KPMG

Vía Célere Desarrollos Inmobiliarios, S.A.

Annual Accounts

31 December 2018

Directors' Report

2018

(With Independent Auditor's Report Thereon)

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

KPMG Auditores, S.L.
Paseo de la Castellana, 259-C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

To the Shareholders of Vía Célere Desarrollos Inmobiliarios, S.A.

Opinion

We have audited the annual accounts of Vía Célere Desarrollos Inmobiliarios, S.A. (the "Company"), which comprise the balance sheet at 31 December 2018, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Accounts section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most Relevant Aspects of the Audit

The most relevant aspects of the audit are those that, in our professional judgement, have been considered as the most significant risks of material misstatement in the audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Valuation of inventories (see notes 2.d), 4.h) and 12)

At 31 December 2018 the Company holds Euros 408,437 thousand in real estate inventories for development and sale in the ordinary course of its business. The Company tests these assets for impairment to determine whether the net realisable value of inventories is in line with appraisals or valuations made by independent experts. For this purpose, the valuation process for these assets has been considered a key aspect of the audit insofar as the valuation techniques used often require the exercising of judgement and the use of assumptions and estimates.

Our audit procedures included assessing the design and implementation of key controls relating to the valuation of real estate inventories, as well as evaluating the methodology and assumptions used to prepare the appraisals or valuations used in this process, for which we involved our valuation specialists. We also assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.

Recognition and recoverability of deferred tax assets (see notes 2.d), 4.j) and 17)

At 31 December 2018, the Company has recognised deferred tax assets of Euros 65,418 thousand. The recognition of deferred tax assets entails a high level of judgement by the Directors in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities. Due to the significance of the amount of deferred tax assets recognised and the uncertainty associated with their recovery, this has been considered a key audit matter.

Our audit procedures included assessing the design and implementation of controls over the recognition and valuation of deferred tax assets, evaluating the key assumptions used to estimate the Company's future taxable profits and comparing them with data from external sources such as economic forecasts and the Company's historical data. We brought our tax specialists in to perform an assessment of the tax planning strategies. In addition, we assessed the sufficiency of future taxable profits to offset deferred tax assets, and whether the information disclosed in the annual accounts meets the requirements of the applicable financial reporting framework.

Recoverable amount of investments in Group companies (see notes 2.d), 4.g) and 11)

As described in the annual accounts, at 31 December 2018 the Company has recognised non-current and current investments in Group companies and associates totalling Euros 206,095 thousand and Euros 53,643 thousand, respectively. The recoverable amount of investments in which there is objective evidence of impairment is determined by applying valuation techniques which often require the exercising of judgement and the use of assumptions and estimates by the Company's Directors and management. Due to the uncertainty and judgement associated with these estimates, as well as the significance of the carrying amount of the aforementioned investments, we have considered their valuation a relevant aspect of the audit.

Our audit procedures included assessing the design and implementation of the key controls established by Company management related to the process of estimating the recoverable amount of investments in Group companies and associates, as well as evaluating the criteria used by the Company's Directors and management when determining the existence of impairment indicators identified by the Company in the aforementioned investments. With the help of our specialists, we also assessed the methodology and assumptions used by Company management in estimating the recoverable amount of these investments, which includes unrealised capital gains on investees' real estate assets. We also assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.

Emphasis of Matter

We draw attention to note 24 to the accompanying annual accounts, which indicates that, after the 2018 year end, the Company acquired control over certain real estate development companies formerly controlled by the Company's ultimate controlling shareholder, and that once the conditions precedent established in the agreements entered into by the parties had been met, the aforementioned companies were subsequently merged by absorption. Note 24 to the accompanying annual accounts describes the main effects of the transaction as well as the accounting treatment as a transaction between Group companies applied to it in the annual accounts by the Company. Our opinion is not modified in respect of this matter.

Other Information: Directors' Report

Other information solely comprises the 2018 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility for the directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2018 and the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated to the Directors of Vía Célere Desarrollos Inmobiliarios, S.A., we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the most significant risks.

