Quabit Inmobiliaria

RESULTS
JANUARY – JUNE 2018

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

1. BUSINESS PERFORMANCE AND GROUP SITUATION

1.1. Key highlights for Q2 2018

INVESTMENTS. ONGOING PROJECTS

- In the first semester of 2018, the development portfolio has been increased with 686 homes. With this, at 30th June 2018, the Quabit Group had 45 developments at different stages of execution with a total of 3,237 housing units with an estimated turnover of 672 million euros.

- Likewise, works in progress continue to advance according to the planning. The delivery of 116 unit houses from the development of Aguas Vivas, located in Guadalajara, has begun in June. During 2018, works have been started in 7 developments, so at 30th June 2018, there are 11 developments with a total of 704 house units with works commenced. Developments in delivery and construction phases totalize 1,025 house units at the date of this Interim Report was published.

- The pre-sales portfolio (customer commitments through reserves and contracts), at 30th June 2018, comprises 814 residential units in the sum of 169 million euros. At 20th July, the portfolio amounts 885 homes by 194.9 million euros.

INVESTMENTS. LAND PURCHASES

- In 2018, Grupo QUABIT continues the investment efforts that have been carried out during 2017. To the 160.8 million euros of total investment in 2017 (representing 526,016 square meters of buildable land), acquisitions representing 85,130 square meters buildable (sqmb) have been added during the first semester, by an amount of 23.7 million euros.

- Following these transactions, the Group at 30th June 2018 had under management 1,096,831 sqmb between works in progress and in delivery phase (100,799 sqmb), and land bank (996,032 sqmb): (1) consolidated land portfolio (772,316 sqmb), (2) land acquisition operations to be added in the near future to the consolidated portfolio (160,782 sqmb) and (3) rights over land as collateral (62,934 sqmb).

- Additionally, after 30th June 2018 and until the date of publication of this Interim Report, Quabit has received land awards for 23,665 sqmb, with an investment of 8.4 million euros.

FINANCING OF INVESTMENTS

- The financing of projects in progress is carried out via development loans.

- Land investment is being financed through equity (funds from capital increase) and financing facilities granted by funds.

- At 27th March 2018 Grupo QUABIT has signed a 50 million euros credit line with funds advised by Taconic Capital Advisors UK LLP and Grupo Royal Metropolitan España, S.A. The destination of credit line funds is the financing of land purchases (70% of purchase prices). On 30th June 2018, this credit line is available for his total amount.

- In May 2018, a capital increase with subscription rights was completed having an excess demand for a total amount of 63 million euros (nominal value plus premium).

DEBT EVOLUTION

- Decrease in gross debt of 2.5% compared to 31st December 2017.

- On the one hand, the debt has increased due to drawdowns from financing lines that belong to the funds managed by Avenue Europe International Management, L.P ("Avenue"), and drawdowns from development loans for a total amount of 21.4 million euros.

- On the other hand, debt was reduced by 35.2 million euros due to: advance payment to Sociedad de Gestión de Activos procedentes de la Restructuración Bancaria, S.A. (SAREB) associated with the capital increase for an amount of 12.2 million euros; amortization of debts for 1.6 million; cancellations due to sales amounting to 6.5 million; and a release of debt by 14.9 million euros, consolidating as the payment schedule is attended.

Q2 2018 RESULTS

Key Profit & Loss figures

(Thousands of euros)	30/06/2018	30/06/2017	Variation
Revenue	**9,154**	**2,818**	**224.8%**
EBITDA *(*)*	**3,725**	**(822)**	**553.2%**
Financial loss	**(2,448)**	**(1,815)**	**(34.9%)**
Profit/(Loss) before tax	**1,179**	**(3,525)**	**133.4%**
Net Profit/(Loss)	**1,143**	**(3,525)**	**132.4%**
- Attributable to the Parent Company	*1,178*	*(3,522)*	133.4%
- Attributable to Minority Interests	*(35)*	*(3)*	(1,066.7%)

(*) See note on Alternative Performance Measures at the end of this Interim Report.

- Revenues increase since in the first semester the accounting record has been made in the first deliveries of Quabit Aguas Vivas development (68 homes delivered from the 116 total of the development). Deliveries of the rest of homes in this development is foreseen for the rest of the year 2018, in addition to the completion and entry in phase of delivery of another 99 houses in 3 developments.

- This increase in revenues starts to generate positive EBITDA, although the improvement in EBITDA in relation to 2017 is mainly due to the income recognized by debt discounts.

- A net profit of 1,143 thousand euros was obtained in Q2 2018, increased by 132.4% compared to the result of -3,525 thousand euros in Q2 2017.

- Therefore the most relevant activity of Grupo QUABIT in this Q2 2018 is the verification of compliance with the plan for completion and delivery of works in progress, and the progress in both commercial sales and developments launched, which are the key variables for the fulfillment of the delivery objectives of 2018 and 2019 and for the generation of operating results.

- For 2018, is foreseen the entry in delivery phase for 215 homes and the year will be finished with a total of 1,700 homes with works commenced.

- Additionally, pending debt discount (42.4 million euros) and the capitalization of tax credits (137.2 million euros) offer potential profits both in 2018 and subsequent years.

INCENTIVE PLAN

- In June 2018 the Board of Directors approved the Incentive Plan for the Chief Executive Officer and 17 key executives and employees, consisting of the delivery of ordinary shares representing a 2.79% of share capital and based on compliance with business metrics associated with accumulated EBITDA and total return for shareholders

VISIBILITY OF BUSINESS PLAN 2017-2022

The development of the activity in Q2 2018 reinforces the visibility of the Business Plan 2017-2022, published by Grupo Quabit in November 2017. This Plan provides for the delivery of 7,888 homes, and the visibility elements are given by:

- The developments portfolio and the land bank offer a total buildable area of 1,096,831 sqmb for 8,800 homes, of which 5,925 (75% of the deliveries showed in the Plan) are carried out in the 2017-2022 period.
- Existence of available credit lines (Taconic / Royal Metropolitan withdrawals and facilities of the lines managed by Avenue), as well as own resources to complete the Investment Plan necessary to have a land portfolio where to develop the remaining 1,963 homes.
- The policy of investment in land purchases, with an impact of around 20% of the cost of land over the expected billing, minimizes the needs for non-bank financing and limits the risk of the projects and minimizes the impact on gross margin of the land acquisition financing cost.
- Achievement of development launch milestones (3,237 homes in different phases, 41% of total homes to be delivered in the Plan period), delivery deadlines (215 homes will entry in delivery phase throughout 2018, to June 30 there are already 116), and the start of works (909 houses currently under construction, foreseen to have 1,700 homes with Works commenced at the end of 2018).
- The good performance of commercial sales that are specified in the order book (885 homes with a turnover of 194.9 million euros). The average billing for house units of the Plan is 225 thousand euros, which means launching homes with a large demand potential.
- All this, in addition, within the framework of the commitment of the Group's managers, a commitment that materialized with the implementation of the Incentive Plan that will reward the positive evolution of business results (EBITDA) and the return of shareholders.

1.2. Key figures

Consolidated P&L account

(Thousands of euros)	30/06/2018	30/06/2017	Variation
Revenue	**9,154**	**2,818**	**224.8%**
EBITDA *(*)*	**3,725**	**(822)**	**553.2%**
Financial loss	**(2,448)**	**(1,815)**	**(34.9%)**
Profit/(Loss) before tax	**1,179**	**(3,525)**	**133.4%**
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- Attributable to the Parent Company	*1,178*	*(3,522)*	133.4%
- Attributable to Minority Interests	*(35)*	*(3)*	(1.066,7%)

(*) See note on Alternative Performance Measures at the end of this Interim Report.

Consolidated financial indebtedness

(Thousands of euros)	30/06/2018	31/12/2017	Variation
Non-current bank borrowings	12,246	15,472	(20.9%)
Current bank borrowings	236,309	239,456	(1.3%)
TOTAL GROSS DEBT *(*)*	**248,555**	**254,928**	**(2.5%)**
Liquid assets *(*)*	(58,003)	(37,156)	(56.1%)
TOTAL NET DEBT *(*)*	**190,552**	**217,772**	**(12.5%)**

(*) See note on Alternative Performance Measures at the end of this Interim Report.

Residential developments

(units)	30/06/2018	30/06/2017	Variation
Pre-sales for the period *(1)*	409	80	411.3%
Deeds for the period *(2)*	68	2	3,300.0%
Pre-sales portfolio at the end of the period *(3)*	814	237	243.5%
Stock of finished houses *(4)*	59	17	247.1%

(1) Reservations and contracts (net of cancellations) made in the period.

(2) Delivered houses.

(3) Reservations and contracts for houses to be delivered in the future (finished and marketing stage developments) at a given date.

(4) Finished houses (with or without reservation or contract).

Revenues

(Thousands of euros)	30/06/2018	30/06/2017	Variation
Land management	-	2,164	(100.0%)
Residential developments	9,149	464	1,871.7%
Rented property	-	190	(97.2%)
Other	5	-	N.A.
TOTAL	**9,154**	**2,818**	**224.8%**

1.3. Financial statements

1.3.1.- Consolidated P&L account for the period ended 30th June 2018

(Thousands of euros)	30/06/2018	30/06/2017	Variation
Revenue	9,154	2,818	224.8%
Procurements	(4,200)	(7,961)	47.2%
Other operating income	16,074	10,686	50.4%
Change in trade provisions	(5,163)	4,903	(205.3%)
Personnel expenses	(3,435)	(2,453)	(40.0%)
Reversals and allowances for impairment	-	845	(100.0%)
Depreciation and amortization	(72)	(873)	91.8%
Other operating expenses	(8,703)	(4,968)	(75.2%)
Gains and losses on disposals of non-current assets	(2)	-	N.A.
Valuation of investment property at fair value	-	(4,692)	N.A.
Profit from operations	**3,653**	**(1,695)**	**315.5%**
EBITDA *(*)*	**3,725**	**(822)**	**553.2%**
Net financial loss	**(2,448)**	**(1,815)**	**(34.9%)**
Loss from investments in associates	**(26)**	**(15)**	**(73.3%)**
Profit/(Loss) before tax	**1,179**	**(3,525)**	**133.4%**
Taxes	(36)	**-**	N.A.
Net Profit/(Loss)	**1,143**	**(3,525)**	**132.4%**
Attributable to:			
Shareholders of the Parent Company	1,178	(3,522)	133.4%
Minority interests	(35)	(3)	(1.066,7%)

(*) See note on Alternative Performance Measures at the end of this Interim Report.

1.3.2.- Consolidated Balance Sheet at 30th June 2018

(Thousands of euros)

ASSETS	30/06/2018	31/12/2017	Variación
NON-CURRENT ASSETS			
Total non-current assets	**81,052**	**81,139**	**(0.1%)**
CURRENT ASSETS			
Inventories	388,344	349,063	11.3%
Other	123,559	98,097	26.0%
Total current assets	**511,903**	**447,160**	**14.5%**
TOTAL ASSETS	**592,955**	**528,299**	**12.2%**

LIABILITIES AND EQUITY	30/06/2018	31/12/2017	Variación
EQUITY			
Equity attributable to shareholders of the Parent Company	**283,383**	**223,213**	**27.0%**
Minority interests	3,208	3,243	(1.1%)
Total equity	**286,591**	**226,456**	**26.6%**
NON-CURRENT LIABILITIES			
Bank borrowings	12,246	15,472	(20.9%)
Other	11,971	12,025	(0.4%)
Total non-current liabilities	**24,217**	**27,497**	**(11.9%)**
CURRENT LIABILITIES			
Bank borrowings	236,309	239,456	(1.3%)
Other	45,838	34,890	31.4%
Total current liabilities	**282,147**	**274,346**	**2.8%**
TOTAL LIABILITIES AND EQUITY	**592,955**	**528,299**	**12.2%**

ASSETS. INVENTORIES

Inventories at 30th June 2018:

(Thousands of euros)	30/06/2018	31/12/2017	Variation
Land *(1)*	311,177	303,161	2.6%
Developments in progress *(2)*	63,358	36,956	71.4%
Finished developments *(3)*	11,260	5,712	97.1%
Advanced payments to suppliers *(4)*	1,729	2,415	(28.4%)
Other	820	819	(0.0%)
Net Book Value	**388,344**	**349,063**	**11.3%**

- *(1)* Land increased by 2.6% as a net effect between land purchases and transfers to work in progress.
- *(2)* Developments in progress increased by 71.4% due to the incorporation of construction costs related to the developments that were in progress at the end of 2017 and transfers of land development costs related to the 7 developments with works commenced in 2018: Quabit Style I (Guadalajara), Quabit Aguas Vivas II (Guadalajara), Parque Residencial de Quabit Las Suertes (Guadalajara), Quabit Torrejón VPP I (Madrid),

Quabit Riverside (Málaga), Quabit La Peñuela Fase 1 (Madrid) and Quabit Torrejón VPP Fase 2.

- *(3)* Inventories of finished development is increased by 97.1% as a result of transfer, from works in progress, of the costs of Quabit Aguas Vivas development, which is in delivery phase.
- *(4)* Advances to suppliers reduced by 28.4% due to application of that advances to some land purchases formalized in 2018.

ASSETS. OTHERS

- Other assets include cash and cash equivalents totaling 50,978 thousand euros (37,156 thousand euros at 31st December 2017) and 7,025 thousand euros from financial assets with immediate availability (participations in investment funds).

EQUITY

Changes in equity in 2018:

(Thousands of euros)

Balance at 31st December 2017	**226,456**
Total net profit for the period	1,143
Treasury share transactions	(1,673)
Capital Increase	63,000
Capital Increase costs and others	(2,878)
Other equity instruments (Avenue Warrants) *(*)*	543
Balance at 30th June 2018	**286,591**

(*) Corresponds to the fair value of the warrants granted in favor of funds managed by Avenue that have become enforceable in the period, having a counterpart in the amortized cost of the debt.

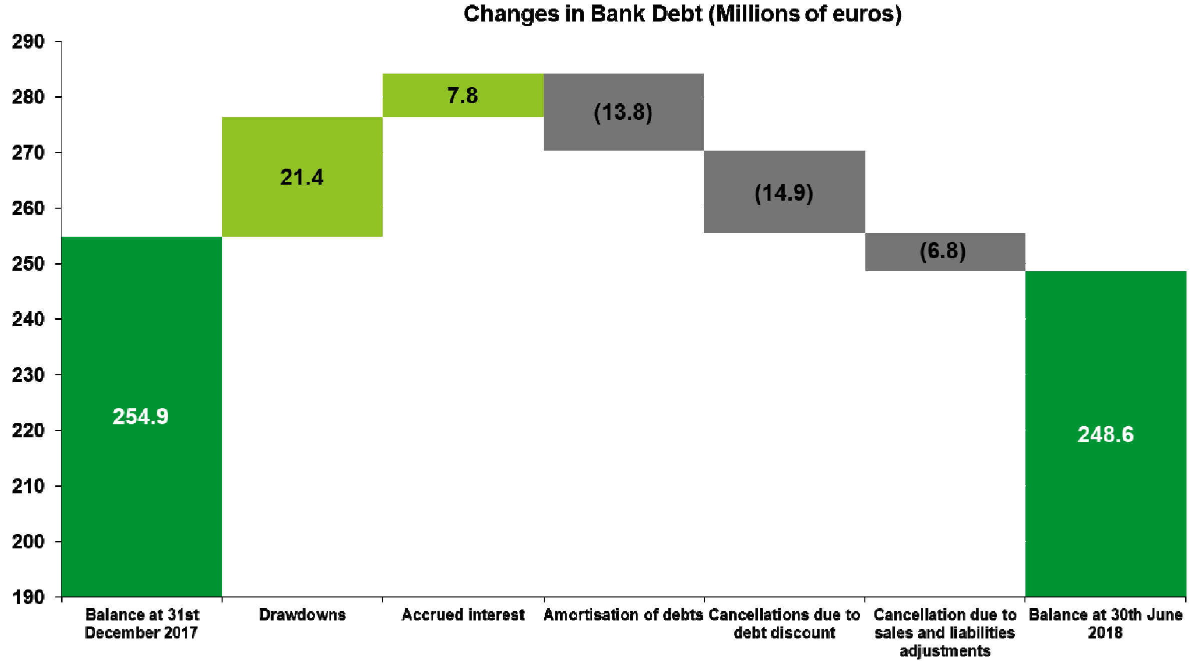
LIABILITIES. BANK DEBT

Structure of bank debt:

(Thousands of euros)	**30/06/2018**	**31/12/2017**	**Variation**
Non-current bank borrowings	12,246	15,472	(20.9%)
Current bank borrowings	236,309	239,456	(1.3%)
TOTAL GROSS DEBT *(*)*	**248,555**	**254,928**	**(2.5%)**
Liquid assets *(*)*	(58,003)	(37,156)	(56.1%)
TOTAL NET DEBT *(*)*	**190,552**	**217,772**	**(12.5%)**

(*) See note on Alternative Performance Measures at the end of this Interim Report.

