	29%
Other expenses related to developments & Taxes	(1.6)	(1.3)	(0.3)	23%
Net Margin	**5.9**	**8.7**	**2.8**	**32%**
% Margen Neto	10%	16%	-	60%
Overheads	(17.7)	(13.7)	(4.0)	29%
Other operating income & expenses	0.3	1.5	(1.2)	80%
Inventory Impairment losses /Gains	0.1	(0.1)	0.2	200%
EBITDA	**(11.4)**	**(3.6)**	**(7.8)**	**216%**
Depreciation and Amortization	(1.1)	(0.3)	(0.8)	266%
Financial Results	(6.0)	(3.9)	(2.1)	54%
EBT	**(18.5)**	**(2.0)**	**(16.5)**	**825%**
Corporate tax	5.1	11.3	(6.2)	55%
Net Income	**(13.4)**	**5.5**	**(18.9)**	**344%**
% Net Income	-	10%	-	-
Minority interests	-	1.3	-	-
Net income attributable to the Parent company	**(13.4)**	**4.2**	**(17.6)**	**419%**

for marketing. **Note that this heading recognises the marketing costs associated with all of the developments launched by the September close irrespective of whether or not they were actually delivered during the reporting period.**

General expenses were 29% higher year-on-year at €17.7 million, shaped by the fact that the company is close to having the full staff it needs to execute its business plan.

It is also worth noting the increase in finance expenses in the period due to additional drawdowns of the corporate loan and new commercial paper issues.

The company posted a loss of €13.4 million in the first nine months of 2019. The loss reflects the fact that the deliveries scheduled for this year are heavily concentrated in the last quarter, which is when the company will recognise most of its revenue for FY19.

7.2 Balance sheet, statement of cash flows and average supplier payment term

7.3.a Balance sheet

The most noteworthy development in balance sheet terms is the 20% increase in current assets from year-end to €1.48 billion.

That growth was driven mainly by the 24% increase in inventories to €1.34 billion, broken down between land (50%), construction in progress (32.5%), finished product (16%) advances to suppliers (1.5%).

The growth in inventories, of €262 million, was financed primarily by the following balance sheet items, among others:

€25 million came from cash and current prepayments, which, combined, decreased from €111 million at year-end 2018 to €86 million at the September close.

€108 million came from trade and other accounts payable, which increased from €172 million at year-end 2018 to €280 million at the September close.

- €81 million stemmed from the increase in customers down payments, which closed September at €200 million.
- €27 million originated from the increase in trade payables, which closed 9M19 at €72 million.

€32 million derived from the issuance of commercial paper, for a total balance outstanding at 30 September 2019 of €66 million.

€192 million came from current bank loans, which increased mainly on account of €147 million already drawn down under the syndicated loan which was reclassified to current borrowings, as it is now due within 12 months of the reporting date. Drawdowns under the syndicated loan increased by €90 million from year-end 2018; note that this facility was previously included under 'non-current bank borrowings'. Lastly, developer loans increased by €44 million.

For more information about the company's borrowings, refer to section 7.6 of this report.

Elsewhere the own share repurchases embarked on in 3Q19 are recognised within the company's equity, as a reduction of €8.2 million under 'own shares and own equity investments'.

AEDAS HOMES in € Mn[1]	30/09/2019	31/12/2018	Variation € Mn[1]	Variation %
Non-current Assets	**45**	**27**	**18**	**67%**
Inventories	1,338	1,076	262	24%
Trade and Other Receivables	46	42	4	10%
Short Term Accruals	12	8	4	50%
Cash and Equivalents	84	109	(25)	23%
Current Assets	1,480	1,235	245	20%
Total Assets	**1,525**	**1,262**	**263**	**21%**
Equity	915	935	(20)	2%
Long Term Financial Borrowings	1	58	(57)	98%
Other Long Term Borrowings	2	1	1	100%
Non-current Liabilities	3	59	(56)	95%
Provisions	7	1	6	600%
Short Term Financial Borrowingss	317	92	225	245%
Other Short Term Borrowings	3	3	,	,
Trade and other payables	280	172	108	63%
Current Liabilities	607	268	339	127%
Total Equity and Liabilities	**1,525**	**1,262**	**263**	**21%**

AEDAS HOMES

7.4.b Statement of cash flows

Cash and cash equivalents declined from €103 million at year-end 2018 to €73.8 million at 30 September, a decrease of €29.2 million.