We describe these risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Francisco Rabadán Molero
On the Spanish Official Register of Auditors ("ROAC") with No. 15,797

12 April 2019

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.
BALANCE SHEET AT 31 DECEMBER 2018
(EXPRESSED IN THOUSANDS OF EUROS)

Assets	Note	31.12.2018	31.12.2017
Intangible assets	6	**90**	**53**
IT applications		90	53
Property, plant and equipment	7	**3,313**	**3,184**
Land and buildings		2,729	2,813
Technical installations		100	113
Other property, plant and equipment		292	258
Property, plant and equipment in progress		192	-
Investments in group, associated and related companies	10 and 11	**206,095**	**164,270**
Equity instruments		95,436	86,184
Loans to companies		110,659	78,086
Long-term financial investments	10	**27,142**	**38,362**
Other financial assets		428	75
Derivatives		26	99
Loans to third parties		26,688	38,188
Deferred tax assets	17	**65,418**	**7,751**
Total non-current assets		**302,058**	**213,620**
Non-current assets held for sale	9	**-**	**12,991**
Inventories	12	**414,982**	**308,068**
Land and plots		176,316	161,857
Property developments in progress		230,210	117,167
Completed property developments		1,911	17,767
Advances to suppliers		6,545	11,277
Trade and other receivables		**12,665**	**5,297**
Trade receivables for sales and services	10	620	244
Clients, Group companies and associates	10 and 20	8,358	-
Sundry accounts receivable	10	3,242	2,111
Staff	10	45	11
Current tax assets	17	71	33
Other receivables from Public Administrations	17	329	2,898
Short-term investments in group, associated and related companies	10 and 11	**53,643**	**25,053**
Loans to companies		53,643	25,053
Loans to associates			-
Short-term financial investments	10	**219**	**15**
Other financial assets		219	15
Short-term accruals		**2,792**	**696**
Cash and other equivalent liquid assets		**29,631**	**67,021**
Cash		5	1
Treasury		29,626	67,020
Total current assets		**513,932**	**419,141**
Total assets		**815,990**	**632,761**

The attached notes form an integral part of the annual accounts as of 31 December 2018.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.

BALANCE SHEET AT 31 DECEMBER 2018

(EXPRESSED IN THOUSANDS OF EUROS)

Net Equity and Liabilities	Note	31.12.2018	31.12.2017
Capital	13.1	204,187	169,433
Share premium	13.2	239,294	159,518
Reserves		**94,474**	**95,277**
Legal	13.3	20,814	20,814
Voluntary reserves	13.6	73,660	74,463
(Negative results from previous years)		(154,983)	(10,507)
Other partner contributions	13.5	-	41,327
Earnings for the period/year		90,963	(144,476)
Total net equity		**473,935**	**310,572**
Long-term provisions	14	**8,547**	**9,876**
Long-term payables	15	**1,316**	**1,486**
Amounts owed to credit institutions		1,309	1,460
Other financial liabilities		7	26
Long-term payables to group, associated and related companies	15 and 20	**26,910**	**25,679**
Deferred tax liabilities	17	**10,225**	**8,802**
Total non-current liabilities		**46,998**	**45,843**
Short-term provisions	14	**240**	**3,401**
Short-term payables	15	**161,124**	**208,873**
Amounts owed to credit institutions		160,961	208,774
Other financial liabilities		163	99
Short-term payables to group, associated and related companies	15 and 20	**44,359**	**23,126**
Trade and other payables		**89,334**	**40,946**
Suppliers	15.3	24,602	24,505
Suppliers, group companies and associates	15.3 and 20	13,477	214
Staff, remuneration outstanding	15	1,192	937
Current tax liabilities	15.3 and 17	965	412
Other payables to Public Administrations	15.3 and 17	2,615	384
Customer advances	12.5 and 15.3	46,483	14,494
Total current liabilities		**295,057**	**276,346**
Total net equity and liabilities		**815,990**	**632,761**

The attached notes form an integral part of the annual accounts as of 31 December 2018.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018
(EXPRESSED IN THOUSANDS OF EUROS)