Changes in bank debt up to 30th June 2018:



Drawdowns:

- Drawdowns on Development loans, Land loans and Credit facilities by an amount of 9,182 thousand euros: these correspond to drawdowns financing work in progress, land purchases and VAT.
- “Avenue I” facility drawdowns by an amount of 12,195 thousands euros: drawdowns of funds (nominal without commission) made in 2018 from the credit facility up to 60 million euros approved by funds advised by Avenue Europe International Management, L.P. This credit facility was signed on the 28th December 2016.
- “Avenue II” facility drawdowns by an amount of 42 thousand euros: Drawdown of funds (nominal without commission) made in 2018 from the tranche of senior loan (limited to 28 million euros) of financing facility up to 40 million euros approved by funds advised by Avenue. This credit facility was signed on the 1st December 2017.

Accrued interest:

- 6.4 million euros corresponding to interest to be paid at maturity.
- 1.4 million euros of interest that will be gradually written off as far as the payments scheduled are attended.

Amortisation of debts:

- 12 million euros in advance payment to SAREB associated with the capital increase completed at the date 24th May 2018, and early repayment of 0.2 million euros agreed with SAREB.
- 0.9 million euros in compliance with the payments schedule agreed with financial entities.
- Payment of 0.7 million euros associated with commercial agreements for debt cancellation.

Cancellations due to debt discount:

- Payment of 7.8 million euros associated with commercial agreements and renegotiation of debts.
- 6.9 million euros of capital and interest associated with the advance payments to SAREB.
- 0.2 million euros associated with cancellation of debt with the sale of assets.

Cancellation due to sales:

- 6.5 million euros of debt associated with assets sales and house units deliveries from finished developments.

Liabilities adjustments:

- Adjustment to debt valued at amortized cost for an amount of 0.3 million euros, as a net effect of debt carried at amortized cost that includes the impact of increasing the nominal amount drawn with the charged and accumulated commissions to the loan amount and discounting the effect of those commissions and those already paid. Additionally, the impact of the issuance of warrants associated to these two financing facilities for a negative amount of 543 thousand euros is included in this concept.

Structure of bank debt at 30th June 2018:

(Thousands of euros)

Year of maturity	2018	2019	2020	2021 and thereafter	Total
Limited recourse debt	1,884	-	-	-	1,884
Debt discount associated with payments schedule	1,285	3,442	4,849	32,840	42,416
Secured Debt payable on delivery of houses	18,739	500	-	-	19,239
Guaranteed debt for VAT refunds	4,375	-	-	-	4,375
Alpin Equities Loan	3,995	6,609	6,281	-	16,885
Avenue I credit facility	2,938	-	52,612	-	55,550
Avenue II credit facility	-	-	-	24,452	24,452
Debt to be paid according to payments schedule	588	2,702	13,125	67,338	83,753
Total bank debt	**33,804**	**13,253**	**76,867**	**124,630**	**248,554**

- *Limited-recourse Debt:* secured debt that will be cancelled with the transfer of collateral assets. (net book value of 1,884 thousand euros).
- *Debt discount associated with payments schedule:* Agreed debt discounts which will be recognized as the payments schedule is attended.
- *Secured Debt payable on delivery of houses:* Mortgage debt associated with finished product, developments in progress or sales, which will be cancelled when the assets are delivered.
- *Secured Debt for VAT refunds:* debt amounting to 4,375 thousand euros corresponding to the financing of VAT paid on land purchase operations that will be automatically canceled with the refund of VAT by the Public Treasury.
- Loan from funds advised by Alpin Equities: debt amounting to 16,885 thousand euros (amortized cost plus accrued interest as at 30th June 2018): The amortization schedule of this loan has been established as far

as the assets are expected to be delivered. Shares in dependent companies who own the assets have been pledged in favor of the funds advised by Alpin equities as guarantee of the agreement compliance.

- *Avenue I & II credit facilities:* debt in the amount (amortized cost plus interests) of 55,550 and 24,452 thousand euros have their maturities in 2020 and 2021. It is planned to cover the maturities with the treasury obtained from the sale of the assets that are being developed in the land acquired with the funds obtained from them. Therefore, in the maturity tables that appear below, maturities prior to these dates have been indicated for the debt associated with developments whose delivery is prior to the final maturity date of the lines.
- *Debt with SAREB:* 76,932 thousand euros out of 114,497 thousand euros must be paid according to debt repayment schedules. The discounts associated with this payment schedule, amounting to 37,565 thousand euros, will be consolidated as payments were attended. The discounts will be applied in addition to all accrued interests on the total debt in each payment. The following table shows the calendar of ordinary payments, once the effect of the early repayments made up to date has been applied:

Maturity	30/06/2018 *(Thousands of euros)*
Year 2019	154
Year 2020	9,859
Year 2021	15,000
Year 2022 and thereafter	51,919
TOTAL	**76,932**

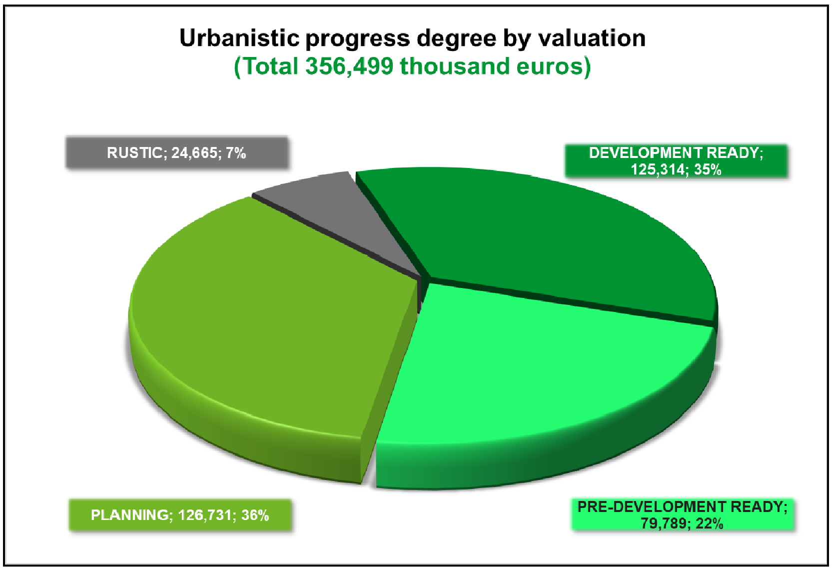
1.4. Business areas

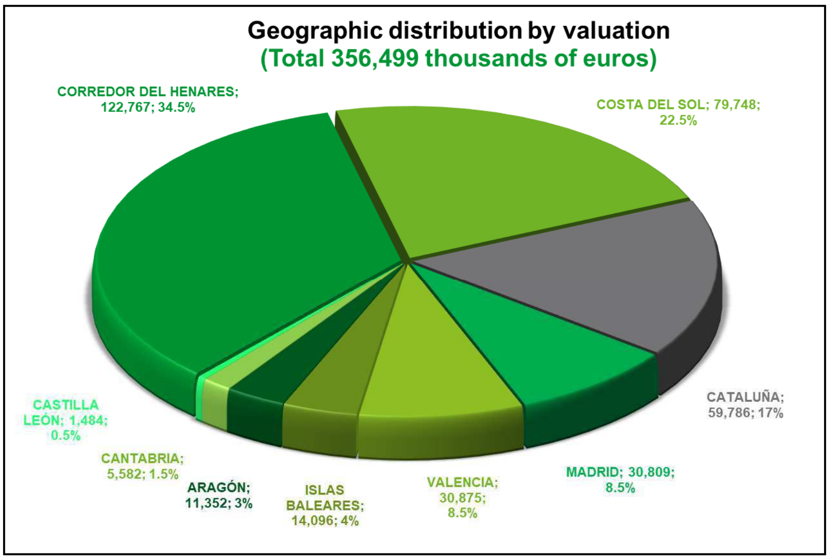
1.4.1.- Land management

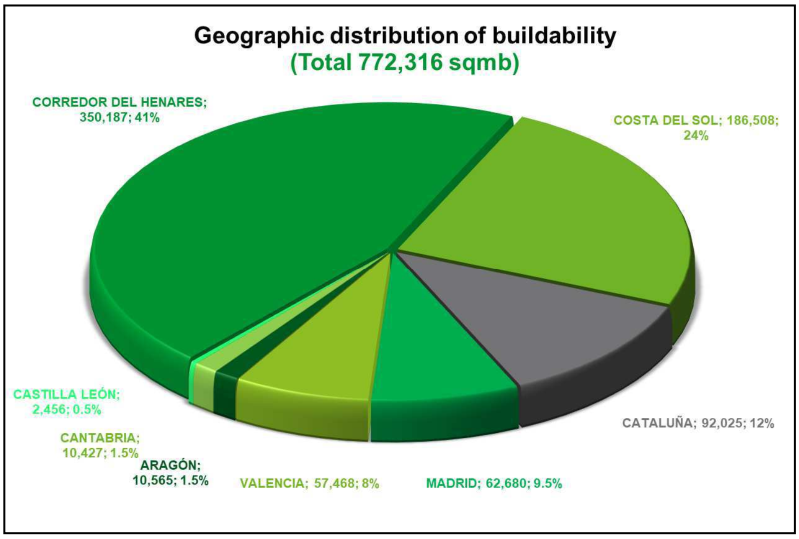
Land portfolio

The Group arranges for independent appraisals at least once per year to verify the market value of land. The portfolio of property assets held by Quabit Inmobiliaria, S.A. and its subsidiaries at 31st December 2017 was valued by BDO Auditores S.L.P. ("BDO").

Measuring assets owned by affiliates in terms of both square meters and monetary value based on the percentage interests held in each of the investee entities concerned, the consolidated land portfolio held by the Company and its group at 30th June 2018 sums a total of 0.77 million sqmb land plus 5.37 million square meters of undeveloped land with a total value of 356.5 million euros based on the aforementioned BDO appraisal at 31st December 2017. For the new incorporations to this portfolio during 2018, acquisition price was considered as market value. As shown in the following charts, the land portfolio is diversified in terms of geographical location, and it is largely made up of planning and development land and developed land:







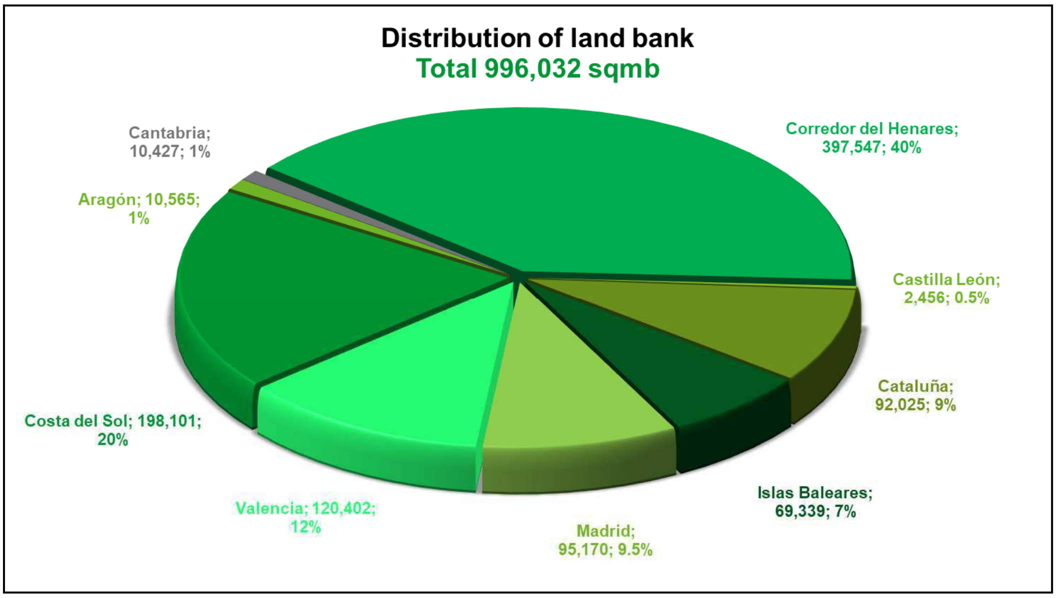
Land bank

In addition to the portfolio of landholdings, the Group also holds rights over land at different stages of the planning process. The following table summarizes the situation and market value of these land rights at 31st December 2017:

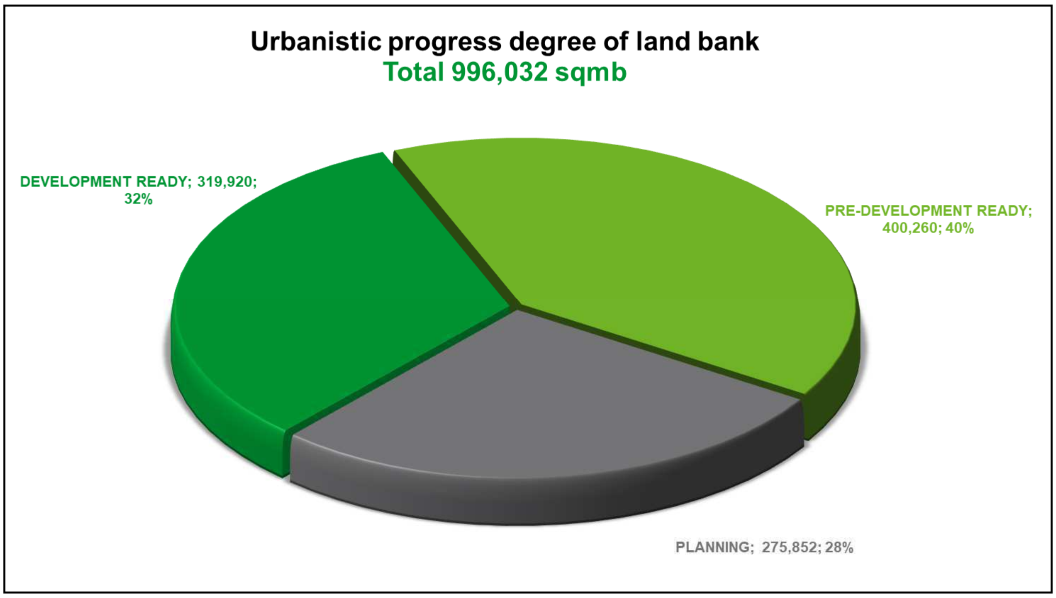
Item	(Millions of euros)
Land mortgaged to the Company or Group entities to secured debt	40.2
Private agreements pending to be included in portfolio	67.5
Use rights in exchange for development works	11.4
Total land rights	**119.1**

The potential development associated with these rights over land total 223,716 sqmb (62,934 sqmb of land mortgaged as security and 160,782 sqmb of private sale contracts pending deed of conveyance).

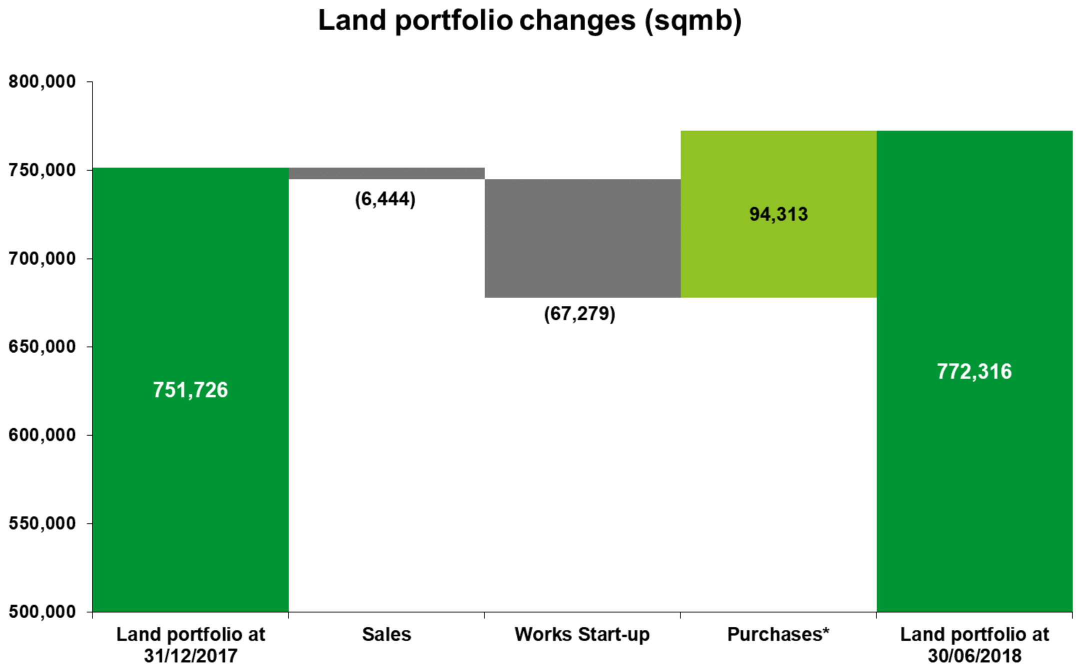
Adding these 223,716 sqmb to the 772,316 sqmb of the consolidated land portfolio, the Group currently has a land bank with a total development potential of 996,032 sqmb. The chart below shows the geographic distribution of this land bank:



The following chart shows this land bank in order to its urbanistic progress:



Changes in the land portfolio



Sales

The Quabit Group sold in 2018 the entire participation of its shares from the company Mediterranea de Actuaciones Integradas, S.L.