This is the net result of net cash outflows from operating activities of €184.8 million, net cash outflows from investing activities of €4.6 million (Investing activities reflecting equity contributions of first deals sealed under the Land Feeder agreement, under the equity method of accounting) and net proceeds from financing activities of €160.2 million (the increase breakdown as follows: €52.2 million of developerloans disposals net of repayments, €7.1 million of treasury stock increase, €31.6 million of Commercial notes issuance and €89.2 million of sindicated loan disposal).

The **working capital variation** has continued to peak, as it reflects company´s proximity to run rate operational status. The breakdown of this evolution is as follows: WIP €41.5 million as it maintains its growth tied to construction activity, Completed Product €197.1 million increases substantially ahead of delivery in the following months and Land Investment, €15.0 million (net of activated developments). On the other hand, Trade and Other Payables has increased mainly due to client down payment of €80.0 million, creditors increase of €28.0 million, net of €26.3 million of other items variation, such as suppliers or provisions among other items variation.

Summary Cash Flow Statement AEDAS HOMES (In € Mn[1])	30/09/2019	31/12/2018
EBT	**(18.6)**	**(8.1)**
Change in Trade Provisions	15.4	3.0
Change in Investment properties	1.0	(0.5)
Financial cost / (income)	14.4	9.6
Other Income / (expense)	(8.4)	(6.4)
Change in working capital	**(184.4)**	**(142.9)**
Inventories	(253.6)	(185.3)
Trade and other receivables	(12.3)	5.5
Trade and other payables	81.9	37.8
Other operating cash flows	(0.7)	(0.9)
Net cash flow from operating activities	**(184.8)**	**(157.3)**
Net cash flow from investment activities	**(4.6)**	**(5.9)**
Net cash flow from financing activities	**160.2**	**93.7**
Net cash increase / (decrease)	**(29.2)**	**(69.5)**
Cash BoP	103.0	172.4
Cash EoP	**73.8**	**103.0**
Available Cash	**22.4**	**60.5**

7.5.c Average supplier payment term

In the first nine months of 2019, suppliers were paid at **55.19 days** on average.

7.6 Debt

At 30 September 2019, the company's gross debt stood at €320 million, made up primarily of €100 million of bank loans (secured by mortgages) used to finance developments under construction and €217 million of corporate loans, obtained from the parent's syndicated loan and the issuance of commercial paper.

The limit on the borrowings arranged by the company stands at €930 million, €711 million of which consists of developer loans.

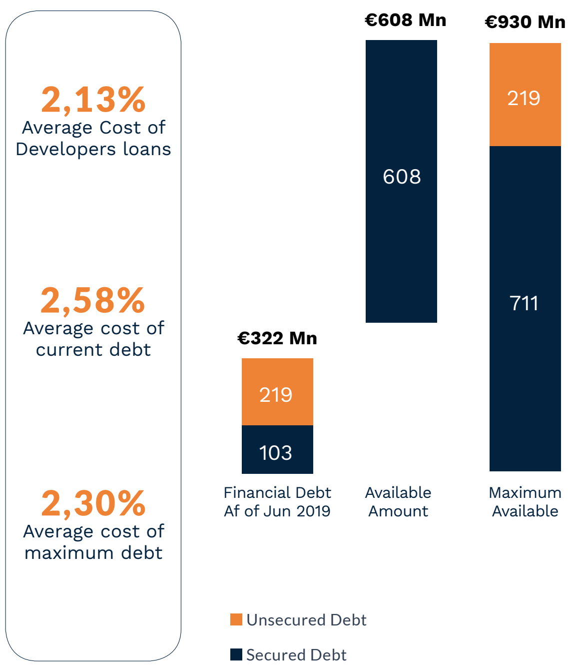
As a result, the company's net debt at the September close stood at €298 million, up 210% from year-end 2018.

The snapshot of AEDAS Homes' borrowings reveals a diversified mix of sources of financing and lenders, so that its financial risk is not concentrated.

At the September 2019 close, the company's average borrowing cost stood at 2.58% (the increase is due to the full disposition of the Term Loan); the average cost of its developer loans was 2.13%. If it were to draw down the entire limit, the borrowing cost would be 2.30%.