	Note	31.12.2018	31.12.2017
CONTINUING OPERATIONS			
Net turnover	18.1	**43,038**	**9,750**
Sales		32,286	9,109
Provision of services		10,752	641
Changes in inventories of finished and in-progress goods	18.2	**108,753**	**38,584**
Supplies		**(116,139)**	**(151,855)**
Consumption of raw materials and other consumables		(69,143)	(65,789)
Work carried out by other companies		(56,867)	(5,149)
Impairment of goods, raw materials and other supplies	12	9,871	(80,917)
Other operating income		**613**	**1,064**
Staff expenses	18.3	**(10,296)**	**(8,252)**
Wages, salaries and similar		(8,480)	(6,933)
Social charges		(1,816)	(1,319)
Other operating expenses		**(17,037)**	**(12,611)**
External services	18.5	(14,648)	(8,753)
Tax		(2,185)	(2,664)
Loss, deterioration and change of provisions for commercial operations	10	(87)	82
Other current operating expenses		(117)	(1,276)
Depreciation of fixed assets	6 and 7	**(223)**	**(230)**
Excess provisions		**708**	**1,192**
Impairment and income from disposals of non-current assets and financial instruments at Group companies	18.7	**8,235**	**(21,900)**
Impairment and losses		8,271	(21,834)
Income from disposals and other		(36)	(66)
OPERATING INCOME		**17,652**	**(144,258)**
Financial income	18.6	**72**	**160**
From earnings with Group companies and associates		-	-
From marketable securities and other financial instruments		72	160
Financial expenses	18.6	**(9,809)**	**(8,796)**
Payables to Group companies and associates		(1,535)	(500)
Payables to third parties		(8,274)	(8,296)
Activating Financial Expenses		**1,509**	**28**
Change in fair value of financial instruments	15	**25,746**	**6**
Impairment and gains or losses on disposal of financial instruments	18.7	**621**	**(2,087)**
FINANCIAL RESULT		**18,139**	**(10,689)**
RESULT BEFORE TAXES		**35,791**	**(154,947)**
Taxes on profits	17	55,172	14,254
EARNINGS FOR THE YEAR FROM CONTINUING OPERATIONS		**90,963**	**(140,693)**
DISCONTINUED OPERATIONS		-	**(3,783)**
EARNINGS FOR THE YEAR		**90,963**	**(144,476)**

The attached notes form an integral part of the annual accounts as of 31 December 2018.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.

STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

A) STATEMENT OF RECOGNISED INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2018
(EXPRESSED IN THOUSANDS OF EUROS)

	Fiscal year 2018	Fiscal year 2017
Profit and loss account balance	**90,963**	**(144,476)**
Total recognised income and expense	**90,963**	**(144,476)**

The attached notes form an integral part of the annual accounts as of 31 December 2018.

B) TOTAL STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018
(EXPRESSED IN THOUSANDS OF EUROS)

	Capital Contributions	Legal Issue	Reserves premium and statuary	Reserves volunteers	Results from years previous	Result of year	Social of partners	Total
Balance at 31 December 2016	**121,254**	**190,728**	**20,814**	**48,150**	**-**	**(10,507)**	**-**	**370,439**
Recognised income and expenses	-	-	-	-	-	(144,476)	-	**(144,476)**
Appropriation of losses for 2016	-	-	-	-	(10,507)	10,507	-	**-**
Operations with partners or owners								
Capital increases (Note 13.1)	48,179	141,821	-	-	-	-	-	**190,000**
Other equity instruments	-	-	-	-	-	-	41,327	**41,327**
Contribution	-	-	-	(1,003)	-	-	-	**(1,003)**
Distribution to shareholders	-	(173,031)	-	27,316	-	-	-	**(145,715)**
Balance at 31 December 2017	**169,433**	**159,518**	**20,814**	**74,463**	**(10,507)**	**(144,476)**	**41,327**	**310,572**
Recognised income and expenses	-	-	-	-	-	90,963	-	**90,963**
Appropriation of losses for the year 2017	-	-	-	-	(144,476)	144,476	-	**-**
Operations with partners or owners								
Capital increases (Note 13.1)	34,754	79,776	-	-	-	-	(41,327)	**73,203**
Return of share premium	-	-	-	-	-	-	-	**-**
Other changes in net equity	-	-	-	(803)				**(803)**
Balance at 31 December 2018	**204,187**	**239,294**	**20,814**	**73,660**	**(154,983)**	**90,963**	**-**	**473,935**

The attached notes form an integral part of the annual accounts as of 31 December 2018.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018
(EXPRESSED IN THOUSANDS OF EUROS)