Works Start-up

In the first quarter of 2018, work licenses were awarded for construction at the following land plots: Quabit Torrejón VPP I (Madrid), Quabit Riverside (Málaga), Parque Residencial de Quabit Las Suertes (Guadalajara), Quabit Style I (Guadalajara) and Quabit Aguas Vivas II (Guadalajara). In the second quarter, works started at Quabit Torrejón VPP II (Madrid) and Quabit La Peñuela Phase 1 (Madrid) developments. The accounting value of this lands has been transferred to work in progress and has been removed from the land portfolio.

Purchases

In the first half of the year, 9,183 sqmb of land have been incorporated into the land portfolio, whose acquisition was compromised by private agreements closed in 2017. The remaining 85,130 sqmb added to the portfolio in the first half correspond to new land investments closed in 2018.
The lands with signed private contracts and pending their deed and integration into the land portfolio totalize 160,782 sqmb at 30th June 2018.

New investments in 2018. Land acquisitions

Up to 30th June 2018, the Quabit Group has concluded agreements for land purchases in Madrid, Guadalajara and Málaga, as the following table details:

Town (Province)	Building land *(sqmb)*	Estimated number of houses *(units)*	Estimated revenue *(Millions of euros)*	Situation
Guadalajara (Guadalajara)	25,090	193	31.9	Registered in portfolio
Guadalajara (Guadalajara)	21,580	166	28.1	Registered in portfolio
Madrid (Madrid)	13,485	125	29.4	Registered in portfolio
San Agustín de Guadalix (Madrid)	2,816	11	5.2	Registered in portfolio
Málaga	9,375	93	17.0	Registered in portfolio
Azuqueca de Henares (Guadalajara)	12,784	107	8.5	Registered in portfolio
Total	**85,130**	**695**	**120.1**	

The investment amount for these land plots totalize 23.7 million euros.

Subsequently to the closing of the first semester of 2018, land awardings amounting to 8.4 million euros were received in three operations located in Guadalajara and Estepona, which will contribute 23.7 thousand sqmb, more than 200 homes and a turnover estimated at 42.2 million euros.

1.4.2.- Residential development

Developments in execution

The developments in execution are in the following stages:

- Finished product: homes with First Occupancy License and able to be delivered.
- Construction works started: construction of the building has commenced.
- Marketing: with formalisation of reservations and/or contracts of sale.
- Pre-marketing: there exists basic sales information (such as types or specifications) and a waiting list of clients is generated prior to entering the marketing phase.
- Design: Draft phase under development for ground plan and facades in accordance with the program of needs created by the company based on analyses of market demand and supply.

The details of the developments and their commercial activity is shown in the table below:

Development	Total Number of units in Development	Units with pre-sale at 30/06/2018 (1)	Pre-sales billing (thousands of €)(2)	Total billing on development (thousands of €)(3)	Situation
Quabit Aguas Vivas Fase 1 V.P. GUADALAJARA	116	106	13,492	15,321	68 homes delivered at 30/06/2018
Subtotal – Finished works	**116**	**106**	**13,492**	**15,321**	
Quabit Las Cañas GUADALAJARA	24	22	5,798	6,447	Construction works started
Quabit Las Lomas MADRID	12	12	14,835	14,749	Construction works started
Quabit Casares Golf Fases 1 y 2 MÁLAGA	87	38	8,895	23,792	Construction works started
Quabit Sant Feliu BARCELONA	63	63	18,390	18,525	Construction works started
Quabit Style Fase 1 GUADALAJARA	64	33	6,641	12,716	Construction works started
Quabit Aguas Vivas 2 V.P. GUADALAJARA	196	103	14,186	29,656	Construction works started
Parque Residencial de Quabit Las Suertes Fase 1 GUADALAJARA	76	23	3,555	14,025	Construction works started
Quabit Torrejón V.P. Fase 1 MADRID	51	49	5,726	7,695	Construction works started
Quabit La Peñuela Fase 1 MADRID	11	9	1,748	2,196	Construction works started
Quabit Riverside MÁLAGA	75	12	3,935	27,074	Construction works started
Quabit Torrejón V.P. Fase 2 MADRID	45	43	4,898	6,530	Construction works started
Quabit Altair MÁLAGA	32	13	3,947	8,726	Works started in July
Quabit Hacienda de la Torre Fase 1 MÁLAGA	110	59	11,499	21,164	Works started in July
Quabit Los pedregales Fase 1 MÁLAGA	63	39	6,404	10,652	Works started in July
Subtotal – Construction works	**909**	**518**	**110,457**	**203,947**	
Los Caprichos de Quabit Las Suertes GUADALAJARA	24	5	1,210	5,850	Marketing stage
Quabit El Cañaveral V.P. Fase 1 MADRID	102	85	16,206	19,998	Marketing stage
Quabit Las Quintas del Cañaveral V.P. Fase 1 MADRID	34	30	8,169	9,551	Marketing stage
Quabit Collection ZARAGOZA	36	21	4,342	10,875	Marketing stage
Quabit XXI GUADALAJARA	86	38	6,888	17,143	Marketing stage
El Lagar de Quabit MÁLAGA	79	5	1,037	15,098	Marketing stage
Quabit El Cañaveral V.P. Fase 2 MADRID	101	12	2,076	19,802	Marketing stage
Quabit Hadar MÁLAGA	62	8	1,644	12,820	Marketing stage

Quabit Alcor MÁLAGA	30	4	1,097	7,485	Marketing stage
Quabit Torres del Mayorazgo MADRID	135	25	5,289	29,400	Marketing stage
Quabit Style Fase 2 GUADALAJARA	38	5	1,270	8,562	Marketing stage
Quabit San Agustín MADRID	98	7	2,342	23,697	Marketing stage
Quabit Los pedregales Fase 2 MÁLAGA	58	13	1,905	10,405	Marketing stage
Quabit Eugenio Gross MÁLAGA	35	0	0	6,975	Marketing stage (just started)
Subtotal – Marketing stage	**918**	**258**	**53,475**	**197,661**	
Quabit La Peñuela Fase 2 MADRID	24	-	-	4,480	Pre-marketing stage
Quabit Las Quintas del Cañaveral V.P. Fase 2 MADRID	43	-	-	12,079	Pre-marketing stage
Quabit Royal Casares MÁLAGA	49	-	-	13,178	Pre-marketing stage
Subtotal - Pre-marketing	**116**	**0**	**0**	**29,737**	
Quabit Aguas Vivas 3 GUADALAJARA	193	-	-	31,864	Design
Quabit Tavira GUADALAJARA	88	-	-	19,280	Design
Quabit Torrejón V.P. Fase 3 MADRID	15	-	-	2,303	Design
Quabit La Peñuela Fase 3 MADRID	57	-	-	11,679	Design
Quabit Hacienda de la Torre Fase 3 MÁLAGA	68	-	-	12,509	Design
Quabit Hacienda de la Torre Fase 4 MÁLAGA	62	-	-	11,531	Design
Quabit Hacienda de la Torre Fase 5 MÁLAGA	29	-	-	5,445	Design
Quabit Los pedregales Fase 3 MÁLAGA	25	-	-	4,300	Design
Quabit SUP-R6 MÁLAGA	50	-	-	11,052	Design
Vista by Quabit (L. Flamenco Bloque) MÁLAGA	248	-	-	60,595	Design
Nature by Quabit (L. Flamenco Unifamiliar) MÁLAGA	16	-	-	7,382	Design
Quabit Aguas Vivas 4 GUADALAJARA	170	-	-	28,054	Design
Quabit Bonaire GUADALAJARA	157	-	-	19,660	Design
Subtotal - Design	**1,178**	**0**	**0**	**225,654**	
TOTAL	**3,237**	**882**	**177,424**	**672,320**	

(1) Pre-sales = Reservations + sale contracts.

(2) Total sale price of units pre-sold.

(3) Estimated billing.

The Quabit Group's development portfolio, at 30th June 2018, comprises a total of 45 developments and 3,237 house units (2,551 house units at 31st December 2017) with an estimated revenue of 672 million euros, that will be reflected on P&L account as the housing units are delivered.

Of these 3,237 house units, 116 are finished and ready to be delivered (68 just delivered at 30th June), 909 are in construction stage (302 at 31st December 2017), 918 in marketing stage (919 at 31st December 2017), 116 in pre-commercialization (424 at 31st December 2017) and 1,178 in design stage (906 at 31st December 2017).

The average housing price ascends to 208,000 euros and the product typology includes housing from 89,000 euros to 1.38 million euros, from protected housing to luxury residences; and from first residence in Madrid, Guadalajara, Corredor del Henares or Barcelona, to houses in Costa del Sol.

Quabit XXI. Guadalajara - 87 viviendas.

Quabit Altair. Málaga – 32 unifamiliares.

Quabit Riverside. Benahavís - 75 viviendas.

Quabit Collection. Zaragoza - 36 viviendas.

New developments launched in 2018

In the first half of 2018, the QUABIT Group has launched 5 new residential development projects:

I. Marketing stage:

- Quabit Torres del Mayorazgo. It is located in El Cañaveral (Madrid), having 135 private house units (flats), it means an estimated turnover of 29.4 million euros and it's in the pre-marketing stage.

II. Design stage:

- Vista by Quabit (Las Lomas del Flamenco, Málaga): 248 private flats with an estimated turnover of 60.6 million euros.

- Nature by Quabit (Las Lomas del Flamenco, Málaga): 16 private single-family units with an estimated turnover of 7.4 million euros.

- Quabit Aguas Vivas 4 (Guadalajara): 170 private flats with an estimated turnover of 28.1 million euros.

- Quabit Bonaire (Guadalajara): 157 private flats with an estimated turnover of 19.7 million euros.

Advance of works in progress

The evolution of construction works in that developments with works commenced at 31st December 2017 is in accordance with the planning. In the first semester, works have been finished in Quabit Aguas Vivas I development (Guadalajara), with a total of 116 homes.

For 2018, is scheduled the completion of the works for a total of 99 house units corresponding to the following developments: Quabit Las Lomas (Madrid), Quabit San Feliú (Barcelona), and Quabit Las Cañas (Guadalajara), reaching at the end of 2018 the sum of 215 finished homes contemplated in the Business Plan 2017-2022.

Quabit Las Lomas. Boadilla del Monte, Madrid - 12 unifamiliares.

Quabit Sant Feliu. Barcelona - 63 viviendas.

Quabit Las Cañas. Guadalajara – 24 unifamiliares.

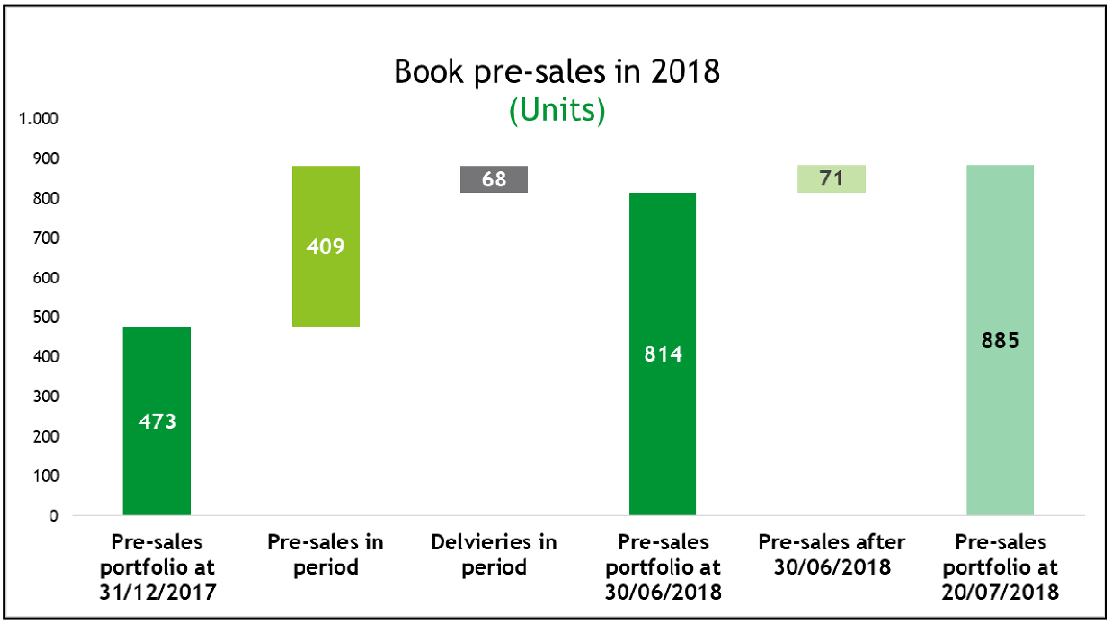
Quabit Aguas Vivas I. Guadalajara – 116 units.

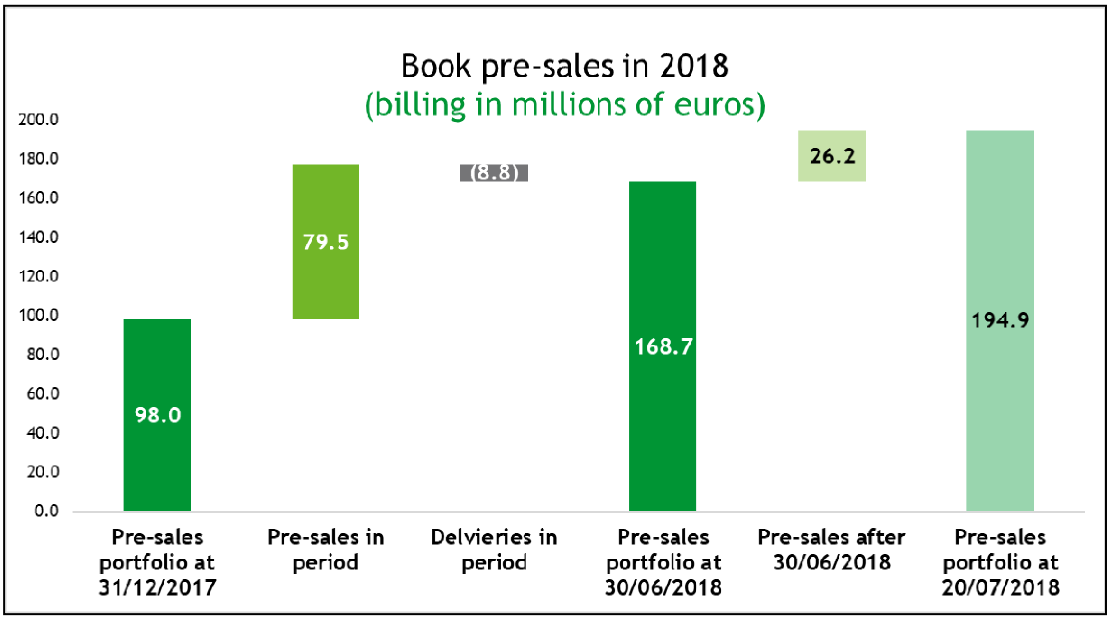
During the first half of 2018, the Quabit Group has started construction works in 7 residential developments that, together with the 5 developments already started in 2017, totalize 820 house units. Of these, 116 units correspond to the finished development and in delivery phase of Quabit Aguas Vivas I.

These 7 developments with works started in 2018 are: Quabit Style I (Guadalajara), Quabit Aguas Vivas II (Guadalajara), Parque Residencial de Quabit Las Suertes (Guadalajara), Quabit Torrejón VPP I (Madrid), Quabit La Peñuela I (Madrid), Quabit Riverside (Málaga) and Quabit Torrejón VPP II (Madrid).

Pre-sales portfolio

The evolution of Quabit Group's pre-sales portfolio in the first half of 2018, and during the first weeks of July, was as follows:





Evolution of stock of finished units

The following table describes the evolution of stock of finished house units during the first semester:

Finished stock units at 31st December 2017	13
House units finished in 2018	116
House units delivered in 2018	(70)
Finished stock units at 30th June 2018	**59**

The 116 homes incorporated into the stock correspond to Quabit Aguas Vivas I development whose works were completed in June 2018. Of the total deliveries, 68 correspond to this development and the remaining two correspond to the previous stock of finished product. Of the 59 units in the total stock (48 units correspond to the Aguas Vivas 1 development), 39 have a signed contract (38 of them from Aguas Vivas 1).