The 105% increase in borrowings from year-end is attributable to the acceleration in business volumes as the company ramps up its operations. Despite the increase and reflecting the low level of drawdown for the reasons outlined above, **the company's LTV and LTC ratios stood at 15% and 22%, respectively, as of 30 September.**

	Sep 2019	Dec 2018
Secured Financial Debt	100.5	57.1
Unsecured Financial Debt	217.1	97.3
Other Financial Debt	2.6	1.7
Gross Financial Debt	**320.2**	**156.2**
Available Cash	22.4	60.5
Net Debt (Net Cash)	**297.9**	**95.7**
Total Cash	125.3	103.0



8. Share price performance and price-sensitive notices

8.1 Share price performance

Despite the Spanish stock market's strong performance, with the IBEX-35 up 8.2 % in 9M19, the Spanish homebuilding sector continues to trade at a significant discount to NAV. Year-to-date, **AEDAS Homes remains the best-performing player, withstanding** concerns about the sector's ability to deliver on guidance better than its peers and **rallying strongly** from its annual low. AEDAS Homes' share price started the year at €22.16/share, reaching a high for the year of €24.05/share on 21 May and marking a low of €18.18/share on 14 August. It closed at €21.05 on 30 September. Accordingly, the company's share price **corrected by 5% in the first nine months of 2019.** As for liquidity, the equivalent of 48.47% of total outstanding shares traded hands in 9M19.

IBEX Index (IBEX 35 Index) Copy of AEDAS Daily 31DEC2018-30SEP2019

Source: Bloomberg

8.2 List of price-sensitive notices

Publication date	Type of notice	Summary content	Registration no.
21/01/2019	Announcements of public presentations or meetings	FY2018 results webcast announcement	274053
21/01/2019	Liquidity contracts and specialists	4Q2008 transactions - liquidity contract	274056
24/01/2019	Liquidity contracts and specialists	Liquidity agreement resumed	274142
20/02/2019	Annual corporate governance report	Submission of annual corporate governance report for 2018	274918
20/02/2019	Board of directors remuneration annual statement	Submission of annual statement on director remuneration for 2018	274919
20/02/2019	Interim financial information	Submission of information about the company's second-half 2018 results	274920
20/02/2019	Information on P&L	FY18 earnings presentation	274921
22/03/2019	Liquidity contracts and specialists	Liquidity agreement termination	276326
01/04/2019	Liquidity contracts and specialists	Sale of shares and cash account transfers. Liquidity agreement termination	276686
05/04/2019	Composition of the board of directors	Milagros Méndez appointed as independent director	276777
05/04/2019	Announcements and resolutions of general shareholders meetings	2019 General Shareholders' Meeting Announcement	276778
12/04/2019	Transactions and guarantees on assets	AEDAS - turnkey projects	277062
23/04/2019	Announcements of public presentations or meetings	1Q19 results release. Conference call and webcast announcement	277314
30/04/2019	Interim financial information	Submission of information about the company's first-quarter 2019 results	277596
30/04/2019	Information on P&L	1Q19 results	277597
10/05/2019	Announcements and resolutions of general shareholders meetings	General Shareholders' Meeting 2019 - resolutions approved	278052
20/05/2019	Strategic agreements with third parties	Castlelake agreement	278394
14/06/2019	Fixed-income issues	2019 AEDAS Homes commercial paper programme	279203
02/07/2019	Strategic plans, profit forecasts and presentations	"Building on strong fundamentals" Presentation, Centre Branch Presentation and valuation model	279790
22/07/2019	Announcements of public presentations or meetings	H1 2019 results webcast announcement	280422
23/07/2019	Announcements of public presentations or meetings	H1 2019 results webcast announcement	280443
25/07/2019	Interim financial information	Information about the company's first-half 2019 results	280620
25/07/2019	Information on P&L	AEDAS Homes – H1 2019 results	280621
27/09/2019	Buy-back programmes, stabilisation and treasury stock	Buy-back programme announcement	282099

9. Events after the reporting date

The only significant development occurring between the reporting date, 30 September 2019, and the date of this report was the following:

- On 10 October 2019, at the market close and as part of the share repurchase effort initiated on 7 August, AEDAS Homes' own share count reached the stipulated threshold, i.e., a number equivalent to 1% of share capital.

Ramón y Cajal,
Seville.