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Result for the year before tax		**35,791**	**(6,673)**
Adjustments of the result		**(64,645)**	**132,348**
Depreciation of fixed assets	6, 7 and 8	223	230
Valuation adjustments for impairment		(44,853)	123,037
Change in provisions		(567)	6,626
Results from disposal of non-current assets		36	66
Profit/(loss) on disposal of financial instruments		(621)	(5,813)
Financial income		(1,417)	(588)
Financial expenses		8,300	8,796
Change in fair value of financial instruments		(25,746)	(6)
Changes in working capital		**(20,955)**	**(56,809)**
Inventories		(58,126)	(63,342)
Debtors and other receivables		(4,175)	(4,044)
Other current assets		(2,300)	(696)
Trade creditors and other payables		47,835	11,273
Other current liabilities		(3,215)	-
Other non-current assets and liabilities		(974)	-
Other cash flows from operating activities		**(8,472)**	**(7,099)**
Interest payments		(7,750)	(6,896)
Interest receivable		1,417	588
Payments for taxes on profits		(2,139)	-
Other payments (receivables)		-	(791)
Cash flows from operating activities		**(58,281)**	**61,767**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment payments		**(27,349)**	**(119,081)**
Group companies and associates		(26,834)	(115,815)
Intangible assets	6	-	(70)
Property, plant and equipment	7	(453)	(3,196)
Non-current assets held for sale		(62)	-
Income from disposals		**16,200**	**(4,129)**
Group companies and associates		6,415	(4,129)
Property, plant and equipment		36	-
Non-current assets held for sale		9,749	-
Cash flows from investing activities		**(11,149)**	**(123,210)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Collections and payments for equity instruments		**183**	**229,216**
Issuance of equity instruments		183	229,216
Collections and payments for financial liability instruments		**31,857**	**2,413**
Payables to Group companies and associates		20,129	(30,966)
Amounts owed to credit institutions		11,728	33,379
Cash flows from financing activities		**32,040**	**231,629**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(37,390)**	**170,186**
Cash and cash equivalents at start of year		67,021	41,781
Cash and cash equivalents at end of year		29,631	67,021

The attached notes form an integral part of the annual accounts as of 31 December 2018.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.
Notes to the annual accounts for the year ended
31 December 2018

1. Constitution and activity of the company

Vía Célere Desarrollos Inmobiliarios, S.A. (hereinafter, the Company) was incorporated in Pontevedra on 16 August 1989 under the name "Confecciones Udra, S.A.", which changed in 1993 to "Inmobiliaria Udra, S.A.", in June 2008 to "San José Desarrollos Inmobiliarios, S.A." and in June 2016 to "Dos Puntos Desarrollos Inmobiliarios S.A.". On 30 June 2017, the Board of Directors of the Company resolved to change the name of the Company to "Vía Célere Desarrollos Inmobiliarios, S.A.".

On 20 June 2017, the Extraordinary General Shareholders' Meeting of the Company resolved to change the Company's registered office and the consequent amendment to the Articles of Association, the new registered office being Calle Carlos y Guillermo Fernández Shaw 1, 28007 Madrid (Spain).

As described in Note 11, the Company has investments in subsidiaries and associates. As a result, the Company is the parent of a group of companies in accordance with current legislation (the Group). The information relating to investments in Group, associated and related companies is detailed in Note 11.

On 27 March 2019 the Board of Directors prepared the individual annual accounts of the Company and the consolidated annual accounts of the Company and its subsidiaries at 31 December 2018, showing consolidated net equity of 458,542 thousand euros, including the profit for the year attributable to the Company amounting to 84,786 thousand euros. The consolidated annual accounts have been prepared applying the International Financial Reporting Standards adopted by the European Union (EU-IFRS) and other provisions of the financial reporting framework applicable to the Group.

The Company's corporate purpose is the development of all types of buildings of a real estate nature; construction in general, whether on its own account or on behalf of third parties; the purchase and sale of construction, urban development and gardening equipment; the performance and execution of public works in general; the purchase and sale of all types of movable and immovable property, whether rustic or urban.

In addition, the Company may subscribe and acquire shares and/or holdings in other corporations and/or limited liability companies, even if their corporate purpose does not coincide with that of the Company.

As of 31 December 2018, the Company's scope of action is Spain.

In view of the activity carried out by the Company, it has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its net worth, financial position and results. For this reason, no specific breakdowns are included in these annual accounts at 31 December 2018 with respect to information on environmental issues.

The Company is governed by its Articles of Association, the Commercial Code, the Capital Companies Act and other legal provisions applicable to this type of company.