1.5. Shareholding structure information

1.5.1.- Share price

The following table shows key stock performance parameters for the period:

Stock market indices	29/06/2018	29/12/2017	Var. %
Ibex 35	9,622.70	10,043.90	(4.19%)
Financial and Property Services	545.09	619.98	(12.08%)
Ibex Small Cap	7,717.20	6,580.20	17.28%

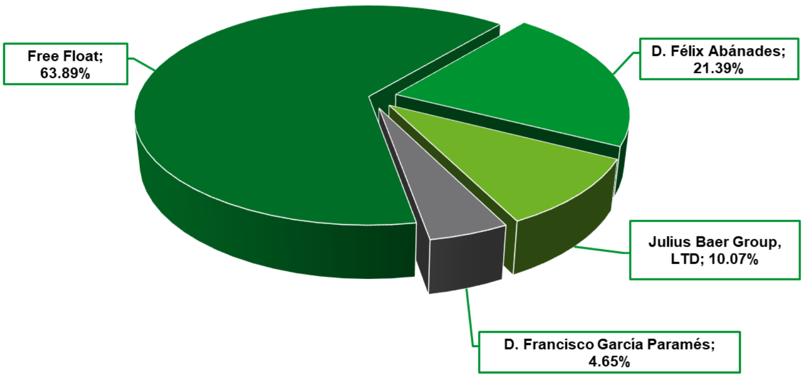
Source: *Infobolsa*

Stock market performance from 29/12/2017 to 29/06/2018	
Closing price at 29/12/2017 *(€/share)*	1.8800
Closing price at 29/06/2018 *(€/share)*	1.9300
% Change	2.66 %
Closing market capitalization at 29/06/2018 *(€)*	281,074,002
Max. closing price *(€/share)*	2.2550
Min. closing price *(€/share)*	1.8680
Weighted average price *(€/share)*	2.0820
Average daily trading volume *(shares)*	512,564
Total shares traded in the period	64,583,117
Average daily trading volume *(€)*	1,067,286
Total cash trades in the period *(€)*	134,478,029
Total number of shares at 29/06/2018	145,634,198

The Company's shares are currently listed in the Madrid Exchange Stock & Valencia Exchange Stock. *Source: BME*

1.5.2.- Shareholders

The following chart shows the shareholder structure at the date of publication of this interim report:



The percentage shareholdings shown in the above chart were calculated based on the voting rights held according to the public notices issued by the CNMV Registry of Significant Shareholdings up to 30th June 2018 and the total number of voting rights in Quabit Inmobiliaria, S.A. at said date (145,634,198).

1.5.3.- Governing bodies

Membership of the governing bodies at the date of publication of this Interim Report was as follows:

Name	Board of Directors	Audit Committee	Appointments and Remuneration Committee
Mr. Félix Abánades López	President and Chief Executive Officer	n.a.	n.a.
Mr. Jorge Calvet Spinatsch	Vice-president and Independent Director	Chairman	Member
Mr. Alberto Pérez Lejonagoitia	Proprietary Director	Member	Member
Ms. Claudia Pickholz	Independent Director	Member	Chairman
Mr. Miguel Ángel Melero Bowen	Non-Board Member Secretary	Secretary	Secretary
Ms. Nuria Díaz Sanz	Non-Board Member Deputy Secretary	Vice Secretary	Vice Secretary

There were no changes in the governing bodies in 2018.

2. EVENTS AFTER THE REPORTING PERIOD

The most significants events subsequent to 30th June 2018 are detailed in Note 21 of the Interim Condensed Consolidated Financial Statements as part of the half year Financial Report.

3. RISKS AND UNCERTAINTIES FOR THE SECOND HALF OF 2018

The main matters of the Systems of Control and Management of Risks of the Group are described in Section E of the Annual Corporate Governance Report for year 2017. The 26 most relevant risk areas for the Group are identified there and every risk and the systems to afford them are also described. These 26 risk areas are classified in 5 different groups: (i) risks related to the business; (ii) risks related to the shareholding composition; (iii) risk related to real estate sector; (iii) asset risks; (v) other risks.

For the second semester of 2018, these 26 risk areas continue being the most relevant. Once given the growth phase of the Group with new investments in land and launched developments, the risks that could have more impact are the ones related to the business and the real estate sector.

4. TRANSACTIONS WITH RELATED PARTS

There is no additional significative information different from the contained in Note 19 included in the Interim Condensed Consolidated Financial Statements at 30th June 2018.

NOTE ON ALTERNATIVE PERFORMANCE MEASURES

In addition to the financial information presented, which was prepared in accordance with applicable International Financial Reporting Standards, this Interim Statement also includes certain Alternative Performance Measures (APMs) as defined in the guidelines for Alternative Performance Measures published by the European Securities Markets Authority on 5 October 2015 (ESMA/2015/1057) (the "ESMA Guidelines"), which took effect on 3 July 2016.

The ESMA Guidelines define an APM as "a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework."

The Quabit Group uses certain APMs, which have not been audited, to improve understanding of the Company's financial performance. The APMs should be read as additional information together with the latest audited financial statements, but they should not under any circumstances be treated as replacing for the financial information prepared under International Financial Reporting Standards. APMs may differ, in terms either of their definition or calculation, from other similar measures calculated by other companies and, therefore, they may not be comparable.

The Company understands that it has properly followed and complied with ESMA recommendations concerning APMs. Following the recommendations contained in the Guidelines, a detail of the APMs used and the reconciliation of certain management indicators with the information presented in the Financial Statements are as follows:

Financial structure ratios		**Reconciliation with consolidated financial statements**		
		Description	***(Thousands of euros)***	
			30/06/2018	**30/06/2017**
EBITDA	Profit/(loss) from operations plus depreciation and amortization	Profit/(loss) from operations	3,653	(1,695)
		Depreciation and amortization	72	873
		EBITDA	**3,725**	**(822)**
Gross debt	Current and non-current bank borrowings		**30/06/2018**	**31/12/2017**
		Non-current bank borrowings	12,246	15,472
		Current bank borrowings	236,309	239,456
		Gross debt	**248,555**	**254,928**
Net financial Debt	Gross financial debt minus cash and cash equivalents		**30/06/2018**	**31/12/2017**
		Gross debt	248,555	254,928
		Cash and cash equivalents	(58,003)	(37,156)
		Net financial Debt	**190,552**	**217,772**
Liquid Assets	Current liquid assets and Current financial assets		**30/06/2018**	**31/12/2017**
		Cash & others current liquid assets	(50,978)	(37,156)
		Current financial assets at fair value with change in P&L	(7,025)	-
		Liquid assets	**(58,003)**	**(37,156)**

QUABIT INMOBILIARIA, S.A. AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements at 30 June 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-Language version prevails)

CONSOLIDATED BALANCE SHEETS

(Euros)

ASSETS	Note	30/06/2018 (unaudited)	31/12/2017 (audited)
NON-CURRENT ASSETS:			
Intangible assets		11,493,661	11,436,289
Property, plant and equipment		1,357,674	975,070
Investments in associates	**4**	2,821,980	2,847,862
Non-current financial assets	**5**	5,153,461	5,633,500
Deferred tax assets	**13**	60,225,288	60,246,190
Total non-current assets		**81,052,064**	**81,138,911**
CURRENT ASSETS:			
Inventory	**7**	388,343,811	349,063,024
Trade and other receivables	**8**	34,074,736	34,559,655
Current financial assets	**6**	17,921,704	9,135,444
Tax receivables	**13**	20,436,670	17,137,585
Other current assets		148,771	108,760
Cash and cash equivalents		50,977,633	37,155,830
Total current assets		**511,903,325**	**447,160,298**
TOTAL ASSETS		**592,955,389**	**528,299,209**

The notes and accompanying appendices are an integral part of these interim condensed consolidated financial statements

CONSOLIDATED BALANCE SHEETS

(Euros)

LIABILITIES AND NET EQUITY	Note	30/06/2018 (unaudited)	31/12/2017 (audited)
NET EQUITY:			
Share capital	9.1	72,817,099	55,317,099
Share premium	9.1	175,022,951	129,522,951
Treasury shares	9.1	(1,954,369)	(237,318)
Other equity instruments	9.3	758,179	215,368
Restricted reserves	9.1	4,159,535	4,159,535
Other reserves		31,400,982	19,902,290
Profit attributable to shareholders of the Parent		1,178,408	14,333,229
Total equity attributable to shareholders of the Parent		**283,382,785**	**223,213,154**
Non-controlling interests		3,207,760	3,243,084
Total equity		**286,590,545**	**226,456,238**
NON-CURRENT LIABILITIES:			
Deferred income		19,872	19,872
Bank borrowings	11.1	12,245,529	15,472,241
Non-current financial liabilities	11.2	6,331,479	6,400,157
Deferred tax liabilities	13	3,725,288	3,709,803
Provisions for contingencies and charges	14	1,894,810	1,894,810
Total non-current liabilities		**24,216,978**	**27,496,883**
CURRENT LIABILITIES:			
Bank borrowings	11.1	236,308,754	239,455,867
Current financial liabilities	11.2	2,674,337	2,739,137
Trade and other payables	10	23,487,433	15,944,982
Customer advances	6	13,891,733	11,250,356
Tax payables	12	1,135,742	490,439
Other current liabilities	14	4,649,867	4,465,307
Total current liabilities		**282,147,866**	**274,346,088**
TOTAL LIABILITIES AND NET EQUITY		**592,955,389**	**528,299,209**

The notes and accompanying appendices are an integral part of these interim condensed consolidated financial statements

CONSOLIDATED INCOME STATEMENTS

(Euros)	Note	30/06/2018 (unaudited)	30/06/2017 (unaudited)
Net turnover	16	9,153,917	2,818,237
Procurements		(4,199,391)	(7,961,420)
Other operating income	16	16,074,360	10,686,506
Changes in operating provisions		(5,163,080)	4,903,195
Staff costs	16	(3,434,776)	(2,453,495)
Reversal of and provision for impairment losses		-	845,277
Depreciation and amortisation charge		(72,464)	(872,757)
Other operating expenses	16	(8,703,360)	(4,968,271)
Gains/(losses) on disposal of non-current assets		(2,321)	-
Valuation of investment property at fair value		-	(4,691,783)
Profit/(loss) from operations		**3,652,885**	**(1,694,511)**
Finance income	17	5,737,924	204,115
Finance costs	17	(8,227,454)	(1,946,965)
Gains/(Losses) on financial instruments at fair value		42,000	(72,340)
Net financial profit/(loss)		**(2,447,530)**	**(1,815,190)**
Gains/(losses) on investments in associates and joint ventures	4	(25,882)	(15,256)
Profit/(loss) before tax		**1,179,473**	**(3,524,957)**
Taxes		(36,389)	-
Net profit		**1,143,084**	**(3,524,957)**
Attributable to:			
Shareholders of the Parent		1,178,408	(3,521,973)
Non-controlling interests		(35,324)	(2,984)
Earnings per share attributable to the shareholders of the Parent (Euros per share)			
Basic	18	0.010	(0.055)
Diluted	18	0.010	(0.055)

The notes and accompanying appendices are an integral part of these interim condensed consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	30 June 2018 (unaudited)			30 June 2017 (unaudited)		
	The Parent	Non-controlling interests	Total	The Parent	Non-controlling interests	Total
Net profit/(loss) for the year	1,178,408	(35,324)	1,143,084	(3,521,973)	(2,984)	(3,524,957)
Other global gains or losses	-	-	-	-	-	-
Total comprehensive income for the year	**1,178,408**	**(35,324)**	**1,143,084**	**(3,521,973)**	**(2,984)**	**(3,524,957)**

The notes and accompanying appendices are an integral part of these interim condensed consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Euros)

	Share capital (Note 9.1)	Share premium (Note 9.1)	Treasury shares (Note 9.1)	Restricted reserves	Other reserves	Other equity instruments (Note 9.3)	Profit attributable to shareholders of the Parent	Non-controlling interests	Total equity
Balances at 31 December 2016 (audited)	**26,520,669**	**57,885,786**	**(309,372)**	**4,159,535**	**17,000,342**	**-**	**8,001,188**	**82,660**	**113,340,808**
Total comprehensive income	-	-	-	-	-	-	(3,521,973)	(2,984)	(3,524,957)
Distribution of profit	-	-	-	-	8,001,188	-	(8,001,188)	-	-
Capital increase	10,280,235	27,756,634	-	-	(1,856,802)	-	-	-	36,180,067
Treasury share transactions	-	-	(2,576,539)	-	14,757	-	-	-	(2,561,782)
Balances at 30 June 2017 (Unaudited)	**36,800,904**	**85,642,420**	**(2,885,911)**	**4,159,535**	**23,159,485**	**-**	**(3,521,973)**	**79,676**	**143,434,136**
Total comprehensive income	-	-	-	-	-	-	17,855,202	59,145	17,914,347
Capital increase	18,516,195	43,880,531	-	-	(2,943,542)	-	-	-	59,453,184
Treasury share transactions	-	-	2,648,593	-	(313,653)	-	-	-	2,334,940
Other equity instruments	-	-	-	-	-	215,368	-	-	215,368
Non controlling interests contibutiions	-	-	-	-	-	-	-	3,104,263	3,104,263
Balances at 31 December 2017 (audited)	**55,317,099**	**129,522,951**	**(237,318)**	**4,159,535**	**19,902,290**	**215,368**	**14,333,229**	**3,243,084**	**226,456,238**
Total comprehensive income	-	-	-	-	-		1,178,408	(35,324)	1,143,084
Distribution of profit	-	-	-	-	14,333,229	-	(14,333,229)	-	-
Capital increase (Note 9.1)	17,500,000	45,500,000	-	-	(2,877,898)	-	-	-	60,122,102
Treasury share transactions (Note 9.1)	-	-	(1,717,051)	-	43,361	-	-	-	(1,673,690)
Other equity instruments (Note 9.3)	-	-	-	-	-	542,811	-	-	542,811
Balances at 30 June 2018 (unaudited)	**72,817,099**	**175,022,951**	**(1,954,369)**	**4,159,535**	**31,400,982**	**758,179**	**1,178,408**	**3,207,760**	**286,590,545**

The notes and accompanying appendices are an integral part of these interim condensed consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	30/06/2018 (unaudited)	30/06/2017 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax and non-controlling interests		1,179,473	(3,524,957)
Adjustments for:			
Depreciation of non-current assets		72,464	872,757
Impairment losses and changes in provisions	6 and 14	5,163,080	(5,676,132)
Income and expenses without cash flows		(9,789,584)	(9,943,567)
Net financial profit/(loss)	17	2,489,530	1,742,851
Gains/(losses) on non current assets		(39,679)	15,256
Gains/(losses) on investments in associates and joint ventures	4	25,600	15,256
Discounting of investment property at fair value		-	4,691,783
Adjusted loss		**(899,116)**	**(11,822,009)**
Other changes in accounts payable to and receivable from public authorities		8,254	(626,967)
Increases/decreases in accounts payable to and receivable from public authorities		**8,254**	**(626,967)**
Inventory and prepayments	6	(44,945,075)	(8,394,857)
From receivables and deposits	7	(6,939,297)	(4,336,279)
From payables and customer advances	6 and 10	13,306,213	1,228,325
Increase/decrease in current and non-current operating assets and liabilities		**(38,578,159)**	**(11,502,811)**
Total net cash flows from operating activities		**(39,469,021)**	**(23,951,787)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments			
Financial assets	5	(8,543,455)	(1,753,941)
Property, plant and equipment, investment property and other intangible assets		(305,393)	(37,617)
		(8,848,848)	**(1,791,558)**
Divestments			
Financial assets and other investments	5	43,858	(405,207)
		43,858	**(405,207)**
Total net cash flows from investing activities		**(8,804,990)**	**(2,196,765)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	11	(285,080)	(625,473)
Repayment of bank borrowings	11	(20,314,600)	(8,446,667)
New bank borrowings obtained	11	21,418,538	4,892,338
Repayment of other financing	11	(49,350)	(644,596)
Other financing obtained	11	-	96,446
Capital increases and/or reductions	9	63,000,000	38,036,869
Treasury share transactions	9	(1,673,690)	(2,561,782)
Total net cash flows from financing activities		**62,095,818**	**30,747,135**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	8	**13,821,807**	**4,595,583**
Cash and cash equivalents at beginning of year		**37,155,831**	**4,854,176**
Cash and cash equivalents at end of year	8	**50,977,638**	**9,452,759**

The notes and accompanying appendices are an integral part of these interim condensed consolidated financial statements

1. Introduction and general corporate information

The accompanying interim condensed consolidated financial statements present the consolidated equity and consolidated financial position of Quabit Inmobiliaria, S.A. (the Parent) and its subsidiaries (hereinafter, the Group or the Quabit Group), at 30 June 2018, along with the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows for the first half of 2018.

The shares representing the share capital of Quabit Inmobiliaria, S.A. have been listed on the electronic trading platform on the Madrid and Valencia stock exchanges since 24 May 2006.

For the purpose of preparing these interim condensed consolidated financial statements, a group is considered to exist when the Parent has one or more subsidiaries over which this parent has a direct or indirect control.

Appendix I to these Notes provides a breakdown of the details on the subsidiaries included in the scope of consolidation through full consolidation.

Appendix II to these Notes provides a breakdown of the details on the associates accounted for using the equity method.

Appendix III to these Notes provides a breakdown of the details on the joint ventures that have been accounted for using the equity method since 1 January 2014. Prior to this date, they were proportionately consolidated.

Appendix IV to these Notes provides a breakdown of the details on the unincorporated temporary joint ventures (UTEs) included in the scope of consolidation through proportionate consolidation.

1.1. Changes in the scope of consolidation

The changes in the scope of consolidation that took place in 2018 in relation to the scope of consolidation at 31 December 2017 are as follows:

a) <u>Inclusions in the scope of consolidation:</u>

- *Quabit Aneto, S.L.U.:* This company was incorporated on 16 February 2018 with a monetary contribution of EUR 3,000, fully subscribed and paid by the Parent Company.

- *Quabit Veleta, S.L.U.:* This company was incorporated on 16 February 2018 with a monetary contribution of EUR 3,000, fully subscribed and paid by the Parent Company.

- *Quabit Almanzor, S.L.U.:* This company was incorporated on 16 February 2018 with a monetary contribution of EUR 3,000, fully subscribed and paid by the Company Global Quabit, S.L.U. (formerly named Global Mebsuta, S.L.), which, at the same time, is fully owned by the Parent.

- *Quabit Teide, S.L.U.:* This company was incorporated on 16 February 2018 with a monetary contribution of EUR 3,000, fully subscribed and paid by the Company Global Quabit, S.L.U. (formerly named Global Mebsuta, S.L.), which, at the same time, is fully owned by the Parent.

- *Quabit Peñalara, S.L.U.:* This company was incorporated on 16 February 2018 with a monetary contribution of EUR 3,000, fully subscribed and paid by the Company Global Quabit, S.L.U. (formerly named Global Mebsuta, S.L.), which, at the same time, is fully owned by the Parent.

- *Quabit Naranjo, S.L.U.:* This company was incorporated on 16 February 2018 with a monetary contribution of EUR 3,000, fully subscribed and paid by the Company Global Quabit, S.L.U. (formerly named Global Mebsuta, S.L.), which, at the same time, is fully owned by the Parent.

- *Quabit Freehold Properties, S.L.U.:* This company was incorporated on 15 March 2018 with a monetary contribution of EUR 10,000, fully subscribed and paid by the Parent Company.

- *Quabit Freehold Properties Levante, S.L.U.:* This company was incorporated on 27 March 2018 with a monetary contribution of EUR 3,000, fully subscribed and paid by the Company Quabit Freehold Properties, S.L.U., which, at the same time, is fully owned by the Parent.

- *Quabit Freehold Properties Sur, S.L.U.:* This company was incorporated on 27 March 2018 with a monetary contribution of EUR 3,000, fully subscribed and paid by the Company Quabit Freehold Properties, S.L.U., which, at the same time, is fully owned by the Parent.

- *Quabit Freehold Properties Centro, S.L.U.:* This company was incorporated on 27 March 2018 with a monetary contribution of EUR 3,000, fully subscribed and paid by the Company Quabit Freehold Properties, S.L.U., which, at the same time, is fully owned by the Parent.

b) Exclusions in the scope of consolidation:

- *Nova Panorámica, S.L.:* On 20 February 2018 the extinction of this company was completed with the instruction of the Mercantile Registry of Valencia. The company was in bankruptcy proceedings that ended with the declaration of the extinction of the company and therefore the exit from the consolidation scope.

2. Basis of presentation

2.1. Accounting standards applied

These interim condensed consolidated financial statements for the six-month period ended 30 June 2018 have been prepared in accordance with IAS 34 "Interim Financial reporting", and include information in addition to that required by this standard pursuant to that stipulated in Article 12 of Royal Decree 1362/2007, but without providing all information and breakdowns required in consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs). Accordingly, to properly interpret this information, these interim condensed consolidated financial statements should be read together with the Quabit Group's consolidated financial statements for the year ended 31 December 2017.

The Group's consolidated financial statements for 2017 were formally prepared by the Parent's directors on 22 February 2018 in accordance with International Financial Reporting Standards as adopted by the European Union, applying the consolidation bases, accounting policies and measurement bases described in Notes 2 and 4 to the aforementioned consolidated financial statements and, accordingly, they present fairly the Group's consolidated equity and consolidated financial position at 31 December 2017 and the consolidated results of its operations, the changes in its consolidated equity and its consolidated cash flows in the year then ended. The consolidated financial statements for 2017 were approved by the shareholders at the Annual General Meeting held on 28 June 2018.

The Group's consolidated financial statements at 30 June 2018 were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union (IFRSs) and approved by the EU Commission Regulations, effective as of 30 June 2018.

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 26 July 2018.

2.2. Basis of consolidation

The accounting policies and methods used in the preparation of these interim condensed consolidated financial statements are the same as those used in the consolidated financial statements for the year ended 31 December 2017.

2.3. Entry into force of new accounting standards

New regulations in force

The Group has applied the new standards applicable for the first time in this year to the preparation of these consolidated condensed interim financial statements, without implying the recording of any impact on the initial balance of reserves or the restatement of the comparative figures of previous years.

• **IFRS 9 - Financial instruments:** IFRS 9 replaces IAS 39 as of the year beginning on 1 January 2018 and affects both financial instruments of assets and liabilities. The new asset classification approach is based on the contractual characteristics of the cash flows of the assets and the business model of the entity, this has meant a change in the denomination, but has not had an impact on the valuation of the assets. and the Group's financial liabilities.

• IFRS 15 - Recognition of income: IFRS 15 is the new standard for recognition of income with customers applied as of 1 January 2018. The new revenue recognition model in 5 stages has not had any impact, nor in the valuation of the income, neither in the moment in the time of recognition of the same and therefore no adjustments have been registered to the initial balance of reserves for the first application of this norm.

Standards issued not in force

The Group intends to adopt the standards, interpretations and amendments to the standards issued by the IASB, which are not mandatory in the European Union at the date of preparation of these interim condensed consolidated financial statements, when they come into force, if they are applicable.

• **IFRS 16 - Leases:** this standard will replace the IAS 17 for the years beginning on 1 January 2019. This new standard proposes for the lessee a single model in which all leases (leases may be excluded) not significant and those with a lease period of less than twelve months) and a dual model based on the current IAS 17 is maintained for the lessor and the leases will be financial or operational.

The Group has operating lease agreements for its representative offices and its headquarters in Madrid, which will mean an increase in financial assets and liabilities for future payment obligations without this having a significant impact on its Consolidated Annual Accounts.

2.4. Comparative information

In accordance with current legislation, in addition to the figures at 30 June 2018 for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the accompanying financial statements, the figures at 31 December 2017 for balance sheet and consolidated statement of comprehensive income and those at 30 June 2017 for the rest of the statements are presented for comparison purposes.

2.5. Accounting estimates and judgments

There were no significant changes in the accounting estimates and judgments with regard to the information disclosed in the consolidated financial statements at 31 December 2017.

3. Financial segment reporting

The Group classifies assets and transactions in accordance with its activities and services, including the income and profit or loss from each activity directly attributable thereto of companies that are fully consolidated and accounted for using the equity method. Assets and liabilities are accounted for following the same rules as income and expenses for each line of business.

The Group's business activities are organised in the following segments:

- Land management
- Property development

- Property rentals
- Corporate Unit

At 30 June 2018, the Group had the following basic lines of business:

A. Land management Acquisition of land under any zoning classification for its subsequent transformation and/or sale. The transformation phase is carried out by designing and subsequently making changes to its use and/or current planning, creating as a final product land that it is suitable for subsequent construction or sale.

B. Property development Includes the development of real estate projects on existing assets, basically primary residence housing. This segment also includes the income generated and expenses incurred in the management of cooperatives, owners' associations and other forms of self-build development.

C. Property rentals Includes those activities aimed at managing the real estate portfolio formed by residential properties, and obtaining gains on the sale of real estate once the rental income is optimised without reforms. As of 30 June 2018, the group does not have any property associated with this business activity.

D. Corporate Unit Income and expenses that cannot be specifically attributed to any operating line or that are the result of decisions affecting the Group as a whole, and, among them, expenses incurred in projects or activities affecting several lines of business and income from rebillings, are attributed to a Corporate Unit.

The results for the six-month periods ended 30 June 2018 and 30 June 2017 and the consolidated balances at 30 June 2018 and 31 December 2017 by segments are detailed as follows:

SEGMENT REPORTING. CONSOLIDATED PROFIT OR LOSS AT 30 JUNE 2018

CONCEPT	A	B	C	D	TOTAL
Net turnover	-	9,148,607	-	5,310	9,153,917
Profit/(loss) from operations	10,861,267	(2,160,347)	-	(5,048,035)	3,652,885
Net financial profit/(loss)	(1,076,242)	-	-	(1,371,288)	(2,447,530)
Gains/(losses) on investments in associates	(25,882)	-	-	-	(25,882)
PROFIT/(LOSS) BEFORE TAX	**9,759,143**	**(2,160,347)**		**(6,419,323)**	**1,179,473**

SEGMENT REPORTING, CONSOLIDATED PROFIT OR LOSS AT 30 JUNE 2017

CONCEPT	A	B	C	D	TOTAL
Net turnover	2,164,003	464,100	190,134	-	2,818,237
Profit/(loss) from operations	8,235,798	(356,240)	(4,771,699)	(4,802,370)	(1,694,511)
Net financial profit/(loss)	(1,621,890)	(188,938)	(161,935)	157,573	(1,815,190)
Gains/(losses) on investments in associates	(14,945)	(311)	-	-	(15,256)
PROFIT/(LOSS) BEFORE TAX	**6,598,963**	**(545,489)**	**(4,933,634)**	**(4,644,797)**	**(3,524,957)**

All transactions for the six-month periods ended 30 June 2018 and 2017 were carried out in Spain.

No inter-segment transactions were carried out during these periods.

SEGMENT REPORTING. CONSOLIDATED BALANCE SHEET AT 30 JUNE 2018

CONCEPT	A	B	C	D	TOTAL
BALANCE SHEET					
Investment property	12,111,178	410,930	-	329,227	**12,851,335**
Property, plant and equipment and intangible assets	313,725,255	74,618,556	-	-	**388,343,811**
Inventory	57,333,386	-	-	134,426,857	**191,760,243**
Other	**383,169,819**	**75,029,486**		**134,756,084**	**592,955,389**
TOTAL ASSETS	233,352,517	42,126,607		30,885,720	**306,364,844**
Segment liabilities	**233,352,517**	**42,126,607**		**30,885,720**	**306,364,844**
TOTAL LIABILITIES	**A**	**B**	**C**	**D**	**TOTAL**

SEGMENT REPORTING. CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2017

CONCEPT	A	B	C	D	TOTAL
BALANCE SHEET					
Property, plant and equipment and intangible assets	11,696,542	396,861	-	317,956	**12,411,359**
Inventory	306,395,447	42,667,577	-	-	**349,063,024**
Other	54,545,102	5,749,145	-	106,530,579	**166,824,826**
TOTAL ASSETS	**372,637,091**	**48,813,583**	-	**106,848,535**	**528,299,209**
Segment liabilities	249,639,628	29,174,337	-	23,029,006	**301,842,971**
TOTAL LIABILITIES	**249,639,628**	**29,174,337**	-	**23,029,006**	**301,842,971**

4. Investments in associates and joint arrangements

Appendices II and III to these Notes provide a breakdown of the details on the associates and joint arrangements accounted for using the equity method.

The changes in first half of 2018 compared with year end 2017 are as follows:

	30/06/2018	31/12/2017
Beginning balance	**2,847,862**	**2,865,713**
Share of profit/(loss)	(25,882)	(17,851)
Ending balance	**2,821,980**	**2,847,862**

The detail, by nature, of investments is as follows:

	30/06/2018	31/12/2017
Investment in associates	619,214	648,374
Investment in joint arrangements	2,202,766	2,199,488
	2,821,980	**2,847,862**

In the six-month period ended 30 June 2018, the Group recognised a total loss on investments in associates and joint arrangements of EUR 26 thousand (a loss of EUR 15 thousand in 2017), the breakdown of which is included in the following table:

	30/06/2018	31/12/2017
Investment in associates	(29,160)	(19,068)
Investment in joint arrangements	3,278	1,217
	(25,882)	**(17,851)**

In the first semester of 2018 took place the extinction of the company Nova Panorámica, S.L. on which the Parent Company held a 50% interest in the share capital. The company was in bankruptcy that has concluded in 2018 with the extinction of the company. The parent company had provisioned for the participation and the loans granted to it and there has been no additional impact on the income statement.

The Group's associates and joint arrangements were incorporated in Spain, and none of them were listed on the stock market at 30 June 2018 or at 31 December 2017.

The companies that individually had a positive fair value at 30 June 2018, with an overall amount of EUR 2,822 thousand, are as follows: Alboraya Marina Nova, S.L. and Masía de Montesano, S.L. (associates) and Programas de Actuaciones Baleares, S.L. and Landscape Corsán, S.L. (joint arrangements). The same companies had a positive individual fair value at 31 December 2017 with an overall amount of EUR 2,848 thousand.

5. Financial assets

The detail of current and non-current financial assets at 30 June 2018 and 31 December 2017 is as follows:

	30/06/2018		31/12/2017	
	Non-current assets	Current assets	Non-current assets	Current assets
Fair value through profit and loss	1,886,349	7,025,300	2,384,347	-
Held-to-maturity investments	3,267,112	10,896,404	3,249,153	9,135,444
	5,153,461	**17,921,704**	**5,633,500**	**9,135,444**

The current financial assets at Fair Value with changes in the Profit and Loss Account in the amount of 7,025,300 euros corresponds to the investment of cash balances in current financial assets of immediate availability (Investment

Funds) in accordance with the treasury group policy. Changes in the fair value of these assets are recorded in the Financial Result of the Profit and Loss Account.

The decrease in the financial assets measure at fair value through the profit and loss figure by an amount of EUR 498 thousand is due to the sale of a part of the interest in the company Mediterránea de Actuaciones Integradas, S.L. This sale has a gain by an amount of EUR 42 thousand which has been booked in the accounting epigraph "Gains/(Losses) on financial instruments at fair value" of the Consolidated Income Statement. The Group´s share in this company has become null (formerly 4.84%).

All current financial assets mature within twelve months.

6. Inventory

The detail, by classification and degree of completion, of inventory at 30 June 2018 and 31 December 2017 is as follows:

	30/06/2018	31/12/2017
Land	311,177,375	303,161,096
Developments in progress	63,358,142	36,955,797
Completed developments	11,260,414	5,711,780
Advances to suppliers	1,728,630	2,415,101
Other	819,250	819,250
Net Book value	**388,343,811**	**349,063,024**

Figures in the table above are expressed at their fair value, after accumulated impairment losses.

Mortgage guarantees are arranged on a portion of the inventory to secure the bank debt detailed in Note 11 (bilateral loans for developers and land) and the payment of the debt with the tax authorities relating to deferred payments for various taxes.

The cost of the development in progress relates to the cost of the land and expenses incurred in completing eleven residential projects.

The completed developments amount consists of 59 homes, of which 48 correspond to a completed developments of 116 homes, of which 68 homes have been delivered on June 2018.

"Other" mainly includes the inventory provided by the UTEs in connection with the costs incurred in urban development work.

The net book value on advances to suppliers amounted to EUR 1,729 thousand and refer to payments made for acquisition of land. The committed pending amount related to these acquisitions is as follows:

Importe en miles de euros	Advances Payment	Pending	Total Purchase price
Transactions signed prior to 2008	299	-	299
Transactions signed in 2017	1,430	55,634	57,064
	1,729	**55,634**	**57,363**

1. Transactions signed prior to 2008: Correspond to purchase operations that are currently in the renegotiation stage of conditions. This renegotiation is oriented to the allocation of land for the advances made, not expecting, therefore, to have to make disbursements associated with these contracts.

2. Operations signed in 2017: These are land purchase operations signed in 2017, whose materialization (incorporation of the land into the Group's portfolio, after the granting of the corresponding property transfer deed) is

scheduled for the year 2018. At the date of preparation of these interim financial statements, on 3 July 2018, an operation amounting to EUR 20,863 thousand was made, and therefore, payments amounting to EUR 34,771 thousand are pending.

Net assets value of Inventories includes corrections due to impairment, considering the comparison with market value.The market value is determined based on the appraisal carried out by the independent expert appraisers. BDO Auditores, S.L., appraised the property assets in the Group's asset portfolio, the appraisal date of which was 31 December 2017. The appraisals of these property assets were carried out under the market value assumption, whereby these valuations were conducted in accordance with the statements of the asset valuation-appraisal method and the guidelines published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain.