In 2017, as part of its business strategy, the Company decided to split its rental business into a newly created company, Dospuntos Asset Management, S.L. The Company's management committed itself to a distribution plan for its rental business to its shareholders following the strategic decision to restructure its activities and to give greater priority to the core competencies of the Group of which it is the head, the residential development business. Subsequently, Dospuntos Asset Management, S.L. was transferred outside the Group through a non-monetary contribution to entities under the common control of the Company's shareholders (See Notes 5, 11 and 13.4). In this respect, the division was carried out as follows:

- On 20 October 2017, the Extraordinary General Shareholders' Meeting of the Company approved the project of segregation in favour of Dospuntos Asset Management, S.L.
- On 22 December 2017, the Company acquired its subsidiary Parquesoles Portugal SGPS, S.A. (rental business) shares of Parquesoles Inmobiliaria y Proyectos - Investimentos Inmobiliários, S.A. (residential developments business). At the same time, Parquesoles Portugal SGPS, S.A. acquired from Douro - Atlantico - Sociedade Inmobiliária, S.A. its participation in Burgo Fundiários, S.A., all of them Group companies.
- In addition, on 22 December 2017, the Company transferred to Dospuntos Asset Management, S.L., through a non-monetary contribution, its 100% holdings in the following subsidiaries: Lardea, S.L.U., Douro Atlantico, S.L.U., Udramar Inmobiliaria, S.L.U. and Udrasol Inmobiliaria, S.L.U.

- On 28 December 2017, the Company's shareholders at the General Shareholders' Meeting resolved to distribute in kind the share premium existing at that date, which is considered to be an unrestricted reserve, amounting to 173,031 thousand euros, through the transfer of the shares of the wholly-owned subsidiary Dospuntos Asset Management, S.L. This distribution was made to the shareholders in proportion to their ownership interest in the Company's share capital.

Subsequent to 2018 year-end and before the preparation of these annual accounts, the Company completed the purchase and sale of certain companies with a similar corporate purpose and activity (mainly real estate development), as well as the subsequent merger by absorption of the acquired companies, once the suspensive conditions established in the contracts signed between the parties had been met. The transaction was notarised on 9 January 2019 and is detailed in Note 24 of subsequent events.

2. Basis of presentation of the explanatory notes

a) Financial reporting framework applicable to the Company

These annual accounts have been prepared by the Directors in accordance with the regulatory framework for financial information applicable to the Company, which is set forth in:

- Commercial Code and other commercial legislation.

- General Accounting Plan approved by Royal Decree 1514/2007, and the modifications incorporated into it by RD 1159/2010 and additionally the Sectoral Adaptation of the General Accounting Plan published in the Ministerial Order of 28 December 1994, approving the rules for adaptation of the General Accounting Plan for real estate companies. In accordance with Transitory Provision Five of Royal Decree 1514/2007 approving the General Accounting Plan, sector adaptations and other implementing provisions on accounting matters in force on the date of publication of said Royal Decree will continue to apply in all matters that do not conflict with the provisions of the Commercial Code, the Spanish Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, specific provisions and the General Accounting Plan.

- The mandatory rules approved by the Institute of Accounting and Auditing ("ICAC") in development of the General Accounting Plan ("PGC") and its complementary regulations.

- All other applicable Spanish accounting regulations.

b) True and fair view

These annual accounts have been prepared from the Company's accounting records and are presented in accordance with the applicable financial reporting framework, and in particular the accounting principles and criteria contained therein, in order to give a true and fair view of the net equity and financial position at 31 December 2018 and of the results of its operations, changes in equity and cash flows for the year then ended.

These annual accounts, which were prepared by the Company's directors on 27 March 2019, will be submitted for approval by the Ordinary General Shareholders' Meeting, and it is considered that they will be approved without any changes. The annual accounts for 2017 were approved by the shareholders at the General Shareholders' Meeting held on 22 June 2018

c) Non-mandatory accounting principles applied

No non-mandatory accounting principles have been applied. In addition, the Company's directors prepare these annual accounts taking into consideration all the mandatory accounting principles and standards that have a significant effect on these annual accounts. There is no accounting principle that, although mandatory, has ceased to be applied.

d) Critical aspects of the valuation and estimation of uncertainty

In preparing the annual accounts, estimates were made based on historical experience and on other factors considered reasonable under current circumstances and which form the basis for establishing the carrying amount of certain assets, liabilities, income, expenses and commitments whose value cannot be easily determined from other sources. The Company reviews its estimates on an ongoing basis.

- Relevant accounting estimates and assumptions:

The main assumptions made and other relevant sources of uncertainty in the estimates at the balance sheet date, which could have a significant effect on the annual accounts in the next year, are as follows:

- Inventory impairment: estimates used to calculate recoverable amounts. The comparative valuation method (for Completed Property Developments) and the static and dynamic residual methods (for Land and Property Developments in Progress) were used to calculate the fair value of inventories. Key assumptions for determining these values include expected rates of sales price growth, construction costs, discount rates and returns on investment. Estimates, including the methodology applied, can have a significant impact on the value and impairment of inventories. For this reason, the Company uses valuations carried out by a prestigious independent expert (See Note 4.h).