In the six-month period ended 30 June 2018 a total of EUR 5,608 thousand in finance costs were capitalised.

The breakdown of "Customer advances" on the liability side of the consolidated balance sheet at 30 June 2018 and 31 December 2017 is as follows:

	30/06/2018	31/12/2017
Advances for property developments	13,720,861	10,984,885
Advances for the sale of land	134,028	228,627
Other	36,844	36,844
	13,891,733	**11,250,356**

Sale commitments for certain land and property developments at 30 June 2018 amounted to EUR 169,003 thousand (EUR 97,991 thousand at 31 December 2017), and the advances received for said commitments amounted to EUR 13,855 thousand (EUR 11,213 thousand at 31 December 2017).

7. Trade and other receivables

The detail of "Trade and other receivables" at 30 June 2018 and at 31 December 2017 is as follows:

	30/06/2018	31/12/2017
Trade receivables from related companies (Note 19)	1,670	720
Trade receivables	9,119,493	9,433,310
Debtors	25,777,728	25,949,781
Bad debt	7,983,933	7,984,614
Impairment loss on accounts receivable	(8,808,088)	(8,808,770)
	34,074,736	**34,559,655**

The balance of Trade receivables includes 3,174 thousand euros as at 30 June 2018 (3,174 thousand euros as at 31 December 2017) corresponding to construction contracts for land developments works.

8. Cash and cash equivalents

The balance as at 30 June 2018 of 50,978 thousand euros of Cash and equivalents (37,156 thousand euros as at 31 December 2017) includes the balances of cash and deposits with a maturity of less than 3 months, of which 7,716 thousand euros are deposited in a related financial entity.

As at 30 June 2018, 4,021 thousand euros are not available (3,952 thousand euros as of 31 December 2017), of which 3,888 thousand euros are associated with advances from customers and 133 thousand euros have been pledged to cover future interest payments on mortgage loans.

In addition, the current financial assets includes 7,025,300 euros of cash balances that the group holds in different Investment Funds with immediate availability in accordance with the group's treasury management policy (Note 5).

9. Equity

9.1. Share capital and share premium

At 30 June 2018 and 31 December 2017 the breakdown of share capital and the share premium of Quabit Inmobiliaria, S.A. is as follows:

	30/06/2018		31/12/2017	
	Share capital	**Share premium**	**Share capital**	**Share premium**
Registered capital	72,817,099	175,022,951	72,817,099	57,885,786
	72,817,099	**175,022,951**	**72,817,099**	**57,885,786**

The changes in registered share capital and the share premium in the first half of 2018 have been as follows:

	Number of shares	Nominal value	Share capital	Share premium
Balance at 1 January 2018	**110.634.198**	**0,50**	**55.317.099**	**129.522.951**
Capital increase of 24 May 2018 (i)	35.000.000	0,50	17.500.000	45.500.000
Balance at 30 June 2017:	**145.634.198**	**0,50**	**72.817.099**	**175.022.951**

(i) Capital increase of 24 May 2018

On 24 April 2018, the National Securities Market Commission (CNMV) approved the Securities Note which, together with the Registration Document approved by the CNMV on the same date, constitute the Prospectus of the capital increase approved by the Board of Directors on 23 April 2018, by virtue of the authorisation granted by the shareholders at the Extraordinary General Meeting held on 15 November 2017. The terms and conditions of the transaction are as follows:

- Capital increase for a nominal amount of EUR 17,000,000 and for a total cash amount of EUR 63,000,000 through the issue of 35,000,000 new shares with a par value of EUR 0.50 each, with a share premium of EUR 1.30 per share and, therefore, a unit issue rate of EUR 1.80, of the same class and series as those shares currently outstanding and represented through book entries of the Company. The capital increase will be paid through monetary contributions and pre-emptive subscription rights will be recognised for shareholders evidenced as such.

- Capital increase procedure: Three periods were established: pre-emptive subscription and additional share request period, additional share allocation period and discretionary allotment period.

- The pre-emptive subscription and additional share request period began on 27 April 2018 and ended on 11 May 2018.

The additional share allocation period began on 11 May 2018 and ended on 18 May 2018. On 18 May 2018, the Parent reported the subscription results for these two initial periods:

- Subscription corresponding to the pre-emptive subscription period: EUR 61,989,706.80 were subscribed (34,438,726 shares).

- Allocation of additional shares: EUR 1,010,293.20 were subscribed corresponding to 561,274 shares.

Accordingly, the capital increase was subscribed in full during these two initial periods and, therefore, the discretionary allotment period did not need to be opened.

The public deed was entered in the commercial register on 24 May 2018 and the new shares started their listing in Stock Markets of Madrid and Valencia on 30 May 2018.

Expenses amounting to EUR 2,878 thousand related to this capital increase have been booked minoring the epigraph “Other reserves” of the Equity.

Significant ownership interests

The shareholdings greater than 10% at 30 June 2018 and 31 December 2017 are as follow:

	% of Share capital	
	30/06/2018	**31/12/2017**
Félix Abánades López	21.390%	24.09%
Julius Baer Group Limited	10.068%	3.013%

Mr. Félix Abánades López held directly and indirectly through Restablo Inversiones, S.L.U. Grupo Rayet, S.A.U. and Rayet Construcción, S.A., respectively. The total ownership interest in the Parent’s registered share capital at 30 June 2018 was 21,39%.

Julius Baer Group Limited held indirectly through KAIROS INTENATIONAL SICAV and other investment institutions. The total ownership interest in the Parent’s registered share capital at 30 June 2018 was 10,068%.

The only shareholding greater than 10% at 31 December 2017 was also the one of Mr. Abánades who owned, direct and indirectly, 20,51% of registered share capital.

The above-mentioned percentages of ownership interest were calculated by dividing the voting rights granted by virtue of the public notices of the register of significant ownership interests of the Spanish National Securities Market Commission by the total number of voting rights of Quabit Inmobiliaria, S.A. at the reference date.

Treasury shares

The table below details the changes in the Parent’s treasury shares that took place in first half of 2018:

	Number of shares
	Treasury shares
Total treasury shares at 31 December 2017	**139,621**
-Purchases made	1,020,351
-Sales made	(202,804)
Total treasury shares at 30 June 2018	**957,168**

At 30 June 2018, the cost of treasury shares amounted to EUR 1,954,369 (EUR 237,318 at 31 December 2017). The net cost of purchases and sales made for EUR 1,717,051 and the earnings of EUR 43,361, as a result of measuring the sales at the average cost of acquisition of the treasury shares, taking into consideration those acquired in previous years, are included under “Treasury share transactions” in the statement of changes in equity.

As a result of the various transactions described in the previous paragraphs, at 30 June 2018 the Parent had 957,168 treasury shares, (equal to EUR 1,847 thousand according to the market value at 29 June 2018), which is therefore below the maximum limit of 10% of share capital established for companies listed on the stock market with regard to holding treasury shares.

10.2. Equity of the Parent

The equity of the Parent amounted to EUR 279,786 thousand at 30 June 2018 (EUR 212,411 thousand at 31 December 2017).

10.3. Other equity instruments

The Group has issued 2,828,069 new warrants on shares in favour of the funds managed by Avenue Europe Intenational Management L.P. (hereinafter referred to as Avenue) in consideration of the financing obtained by the group under the financing facility granted by said funds in December 2017, the total number of warrants issued in favour of said funds being 7,526,058 corresponding to 4,697,989 in consideration of the line granted by the funds managed by Avenue in December 2016 (Avenue I) and 2,828,069 in consideration of the line granted in December 2017 (Avenue II).

The enforceability of these warrants is conditioned to different tranches of funds disposition of each of the lines so that as at 30 June 2018 the number of executable warrants is:

• Line "Avenue I" granted to Global Quabit, S.L.U.: the amount provided by the subsidiaries is 50,420 thousand euros, which entitles the use of 3,914,991 warrants valued at 353,315 euros. This amount is recorded under Other equity instruments, with the amortized cost of the debt recorded by the subsidiaries.

• Line "Avenue II" granted to Global Quabit Desarrollos Inmobiliarios, S.L.: the amount provided by the subsidiaries is 23,062 thousand euros, which entitles the use of 2,249,011 warrants valued at 404,864 euros. This amount is recorded under Other equity instruments, with the amortized cost of the debt recorded by the subsidiaries. On 3 July 2018, all of the funds of this line were disposed of and therefore the 2,828,069 warrants issued have been made enforceable (see note 21).

Each warrant entitles the holder to subscribe a new share with cash outlay of a conversion price. The conversion price is subject to an anti-dilution mechanism for capital increases and debt issuance. As a consequence of the capital increase carried out on 24 May 2018 (see note 12.1), the new adjusted prices are as follows: (i) in the first two years of the agreement, the average subscription price would be 2.9357 euros / share and (ii) in the last two years of the agreement the average subscription price would be 3.3874 euros / share.

In 2018, 543 thousand euros have been recorded, which corresponds to the fair value of the warrants that have become enforceable under the heading 'Other equity instruments', with a balancing entry in the amortized cost of the debt.

9.4. Remuneration systems linked to the action

On 28 June 2018, the Board of Directors of Quabit approved an incentive plan for the period 2018-2022 consisting of the delivery of ordinary shares of the Company, free of charge and in different vesting and effective delivery dates to the Chairman and Chief Executive Officer, and 17 other executives and key employees of the Board of Directors.

The number of shares that may be the maximum object of delivery to the beneficiaries of the incentive plan will amount, at most, to a total of 4,059,591 shares, representing 2.79% of the Company's current share capital.

The delivery is conditional on the fulfillment of two business metrics linked to the cumulative EBITDA compliance and the total return for the shareholder (Total Shareholder Return) accumulated for the Quabit share, for the years 2018 to 2022, as well as for the beneficiaries to maintain the condition of executives or employees of the Group on the dates of accrual and effective delivery of shares.

The company has communicated in July 2018 to the beneficiaries of the incentive plan their inclusion in it.

10. Trade and other payables

The detail of “Trade and other payables” at 30 June 2018 and 31 December 2017 is as follows:

	30/06/2018	31/12/2017
Payable to related parties (Note 19)	1,728,754	2,752,702
Trade and other payables	21,758,679	13,192,280
Total	**23,487,433**	**15,944,982**

At 30 June 2018, EUR 1,729 thousand of the balance under “Payable to related parties” correspond to the amount payable arising from the construction work and other services provided by companies that form part of the Rayet Group (see Note 19).

11. Borrowed funds

12.1. Bank borrowings

The detail of the Group’s bank borrowings at 30 June 2018 and at 31 December 2017 is as follows:

	30/06/2018		31/12/2017	
	Current	**Non-current**	**Current**	**Non-current**
Mortgage loans	143,783,280	-	163,026,498	-
Credit facilities	6,582,708	-	11,901,491	-
Alpin Equities Loan	3,500,000	11,292,926	-	14,792,926
Avenue I	50,327,256	-	38,098,202	-
Avenue II	22,787,622	-	23,071,404	-
Interest	9,327,888	952,603	3,358,272	679,315
Total	**236,308,754**	**12,245,529**	**239,455,867**	**15,472,241**

The debt is classified in the consolidated balance sheet either as current or non-current based on the asset to which the financing is related. Most of the Group’s financing has mortgage guarantees arranged on inventory, included under “Current assets”, and therefore the related debt must be recognised under current payables. This classification is therefore not related to when the transactions mature.

Movements of bank borrowings in first half 2018

The table below summarises the changes under this heading in the first semester of 2018:

Balance at 31 December 2017	**254,928**
Drawdowns	9,182
Drawdowns	12,195
Drawdowns	42
Cancellations due to debt reductions	(14,896)
Repayments at maturity	(13,779)
Cancellations due to sales and payments in kind	(6,536)
Amortized cost adjustments	(302)
Accrued interest	7,768
Fair value liabilities adjustment	(48)
Balance at 30 June 2018	**248,554**

Drawdowns:

- Drawdowns on Development loans, Land loans and Credit facilities by an amount of 9,182 thousand euros: these correspond to drawdowns financing work in progress, land purchases and VAT.
- Avenue I facility drawdowns by an amount of 12,195 thousands euros: drawdowns of funds (nominal without commission) made in 2018 from the credit facility up to 60 million euros approved by funds advised by Avenue Europe International Management, L.P. This credit facility was signed on the 28th December 2016.
- Avenue II facility drawdowns by an amount of 42 thousand euros: Drawdown of funds (nominal without commission) made in 2018 from the tranche of senior loan (limited to 28 million euros) of financing facility up to 40 million euros approved by funds advised by Avenue. This credit facility was signed on the 1st December 2017.

Cancellations due to debt discount:

- Discount of 7,9 million euros associated with commercial agreements and renegotiation of debts.
- Discount of 6.8 million euros associated early repayment to Sociedad de Gestión de Activos Procedentes de la Reestructuración bancaria, S.A. (SAREB)
- Discount of 0,2 million euros due to sales.

Amortisation of debts:

- Early repayment of 12 million euros agreed with SAREB associated to Capital Increase on 24 May 2018 and early repayment of 0.2 million euros agreed with SAREB.
- Payment of 0.9 million euros associated with the payments schedule agreed with financial entities.
- Payment of 0.7 million euros associated with the commercial agreements for debt cancellation agreed with financial entities.

Cancellation due to sales:

- 6.5 million euros of debt associated with assets sales.

Amortized cost liabilities adjustments:

- Adjustment to debt valued at amortized cost for a negative amount of 0.3 thousand euros. net effect of debt carried at amortized cost that includes the impact of increasing the nominal amount drawn with the charged and accumulated commissions to the loan amount and discounting the effect of those commissions and those already paid. Additionally, the impact of the issuance of warrants associated to these two financing facilities for a negative amount of 572 thousand euros is included in this concept.

Accrued interest:

- 3.1 million euros corresponding to interest to be paid at maturity.
- 0.7 million euros of interest that will be gradually written off as far as the payments scheduled are attended.

Bank debt structure at 30 June 2018

The structure of the bank debt at 30 June 2018, which amounts to EUR 248,6 million, is as follows:

(thousand euros)	**30/06/2018**
Limited recourse debt	1,884
Debt with SAREB to be paid according to payments schedule and associated discount	114,497
Debt with other financial institutions with payments schedule and discount	8,040
Debt with other financial institutions	3,632
Secured Debt payable on delivery of houses (Stock of completed developments)	3,621
Secured Debt payable on delivery of houses (Developer loan)	15,618
Secured Debt for VAT refunds	4,375
Loan from funds advised by Alpin Equities	16,885
Loan from funds advised by Avenue: Avenue I	55,550
Loan from funds advised by Avenue: Avenue II	24,452
Total deuda con entidades financieras	**248,554**

- *Limited-recourse Debt:* secured debt that will be cancelled with the transfer of collateral assets. (net book value of 1,884 thousand euros).
- The debt with Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB) in the amount of EUR 114,497 thousand will be cancelled through payments totalling EUR 76,932 thousand. The discounts associated with this payment schedule amounts to EUR 37,565 thousand will be consolidated to the extent that the maturities are met. The table below includes the schedule of ordinary payments:

Maturity	**Repayment (Thousands of euros)**
31 July 2018	-
31 July 2019	154
31 July 2020	9,859
31 July 2021	15,000
31 July 2022	51,919
TOTAL	**76,932**

The Parent must allocate the net amounts received because of the following to the early repayment of this financial debt: 20% of operating cash for each financial year; and 20% of the amounts received in connection with any capital increase with monetary contributions. During the year 2018, early cancellations for an amount of 17,787 thousand euros have been made associated with the capital increase in May 2018, 232 thousand euros of agreed advance payment and 902 thousand euros of interest.

- *Debt with other financial entities with payment schedule and cancellation:*
  - In the first semester of 2018, an agreement was reached with a financial institution with which the conditions were renegotiated and a payment schedule was established for an amount of 2.9 million euros and associated discounts amounting to 4.9 million euros of euros that will be consolidated according to the payment schedule. As at 30 June 2018 the outstanding debt is 6,779 thousand euros, the payment schedule is 2,530 thousand euros and the associated discount is 4,249 thousand euros. As a consequence of this agreement and with the first payment made, the group has recorded a debt discount amounting to 7.4 million euros, which is included in the "Other operating income" in the Consolidated Profit and Loss account.
  - On the other hand, debt amounting to 246 thousand euros corresponding to a financial institution with which a payment schedule was established for a total amount of 123 thousand euros in the years 2018 and 2019. The discount associated with this calendar, which amounts to 123 thousand euros at 30 June 2018, will be recorded to the extent that maturities are met. To this discount it will be necessary to add the interests that this debt accrues in the future.
  - For the debt with another financial institution for a total amount of 1,015 thousand euros, a calendar of total payments of 535 thousand euros is established, between 2018 and 2022. The discount associated with this calendar, amounting to 280 thousand of euros to 30 June 2018, will be recorded to the extent that the due dates are met. To this discount it will be necessary to add the interests that this debt accrues in the future. As a result of this agreement and with the first payment made, the group has recorded a debt discount amounting to 0.5 million euros, which is included under "Other operating income" in the Consolidated Profit and Loss account.
- *Debt with other financial institutions*: debt amounting to 3,632 thousand euros with associated payment schedule.
- *Secured Debt payable on delivery of houses (Stock of completed developments):* Debt associated with stock of finished product amounting to 3,621 thousand euros, corresponding to loans guaranteed with stock of finished product.
- Developer Loan: secured debt that will be canceled at the time of the sale of houses it finances. 12,041 thousand euros correspond to loans associated with developments under construction and 3,577 thousand euros to a promotion that is currently in the delivery phase.

- *Secured Debt for VAT refunds:* debt amounting to 4,375 thousand euros corresponding to the financing of VAT paid on land purchase operations that will be automatically canceled with the refund of VAT by the Public Treasury
- Loan from funds advised by Alpin Equities: debt amounting to 16,885 thousand euros (amortized cost plus accrued interest as at 30 June 2018): The amortization schedule of this loan has been established as far as the assets are expected to be delivered. Shares in dependent companies who own the assets have been pledged in favor of the funds advised by Alpin equities as guarantee of the agreement compliance.
- *Avenue I and II credit facilities:* This amount includes drawdowns of the Avenue credit facilities in the amount of 55,550 thousand and 24,452 thousand euros has it maturity in the years 2020 and 2021. It is planned to cover the maturities with the treasury obtained from the sale of the assets that are being developed in the land acquired with the funds obtained from them. That is the reason why some maturities have been scheduled before the expiration of facilities in 2020 and 2021.

Maturity of bank debt

The breakdown of the maturity of the bank debt taking under consideration its structure as explained above is as follows:

	Year of maturity				
(Thousand euro)	**2018**	**2019**	**2020**	**2021 and subsequent years**	**Total**
Debt with limited recourse agreements	1,884	-	-	-	1,884
Discounts associated to the schedule of payments	1,285	3,442	4,849	32,840	42,416
Debt to be cancelled by sales of assets	18,739	500	-	-	19,239
Secured Debt for VAT refunds	4,375	-	-	-	4,375
Alpin Equities Loan	3,995	6,609	6,281	-	16,885
Credit facility Avenue I	2,938	-	52,612	-	55,550
Credit facility Avenue II	-	-	-	24,452	24,452
Debt to pay with cash flow generated	588	2,702	13,125	67,338	83,753
	33,804	**13,253**	**76,867**	**124,630**	**248,554**

The maturity year of the Debt to be cancelled by sales of assets is the expected date of the delivery of the developments or the stock units.

Maturities and associated discounts scheduled for 2021 and thereafter are concentrated on 2022 with an amount of EUR 51.9 million.

Additional information on bank debt

All current and non-current balances are denominated in euros.

Credit facility Avenue I: Line of credit with funds managed by Avenue

As at 30 June 2018, the nominal amount disposed of this line amounts to 50,420 thousand euros (38,225 thousand euros as at 31 December 2017). The balance at amortized cost of this line as at 30 June 2018 amounts to 50,397 thousand euros (38,098 thousand euros as 31 December 2017).

Credit facility Avenue II: Line of credit with funds managed by Avenue

As at 30 June 2018, the total amount used for this line is 32,438 thousand euros (32,438 thousand euros as of 31 December 2017) with the following breakdown:

- Contribution of 9.99% of the capital in the subsidiary company Global Quabit Desarrollos Inmobiliarios, S.L. for a total value of contributions (capital plus premium) of 3,105 thousand euros.

- Contributions as a participative loan for a total amount of 6,271 thousand euros.

- Senior loan granted to the subsidiaries (wholly-owned companies) that will be the final owners of the land to be developed, for a nominal total amount of 23,062 thousand euros (23,071 thousand euros at amortized cost).

The Group has issued 2,828,069 new warrants on shares in favor of the funds managed by Avenue in consideration of the financing obtained by the group under the Avenue II credit line. Note 9.3 details the situation regarding the warrants issued with execution right based on the provisions made until 30 June 2018 and the execution prices once the usual anti-dilution mechanisms in this type of instruments have been applied.

Note 21 of Subsequent Events details the situation of this line at the date of formulation of these Interim Financial Statements

Credit Line with funds advised by the companies TACONIC CAPITAL ADVISORS UK LLP and GRUPO ROYAL METROPOLITAN ESPAÑA, S.A.

The Company reported on 27 March 2018, through a significant event registered with the CNMV, the signing of a new credit line of up to 50 million euros with certain funds advised by the companies TACONIC CAPITAL ADVISORS UK LLP and GRUPO ROYAL METROPOLITAN ESPAÑA, S.A.

The purpose of this line of credit is to finance the acquisition of finalist land focused on the promotion of residential real estate assets. The signing of this line of credit is part of the financing scheme for new investments planned by the group in its 2017-2022 Business Plan. The most relevant terms of this agreement are:

- The provisions of this line will finance 70% of the amount of land acquisitions and their corresponding I.V.A. The remaining 30% will be financed by Quabit Inmobiliaria, S.A.

- The provisions must be made during the first nine (9) months of the contract and the return of the funds arranged at the expiration, four (4) years, of the credit line and the possibility of: (i) make early repayments and (ii) reuse funds to make new investments.

- For each of the projects financed, a company indirectly fully owned by Quabit Inmobiliaria, S.A. Said participations will be the guarantee of the loans, leaving, if necessary, the land for the bank financing of the promotion.

- Interest rate: The interest rate to be applied will be 15% per annum on the amount provided, which can be paid at the expiration of the loan.

- The agreement establishes additional variable remunerations based on the profitability scenarios of the promotions.

- Companies may subscribe to bank financing on land acquired at mortgage market rates, which would considerably reduce the cost of financing, and could increase the financing capacity of the agreement.

As at 30 June 2018 no funds have been withdrawn of this credit facility.

12.3. Other non-trade payables

The detail of the Group's other non-trade payables at 30 June 2018 and 31 December 2017 is as follows:

	30/06/2018		31/12/2017	
	Current	**Non-current**	**Current**	**Non-current**
Payable to related companies: Other loans (Note 19)	551,152	-	811,323	-
Loans from third parties	-	6,318,930	-	6,379,163
Deposits and guarantees	2,123,185	12,549	1,927,814	20,994
Total	**2,674,337**	**6,331,479**	**2,739,137**	**6,400,157**

12. Tax receivables and payables

The detail of the tax receivables and tax payables at 30 June 2018 and 31 December 2017 is as follows:

Receivables	**30/06/2018**	**31/12/2017**
Income tax	2,809	2,809
VAT	20,433,769	17,054,471
Withholdings	-	95
Other	92	80,210
	20,436,670	**17,137,585**

Payables	**30/06/2018**	**31/12/2017**
VAT	915,328	245,664
Income Tax	106,051	162,309
Social security costs	70,110	59,052
Withholdings	44,253	23,414
	1,135,742	**490,439**

The increase on the VAT receivable is a consequence of the input VAT for the land acquisitions.

The Increase in tax payables corresponds mainly to the amount payable in relation to sales of houses.

13. Deferred taxes

14.1. Deferred tax liabilities

Main component of the Deferred tax liabilities of Consolidated Balance Sheet at 30 June 2018 and 31 December 2017 is the amount of deferred taxes with origin in the two business combinations of the years 2006 y 2008. Those deferred taxes were a consequence of the allocation to the assets of the two subgroups of those surplus paid by the Parent. The reduction in the amount of the deferred taxes is due, mainly, to the booking of the sales of assets in the first half 2018 and of their corresponding impairment corrections.

14.2. Deferred tax assets

Some EUR 58,5 million of deferred taxes at 30 June 2018 correspond to tax assets, of which EUR 56,8 million corresponds to the Parent.

Total credits for this concept come not only from tax losses carry forward but also from other temporary or permanent adjustments pending to register.

The different components of the tax credits of the Parent are detailed in the following table:

Amounts in millions of euros	**31/12/2076**
Tax losses carry forward of the Tax Group	543
2008 merger difference not allocated to assets yet to be adjusted	196
2008 merger difference allocated to assets yet to be reversed	4
Non-deductible finance costs of the tax group	67
Positive adjustmento due to reversal of subsidiaries impairment	(16)
Positive adjustments due to tax neutrality	(13)
	781

The tax assets that may potentially be recognised for all these components calculated at a tax rate of 25% (applicable as of 2016 according to that set forth in Corporate Income Tax Law 27/2014, of 27 November) amounted to EUR 195 million, of which the Group had recognised EUR 58,5 million as assets.

14. Provisions for contingencies and charges

The detail, by nature, of provisions and other current and non-current liabilities at 30 June 2018 and 31 December 2017 is as follows:

	30/06/2018		31/12/2017	
	Other current liabilities	**Long-term provisions for contingencies and charges**	**Other current liabilities**	**Long-term provisions for contingencies and charges**
By nature:				
Provisions for litigation and third-party liability	1,129,685	1,894,810	1,129,685	1,894,810
Provisions for other liabilities	3,520,182	-	3,335,622	-
	4,649,867	**1,894,810**	**4,465,307**	**1,894,810**

15.1. Provisions for litigation and third-party liability

There were no movements as of 30 June 2018 with respect to 31 December 2017 in the "Provisions for litigation and liabilities" section.

The provisions recognised at 30 June 2018 and 31 December 2017 correspond to the estimated amount required for probable third-party liabilities and losses, none of which have significant individual amounts, the exact amount and date of payment of which cannot be determined. The provision is made using the best estimates at the time the potential obligation becomes known, based on independent expert legal reports to hedge any risks arising from the real estate activities carried out by the Group in various projects.

15.2. Provisions for other liabilities

“Other liabilities” in the consolidated balance sheet includes mainly the provisions recognised in connection with urban development work yet to be carried out, which are charged to the Group, corresponding to the land already sold.

15. Guarantees

At 30 June 2018, the guarantees provided to the Group by financial institutions in relation to municipal councils, individuals and private companies amounted to EUR 24,512 thousand (EUR 22,394 thousand at 31 December 2017). EUR 11,528 thousand of that amount refers to guarantees provided to the customers for covering the prepayments made related to transactions of sales of houses.

In addition, certain Group companies act as guarantors of the collateral and credit facilities granted to companies by financial institutions in accordance with the following breakdown:

	30/06/2018	31/12/2017
Guarantees provided to Group companies by the Parent	4,668,274	3,877,802
Guarantees provided to third parties	4,540,315	4,540,315
	9,208,588	**8,418,116**

The guarantees provided at 30 June 2018 to Group companies by the Parent include EUR 4,590 thousand relating to guarantees provided to subsidiaries (EUR 3,800 thousand at 31 December 2017) and EUR 4,540 thousand provided to associates (EUR 4,540 thousand at 31 December 2017) and EUR 78 thousand provided to joint ventures (EUR 78 thousand at 31 December 2017).

Of the total amount guaranteed, 8,418 thousand euros correspond to credit and loan policies, and 790 thousand euros to insurance policies associated with current developments.

16. Operating income and expenses

a) Net turnover

The detail of the Group’s Net turnover at 30 June 2018 and 2017 is as follows:

	30/06/2018	30/06/2017
Land sales	-	2,164,003
Sale of building constructions	9,148,607	464,100
Property rental	-	190,134
Other	5,310	-
	9,153,917	**2,818,237**

The amount of the turnover includes sales of completed developments for an amount of 8,771 thousand euros and sales of stock for an amount of 378 thousand euros (464 thousand euros in 2017).

In the 2018, there were no land sales (2,164 thousand euros in 2017).

Rental income for 2017 corresponded to income from Property investments, which the group proceeded to dispose of in the second half of 2017.

b) Other operating income

“Other operating income” in the consolidated income statement includes the amount of EUR 14,896 thousand (EUR 10,230 thousand in 2017) due to the debt discounts applied in executing the agreements with financial institutions, either through the application of the portion corresponding to the maturity schedules or the debt reduction associated with the sale of assets.

c) Other operating expenses

The detail of the Group’s other operating expenses at 30 June 2018 and 2017 is as follows:

	30/06/2018	30/06/2017
Leases	415,167	199,726
Professional services	1,496,749	1,016,269
Other professional services	390,021	250,494
Advertising and publicity	1,036,153	430,635
Taxes other than income tax	4,368,658	1,731,232
Repairs and maintenance	25,295	45,152
Insurance premiums	147,456	180,612
Utilities and supplies	62,880	55,657
Other	760,981	1,058,494
	8,703,360	**4,968,271**

The increase in this line of the consolidated Income Statement is mainly associated with the increase in the group's activity. Part of the expenses included in this line (architects' fees, building licences, construction taxes, among others) are items that can be activated in inventories as cost of the projects in progress.

d) Staff costs

The detail of "Staff costs" is as follows:

	30/06/2018	30/06/2017
Wages and salaries	2,254,193	1,267,213
Employer social security costs	336,387	233,418
Remuneration of directors (Note 19)	793,286	920,508
Other employee benefit costs	50,910	32,356
	3,434,776	**2,453,495**

17. Finance income and costs

The detail of finance income is as follow:

	30/06/2018	30/06/2017
Other finance income	5,690,074	204,115
Fair value Debt adjusments	47,850	-
	5,737,924	**204,115**

Finance income in 2018 includes the activation of interest cost related to developments in progress.

The breakdown of financial expenses as of 30 June 2018 and 2017 is detailed below:

	30/06/2018	30/06/2017
Interest on loans and bank loans	8,065,369	1,843,153
Interest on debts with related companies (Note 19)	856	6,279
Other financial expenses	161,229	97,533
	8,227,454	**1,946,965**

Financial expenses increase in relation to the first half of 2018, as a consequence of the greater indebtedness with land loans and developer loans for the development of the group's activity.

18. Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to the shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares acquired and held by the Group (Note 9.1).

	30/06/2018	30/06/2017
Profit attributable to shareholders of the Parent according to the accompanying consolidated income statement	1,179,408	(3,521,973)
Weighted average number of shares outstanding	117,024,109	64,090,608
Basic earnings per share (euros)	**0.010**	**(0.055)**

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to reflect the conversion of all the dilutive potential ordinary shares. As at 30 June 2018 there is an effect for the potential ordinary shares associated with the executable warrants that would give the holders the right to subscribe for 6,164,002 new shares (see note 9.3). Diluted earnings per share would be 0.01 euros / share considering this effect.

19. Balances and transactions with related parties

In accordance with the Board of Directors Regulations, the Board has full competence to approve, following a report from the Appointments and Remuneration Committee, the transactions that the Parent or its Group companies carry out with directors, in accordance with that stipulated in Article 229 and 230 of the Spanish Limited Liability Companies Law, or with shareholders that individually or acting in concert with others hold a significant ownership interest, including shareholders represented on the Board of Directors of the Company or of other companies that form part of the same group, or with persons related thereto. Directors who are candidates, or who represent or are related to shareholders who are candidates, must abstain from participating in the discussions and from voting on the resolution in question. Only transactions that simultaneously meet the following three characteristics will be exempt from this approval:

1. They are performed under contracts with standard terms and conditions and are applicable across-the-board to numerous customers,

2. They are performed at prices or rates established in general terms by the supplier of the goods or service in question, and

3. The amount does not exceed 1% of the Company's annual income.

The balances and transactions performed with subsidiaries as part of its normal business and financing activities have been eliminated on consolidation and, therefore, are not disclosed in this Note.