- The useful life of intangible assets and property, plant and equipment (See Notes 4.b and 4.c).

- The fair value of certain investments in Group, associated and related companies (See Note 4.g.v). The Company tests its holdings in Group, associated and related companies for impairment. The determination of the recoverable amount of these investments involves the use of estimates by management. Recoverable amount is the higher of fair value minus costs to sell and value in use. The Company generally uses cash flow discounting methods, considering the recoverable value of inventories held by its subsidiaries, as defined above, or other similar methods to determine such values. The flows consider past experience and represent the best estimate of future market developments. Where appropriate, estimates, including the methodology used, can have a significant impact on values and impairment losses.

- The amount of certain provisions (See Note 4.l).

- The assessment of recoverable amounts of tax credits (See Note 4.j). The tax credits generated in corporate income tax are capitalised when it is probable that the Company will have future taxable profits that allow the application of these assets. Management estimates the tax benefits of the tax group to which the Company belongs and the recoverability of capitalised tax credits. At 31 December 2018, the Company had recognised deferred tax assets amounting to 66,257 thousand euros (31 December 2017: 7,751 thousand euros) relating to deductible temporary differences and part of the tax loss carryforwards (See Note 17.2).

- Changes in estimates

Although the estimates made by the Company's Directors have been calculated on the basis of the best information available as of 31 December 2018, it is possible that events that may take place in the future will require them to be modified in coming years. The effect on the annual accounts of any changes resulting from adjustments to be made in coming years would be recorded prospectively.

e) Comparison of information

For comparative purposes, the annual accounts present, for each item on the balance sheet, profit and loss account, statement of changes in net equity, cash flow statement and notes to the annual accounts, in addition to the figures for 2018, the figures for the previous year, which formed part of the annual accounts for 2017 approved through the General Shareholder's Meeting on 22 June 2018.

***f)* Grouping of Items**

Certain items in the attached balance sheet, profit and loss account, statement of changes in net equity and cash flow statement are presented in a group for ease of understanding, although, to the extent significant, the disaggregated information has been included in the relevant notes to the consolidated annual accounts.

g) Consolidation

The Company is the head of a group of subsidiaries and associates (See Note 11), which prepares separate consolidated annual accounts. The consolidated annual accounts for 2018 prepared jointly with these annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (hereinafter EU-FRS). The consolidated annual accounts for 2017 were approved by the Company's shareholders at the General Shareholders' Meeting held on 22 June 2018 and filed with the Companies Registry of Madrid.

These annual accounts do not reflect the changes in value that would result from consolidating the annual accounts of its investees.

The main figures in the consolidated annual accounts are as follows:

	Thousands of euros	
	31.12.2018	**31.12.2017**
Capital and share premium	443,481	328,951
Reserves and other equity assigned to the parent company	(69,725)	64,192
Net earnings for the year attributed to the parent company	84,786	(135,419)
Total assets	861,526	811,835
Turnover	157,063	57,796

h) Functional and presentation currency

These annual accounts are presented in thousands of euros, rounded to the nearest thousand. The euro is the functional and presentation currency of the main economic environment in which the Company operates.

i) Business principle in operation

The Company's directors prepared these 2018 annual accounts in accordance with the going concern principle, based on the assumption that the Group's forecasts contemplate the generation of income and a positive cash flow from the delivery of housing units.

In 2018 the Company had a negative operating cash flow, but the operating profit for 2018 shows a profit of 17,652 thousand euros (losses of 144,258 thousand euros for 2017), and at 31 December 2018 shows a positive net worth of 473,935 thousand euros (310,572 thousand euros at 31 December 2017) and a positive net equity of 218,875 thousand euros (142,795 thousand euros at 31 December 2017).

The Company also has the necessary financing for the development of assets classified as "Property Developments in Progress". These loans are conditional on the specific construction of the asset for which the financing is obtained, and their drawdown is presented gradually with the progress of the construction work and, therefore, the Company does not depend solely on the cash available at 31 December 2018 to guarantee the continuity of the business. Annex I shows the details of the loans, indicating the approved limits and the amount drawn down at 31 December 2018.

As indicated in Notes 1 and 24, prior to the preparation of these annual accounts, the Company acquired certain companies engaged mainly in real estate development once the suspensive conditions established in the agreements signed between the parties had been met. The operation was granted via public deed on 4 and 9 January and was submitted for registration on 9 January 2019 and was registered in the Companies Registry of Madrid on 15 March 2019.