Balances with related companies at 30 June 2018

	Grupo Rayet, S.A.U. and Subsidiaries	Significant ownership interests	Joint Arrangements and UTE´s	Associates	Key personnel	Total
ACTIVO						
Non-current financial assets	3,091,560	-	-	-	-	**3,091,560**
Current financial assets	4,721	-	48,967,455	437,894	-	**49,410,071**
Trade receivables (Note 7)	1,669	-	-	-	-	**1,669**
Cash and Cash equivalents (Note 8)	-	7,715,810	-	-	-	**7,715,810**
	3,097,950	**7,715,810**	**48,967,455**	**437,894**	**0**	**60,219,109**
PASIVO						
Non-current financial liabilities (Note 11.2)	173,652	-	-	77,500	-	**251,152**
Current financial liabilities (Note 11.2)	-	-	-	-	300,000	**300,000**
Trade and other payables (Note 10)	1,728,754	-	-	-		**1,728,754**
	1,902,406	**-**	**-**	**77,500**	**300,000**	**2,279,906**

Balances with related companies at 31 December 2017

	Grupo Rayet, S.A.U. and Subsidiaries	Significant ownership interests	Joint Arrangements and UTE´s	Associates	Key personnel	Total
ACTIVO						
Non-current financial assets	3,093,560	-	-	-	-	**3,093,560**
Current financial assets	4,721	-	48,966,072	8,436,444	-	**57,407,237**
Trade receivables (Note 7)	720	-	-	-	-	**720**
	3,099,001	-	**48,966,072**	**8,436,444**	-	**60,501,517**
PASIVO						
Non-current financial liabilities (Note 11.2)	172,796	-	1,028	77,500	-	**251,323**
Current financial liabilities (Note 11.2)	-	-	-	-	560,000	**560,000**
Trade and other payables (Note 10)	2,752,702	-	-	-	-	**2,752,702**
	2,925,498	**-**	**1,028**	**77,500**	**560,000**	**3,564,026**

The transactions performed with related parties in the first half of 2018 and 2017 are as follows:

Transactions with related parties in 2018

30 JUNE 2018

euros	**Grupo Rayet, S.A. and Subsidiaries**	**Joint Arrangements and UTE´s**	**Associates**	**Key management personnel**	**Total**
Purchases and other expenses:	4,773,363	-	-	-	**4,945,263**
Procurements	4,561,785	-	-	-	***4,561,785***
Other operating expenses (Note 16)	158,641	-	-	-	***330,541***
Non-current asset acquisitions	52,936	-	-	-	***52,936***
Finance costs (Note 17)	856	-	-	-	**856**
Remuneration to Board of directors	-	-	-	793,286	**793,286**
Remuneration to management personnel	-	-	-	978,583	**978,583**

Transactions with related parties in 2017

30 JUNE 2017

euros	**Grupo Rayet, S.A. and Subsidiaries**	**Joint Arrangements and UTE´s**	**Associates**	**Key management personnel**	**Total**
Purchases and other expenses:	7,654,529	**-**	**-**	24,600	**7,679,129**
Procurements	*7,507,772*	-	-		***7,507,772***
Other operating expenses (Note 16)	*115,104*	-	-	*24,600*	***139,704***
Non-current asset acquisitions	*31,653*	-	-		***31,653***
Finance costs (Note 17)	6,279	-	-		**6,279**
Remuneration to Board of Directors	-	-	-	920,508	**920,508**
Remuneration to management personnel	-	-	-	551,655	**551,655**

Related party balances

The amounts included in the tables of balances are nominal amounts before taking into consideration impairment losses. The main changes are as follows:

Associates companies

Current financial assets

In the first semester of 2018 the loans and participative loans granted to the associated company Nova Panorámica, S.L. on which a 50% of interests in the share capital was written off. The company was in bankruptcy has been completed with the extinction of the company. The Parent Company had provisioned these loans and there has been no impact on the income statement.

Grupo Rayet, S.A.U. and Subsidiaries

Trade and other payables

Includes the balances derived from the invoices pending payment, corresponding mainly to building works developed by Rayet Construcción, S.A.

The decrease is due to the settlement of the pending payment for the acquisition of land in December 2017 from Grupo Rayet, S.A.U.

Transactions with related parties in 2018

Grupo Rayet, S.A.U. and Subsidiaries

-Procurement: from the total amount (4,561 thousand euros), 177 thousand euros correspond to the acquisition of land and other works in Alovera (Guadalajara) for the promotion of new homes, 4,240 thousand euros correspond to certifications of the year 2018 of several developments whose building works are being executed by the company Rayet Construcción, S.A. (see commitments with Grupo Rayet, S.A.U.) and, 141 thousand euros correspond to land development certifications in Alovera (Guadalajara).

- Other operating expenses: Corresponds to IT services, advertising and cleaning of offices provided by subsidiaries of Grupo Rayet, S.A.U.

- Acquisition of fixed assets: Corresponds to the acquisition of office equipment and sales stands provided by subsidiaries of Grupo Rayet, S.A.U.

Commitments with Grupo Rayet, S.A.U. and dependent societies

The Group companies have entered into several agreements with companies belonging to the shareholder Grupo Rayet, S.A.U.:

- Contracts for the provision of IT services and cleaning of offices with subsidiaries of Grupo Rayet, S.A.U. for a total committed yearly amount of 169 thousand euros.

- A construction contract with the supply of materials, for the construction of a building in Guadalajara: a building with 116 housing units. The total budget for the work amounts to EUR 8,675 thousand, of which EUR 1,527 thousand had been invoiced in 2018. This contract has been completed in 2018 and payable balance amounts to EUR 450 thousand.

- A construction contract with the supply of materials, for the construction of a building in Guadalajara: a building with 24 semi-detached houses. The total budget for the work amounts to EUR 3,611 thousand, of which EUR 1,413 thousand had been invoiced in 2018, so the value of works pending to be executed amounts to EUR 58 thousand.

- A construction contract with the supply of materials, for the construction of a building in Torrejón de Velasco: a building with 51 houses. The total budget for the work amounts to EUR 4,545 thousand, of which EUR 338 thousand had been invoiced in 2018.

- A construction contract with the supply of materials, for the construction of a building in Torrejón de Velasco: a building with 11 houses. The total budget for the work amounts to EUR 1,151 thousand, of which EUR 13 thousand had been invoiced in 2018.

- A construction contract with the supply of materials, for the construction of a building in Guadalajara: a building with 196 houses. The total budget for the work amounts to EUR 15,991 thousand, of which EUR 615 thousand had been invoiced in 2018.

- A construction contract with the supply of materials, for the construction of a building in Alovera: a building with 76 houses. The total budget for the work amounts to EUR 6,720 thousand, of which EUR 182 thousand had been invoiced in 2018.

- In December 2012, the Parent Company constituted a unilateral mortgage on properties located in Guadalajara, guaranteeing a total amount of 306 thousand euros, as a result of the designation before the Tax Administration of assets that guarantee the 19.89% of certain debts of UTE I-15. Said percentage corresponded to Quabit Inmobiliaria, S.A. according to their participation quota prior to exit from the aforementioned UTE I-15, in accordance with the commitments assumed before the Tax Administration for the concession of the postponement of the VAT payment of December 2011 of the aforementioned UTE I - 15.

20. Contingencies

There has not been any significative variation in 2018 for the contingencies described in Note 29 of the Consolidate Financial Accounts for 2017.

21. Events after the reporting period

Purchase of land

On 3 July 2018, an operation to acquire several plots of land in Menorca was signed, destined to the construction of 277 new houses and 264 hotel beds. The total price paid for 100% of the land has been 24,567,791 euros and the operation has been financed in the following way:

1. Capital increase with non-monetary contribution amounting to 6,258,990 euros for 30% pro-undivided.
2. Sale of 70% pro-undivided that has been financed with funds available from the Avenue II Financing Line and own resources.

Capital increase with non-monetary contribution

On 3 July 2018 the deed of capital increase corresponding to the resolution of the Extraordinary General Meeting of 15 November 2017 of capital increase in an amount of 1,564,747.50 euros through the issuance of 3,129,495 new ordinary shares of 0.50 euros of par value each, of the same class and series as the pre-existing shares in circulation, with an issue premium of 1.50 euros per share, which makes a total of 4,694,242.50 euros. All of the issued shares were delivered to the company Sankar Real Estate Partners, S.L. in consideration of the non-monetary contribution of 30% pro-undivided of plots of land located in Es Mercadal (Menorca).

This capital increase was carried out in execution of the seventh agreement adopted by the Extraordinary General Shareholders' Meeting of Quabit Inmobiliaria, S.A. of 15 November 2017 that approved a capital increase charged to non-monetary contributions for a nominal amount of 1,564,747.50 euros, with an incomplete subscription forecast, plus an issue premium of 4,694,242.50 euros through the Issuance of 3,129,495 new shares.

The procedures for the admission to trading of the new shares are currently being carried out.

Line of financing Avenue II

On 3 July 2018 and in connection with the financing for the purchase of land in Menorca, all the funds of the Avenue II financing line of 40 million and an additional 4.6 million euros were withdrawn, resulting in the total amount arranged in relation to this line of 44.6 million euros with the following breakdown:

- Contribution of 9.99% of the capital of Global Quabit Desarrollos Inmobiliarios, S.L. for a total value of contribution (capital plus premium) of 3,923 thousand euros.

- Contributions as a participative loan for a total amount of 7,910 thousand euros.

- Senior financing lines granted to subsidiaries (100% owned by Global Quabit Desarrollos Inmobiliarios, S.L.)

Significant ownership interests

Mr. Félix Abánades issued one notice, on 05 Jully 2018, with regard to the informing him of the allocation of 1,476,087 new shares as a result of the Incentive Plan approved by the Administration Board on 28 June 2018 After this communication the participation of D. Felix Abánades becomes 22,404%.

Appendix I

Subsidiaries included in the scope of consolidation

Denominación Social	Registered office	Direct ownership interest	Indirect ownership interest	Consolidation method	Company holding the interest
Quabit Inmobiliaria Internacional, S.L.	Madrid	99,56%		a	(i)
Grupo Mediterráneo Costa Blanca, S.L.U.	Madrid	100,00%		a	(i)
El Balcón de las Cañas, S.L.U.	Madrid		100,00%	a	(ii)
Residencial Nuevo Levante, S.L.U.	Madrid	100,00%		a	(i)
Quabit Comunidades, S.L.	Madrid	60,00%		a	(i)
Parque Las Cañas, S.L.U.	Madrid	100,00%		a	(i)
Iber Activos Inmobiliarios, S.L.	Madrid		98,85%	a	(iv)
Bulwin Investments, S.A.	Madrid	100,00%		a	(i)
Quabit Quality Homes, S.L.U.	Madrid	100,00%		a	(i)
Quabit Premier, S.L.U.	Madrid		100,00%	a	(ii)
Quabit Assets, S.A.	Madrid	100,00%		a	(i)
Quabit Sant Feliu, S.L.U.	Madrid		100,00%	a	(ii)
Quabit Casares, S.L.U.	Madrid		100,00%	a	(ii)
Quabit Aguas Vivas, S.L.U.	Madrid		100,00%	a	(iii)
Global Quabit, S.L.U.	Madrid	100,00%		a	(i)
Quabit Alcarria, S.L.U.	Madrid		100,00%	a	(iii)
Quabit Distrito Centro, S.L.U.	Madrid		100,00%	a	(iii)
Quabit Corredor del Henares, S.L.U.	Madrid		100,00%	a	(iii)
Quabit Moncloa, S.L.U.	Madrid		100,00%	a	(iii)
Quabit Sureste, S.L.U.	Madrid		100,00%	a	(iii)
Quabit Hortaleza, S.L.U.	Madrid		100,00%	a	(iii)
Quabit Remate, S.L.U.	Madrid		100,00%	a	(iii)
Quabit Torrejón VP Fase 1, S.L.U.	Madrid		100,00%	a	(ii)
Quabit Torrejón VP Fase 2, S.L.U.	Madrid		100,00%	a	(ii)
Quabit Torrejón VP Fase 3, S.L.U.	Madrid		100,00%	a	(ii)
Quabit Peñuela VL Fase 1, S.L.U.	Madrid		100,00%	a	(ii)
Quabit Peñuela VL Fase 2, S.L.U.	Madrid		100,00%	a	(ii)
Quabit Peñuela VL Fase 3, S.L.U.	Madrid		100,00%	a	(ii)
Quabit Remate las Cañas, S.L.U.	Madrid		100,00%	a	(ii)
Quabit Sup-R6, S.L.U.	Madrid		100,00%	a	(ii)
Quabit Quality Homes Guadalix, S.L.U.	Madrid		100,00%	a	(ii)
Quabit Quality Homes San Lamberto, S.L.U.	Madrid		100,00%	a	(ii)
Global Quabit Cañaveral Málaga Fase 1, S.L.U.	Madrid		100,00%	a	(iii)
Global Quabit Cañaveral Málaga Centauro, S.L.U.	Madrid		100,00%	a	(iii)
Global Quabit Cañaveral Tercera Fase, S.L.U.	Madrid		100,00%	a	(iii)
Global Quabit Cañaveral Fase Cuatro, S.L.U.	Madrid		100,00%	a	(iii)
Global Quabit Málaga, S.L.U.	Madrid		100,00%	a	(iii)
Global Quabit Sur, S.L.U.	Madrid		100,00%	a	(iii)

Denominación Social	Registered office	Direct ownership interest	Indirect ownership interest	Consolidation method	Company holding the interest
Quabit Casares Golf RP5, S.L.U.	Madrid		100,00%	a	(iii)
Global Quabit Norte, S.L.U.	Madrid		100,00%	a	(iii)
Global Quabit Azuqueca, S.L.U.	Madrid		100,00%	a	(iii)
Global Quabit Desarrollos Inmobiliarios, S.L.	Madrid	90,01%		a	(i)
Quabit Las Lomas de Flamenco, S.L.U.	Madrid		100,00%	a	(v)
Quabit Alovera, S.L.U.	Madrid		100,00%	a	(v)
Quabit Menorca Desarrollos Inmobiliarios, S.L.U.	Madrid		100,00%	a	(v)
Quabit El Vado, S.L.U.	Madrid	100,00%		a	(i)
Quabit Palmaces, S.L.U.	Madrid	100,00%		a	(i)
Quabit Aneto, S.L.U.	Madrid	100,00%		a	(i)
Quabit Veleta, S.L.U.	Madrid	100,00%		a	(i)
Quabit Almanzor, S.L.U.	Madrid		100,00%	a	(iii)
Quabit Teide, S.L.U.	Madrid		100,00%	a	(iii)
Quabit Peñalara, S.L.U.	Madrid		100,00%	a	(iii)
Quabit Naranjo, S.L.U.	Madrid		100,00%	a	(iii)
Quabit Freehold Properties, S.L.U.	Madrid	100,00%		a	(i)
Quabit Freehold Properties Levante, S.L.U.	Madrid		100,00%	a	(vi)
Quabit Freehold Properties Sur, S.L.U.	Madrid		100,00%	a	(vi)
Quabit Freehold Properties Centro, S.L.U.	Madrid		100,00%	a	(vi)

Consolidation method

a. The Parent holds majority of the vote rights. .

Line of business

The subsidiaries engage in the development of housing units and the management and urban development of land.

Company holding the interest

(i) Quabit Inmobiliaria, S.A.
(ii) Quabit Quality Home, S.L.U.
(iii) Global Quabit, S.L.U.
(iv) Quabit Quality Homes San Lamberto, S.L.U.
(v) Global Quabit Desarrollos Inmobiliarios, S.L.
(vi) Quabit Freehold Properties, S.L.U.

Appendix II

Associates included in the scope of consolidation

Company Name	Registered Office	Direct ownership interest	Indirect ownership interest (*)	Consolidation method	Company holding the interest	Auditor
Alboraya Marina Nova, S.L.	Alboraya	-	50,00%	a	(ii)	C
Masía de Montesano, S.L.	Barcelona	33,33%	-	a	(i)	C
Novamar Actuaciones Urbanas, S.L. (**)	Castellón	40,00%	-	a	(i)	C

(*) The percentage in case of Indirect ownership refers to that of the directo owner

(**) Company in liquidation

Consolisdation method
The Parent holds at least 20% of the share capital, and there are no joint management agreements between the holders of this ownership interest.

Company holding the interest

(i) Quabit Inmobiliaria, S.A.

(ii) Grupo Mediterráneo Costa Blanca, S.L.U.

Line of business
The subsidiaries engage in the development of housing units and the management and urban development of land.

Auditor:

C Company not audited since it is not mandatory.

Stock exchange quotation

None of these companies is listed in stock exchange markets

Appendix III

Joint arrangements included in the scope of consolidation

Company name	Registered office	Direct ownership interest	Consolidation method
Landscape Corsán, S.L.	Madrid	50.00%	a
Landscape Gestión Activos, S.L. (*)	Madrid	50.00%	a
Landscape Larcovi Proyectos Inmobiliarios, S.L.	Madrid	50.00%	a
Programas Actuación de Baleares, S.L.	Madrid	50.00%	a

(*) Company in liquidation.

Consolidation method

a. Joint management and arranged in some type of contractual agreement (bylaws, meeting minutes, regulations, etc.)

Line of business

The joint arrangements engage in the development of housing units and the management and urban development of land.

Auditor:

C Company not audited since it is not mandatory.

Stock exchange quotation

None of these companies is listed in stock exchange markets

Appendix IV

Unincorporated temporary joint ventures (UTEs) included in the scope of consolidation

Company name	Registered Office	Direct Ownership interest	Line of activity	Auditor
U.T.E. Rayet Promoción, S.L.- Rayet Construcción, S.A.	Guadalajara	80,00%	Urban development of land	Company not audited sice is not mandatory
U.T.E. Ruiseñor: Hercesa Inmobiliaria, S.A. – Rayet Promoción, S.L.	Guadalajara	0,01%	Urban development of land	Company not audited sice is not mandatory
U.T.E. Los Valles: E.F. Los Valles SP-02 (*)	Guadalajara	40,00%	Urban development of land	Company not audited sice is not mandatory
U.T.E. Egumar Gestión, S.L.- Afirma Grupo Inmobiliario, S.A. (E.P. Iriepal)	Guadalajara	70,00%	Urban development of land	Company not audited sice is not mandatory

(*) The partners decided the liquidation of UTE Los Valles on 6 March 2014. This liquidation is currently in progress.