Within the framework of the transaction described in the preceding paragraphs, on 2 January 2019 the Company entered into a syndicated loan agreement as a borrower of 223,000 thousand euros. The agreement named the Company, Via Celere, S.L.U., Maywood Invest, S.L.U. and Udralar, S.L.U., as original guarantors, J.P. Morgan Securities PLC and Credit Suisse International as coordinators, several financial institutions as original lenders, and Credit Suisse International as agent and guarantee agent. The companies Maywood Invest, S.L.U and Udralar were released as guarantors on 15 March 2019.

The directors consider that the situation described above will enable the Group to obtain sufficient profits and cash flows to meet its obligations in the short term.

3. Application of results

The application of the Company's loss for the year ended 31 December 2017, formulated by the Directors and approved by the General Shareholders' Meeting on 22 June 2018, was as follows:

	Thousands of euros
Basis of application	
Loss for the year	**144,476**
Application	
Negative results from previous years	144,476
	144,476

The Parent Company's profits for the 2018 financial year amounted to 90,963 thousand euros, with their proposal for distribution, formulated by the Directors and pending approval by the General Shareholders' Meeting, being the offsetting of "Negative results from previous years" amounting to 81,867 thousand euros and the provision of the legal reserve amounting to 9,069 thousand euros.

The amount of undistributable reserves is limited to the balance of the legal reserve amounting to 20,814 thousand euros at 31 December 2018 and 2017, and to the share premium and voluntary reserves for the amount necessary to cover the losses for 2017 and the negative results from previous years, provided that, if distributed, the resulting equity is not less than half of the share capital.

4. Registration and valuation rules

The main recording and valuation standards used by the Company in preparing these annual accounts, in accordance with the General Accounting Plan, and the standards for adapting the former Spanish National Chart of Accounts to real estate companies, provided that they do not contradict what is currently established, are as follows:

a) Borrowing costs

The Company includes in the cost of intangible assets, property, plant and equipment and inventories that require a period of more than one year to be ready for use, operation or sale, financial expenses related to specific or generic financing directly attributable to acquisition, construction or production.

To the extent that the financing has been obtained specifically, the amount of interest to be capitalised is determined on the basis of the interest expense accrued thereon. In cases where the financing has not been used temporarily to finance assets in the process of construction, the related financial expenses are not capitalised. The amount of interest to be capitalised relating to generic non-commercial financing is determined by applying a weighted average interest rate to the investment in progress, discounting the portion specifically financed, up to the limit of the financial expenses accrued in the profit and loss account.

Capitalisation of interest begins when expenses related to assets have been incurred, interest has been incurred and activities necessary to prepare the assets or parts thereof for their intended use or sale are being carried out and ends when all or substantially all activities necessary to prepare the assets or parts of assets for their intended use or sale have been completed. However, the capitalisation of interest is suspended during periods in which the development of activities is interrupted, if these extend significantly over time, unless the temporary delay is necessary to bring the asset into working order or for sale.

The capitalisation of interest is carried out through the item "Activation of financial expenses" in the profit and loss account.

b) Intangible assets

As a general rule, intangible assets are initially measured at acquisition cost. They are subsequently measured at cost minus any accumulated amortisation and any impairment losses. These assets are depreciated over their useful lives. When the useful life of these assets cannot be estimated reliably, they are depreciated over a period of ten years.

IT applications

Disbursements made for the development of a website for promotional or advertising purposes of the Company's products or services are recognised as an expense at the time they are incurred. IT maintenance expenses are expensed as incurred.

The Company depreciates intangible assets on a straight-line basis over their useful lives and based on the following depreciation percentages:

Description	Years	Coefficient
IT applications	4	25%

The Company evaluates and determines value adjustments for impairment and reversals of impairment losses on intangible assets in accordance with the criteria mentioned in section 4.e) (impairment).

The Company reviews the residual value, useful life and depreciation method of intangible assets at each year-end. Changes in the criteria initially established are recognised as a change in estimate.

c) Property, plant and equipment

Property, plant and equipment are initially measured at acquisition or production cost and subsequently reduced by the related accumulated depreciation and impairment losses, if any, in accordance with the criteria mentioned in Note 4.e).

Upkeep and maintenance costs of the various items of property, plant and equipment are allocated to the profit and loss account for the year in which they are incurred. On the other hand, amounts invested in improvements that contribute to increasing the capacity or efficiency or extending the useful life of these assets are recognised as an increase in their cost.

The annual depreciation ratios of assets, which are applied on a constant straight-line basis over the estimated useful lives of the assets, are as follows:

Description	Coefficient
Other fixed assets	20%-25%
Technical installations	10%-33%
Buildings	2%

The Company reviews the residual value, useful life and depreciation method of property, plant and equipment at each year-end. Changes in the criteria initially established are recognised as a change in estimate.

d) Investment property

Investment property is property, including property in the course of construction or under development for future use as an investment property, which is held wholly or partially to obtain income, capital gains or both, rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. The real estate investments were transferred to Dospuntos Asset Management, S.L. in 2017 (See Note 5).

e) Impairment of non-financial assets subject to amortisation or depreciation

The Company evaluates, at each reporting date, the existence of indications that could reveal the potential impairment of non-financial assets subject to amortisation or depreciation in order to verify whether the carrying amount of these assets exceeds their recoverable amount, understood as the higher of fair value, minus the costs to sell and value in use.

Impairment losses are recognised in the profit and loss account and are only reversed if there has been a change in the estimates used to determine the recoverable amount of the asset.

The reversal of the impairment loss is credited to the profit and loss account. However, the reversal of the loss cannot increase the carrying amount of the asset above the carrying amount that it would have had, net of amortisation, had no impairment been recognised.

Once the valuation adjustment for impairment or reversal has been recognised, the amortisation of subsequent years is adjusted to the new carrying amount.

f) Leases

Lessee accounting

The Company has assigned the right to use certain assets under lease agreements.

Leases in which the contract transfers substantially all the risks and rewards of ownership of the assets to the Company are classified as finance leases, if any, and otherwise as operating leases.

Operating leases

Lease payments under operating leases, net of incentives received, are recognised as an expense on a straight-line basis over the lease term.

g) Financial Instruments

(i) Classification and separation of financial instruments

Financial instruments are classified upon initial recognition as a financial asset, financial liability or equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, financial liability or equity instrument.

The Company classifies financial instruments into the various categories based on the characteristics and intentions of management at the time of their initial recognition.

Transactions for the purchase or sale of financial assets instrumented through conventional contracts, understood as those in which the reciprocal obligations of the parties must be consummated within a time frame established by regulation or by market conventions and which cannot be settled by differences, are recognised on the contract or settlement date.

However, the contract that can be settled for differences is recognised as a derivative financial instrument during the period between the contract date and settlement.

(ii) Compensation principles

A financial asset and a financial liability are offset only when the Company has the enforceable right to offset the recognised amounts and intends to settle the net amount or to realise the asset and settle the liability simultaneously.

(iii) Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are those that are classified as such from the moment of their initial recognition.

A financial asset or liability is classified as held for trading if:

- It is originated or acquired or issued mainly for the purpose of selling or repurchasing it in the short term,

- It forms part of a portfolio of identified financial instruments that are managed jointly and for which there is evidence of a recent pattern of short-term profit, or

- It is a derivative, except for a derivative that has been designated as a hedging instrument and meets the conditions to be effective and is not a financial guarantee contract.

Financial assets and liabilities held for trading are initially recognised at fair value. Transaction costs directly attributable to the purchase or issue are recognised as an expense in the profit and loss account as they are incurred.

Subsequent to their initial recognition, they are recognised at fair value and the variations are recorded in the earnings. Fair value is not reduced by the transaction costs that may be incurred by its eventual sale or other disposal. Accrued interest and dividends are included in items by their nature.

The Company does not reclassify any financial assets or liabilities in this category as long as they are recognised in the balance sheet, except for a change in the rating of hedging derivative financial instruments.

(iv) Loans and receivables

Loans and receivables consist of trade receivables and non-trade receivables with fixed or determinable payments. These assets are initially recognised at fair value, including transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method.

However, financial assets that do not have an established interest rate, the amount of which matures or is expected to be received in the short term and the effect of discounting of which is not significant, are valued at their par value.

The Company values loans and receivables at amortised cost provided that reliable estimates of cash flows can be made on the basis of contractual conditions.

The Company values at cost, increased by the results to be attributed, loans on which interest is contingent on the condition that a milestone has been reached in the borrowing company, for example, the obtaining of profits, or because it is calculated solely by reference to the evolution of the borrowing company's activity. In these cases, transaction costs are allocated on a straight-line basis over the life of the loan.

(v) Investments in Group, associated and related companies

Group companies are considered to be those over which the Company, directly or indirectly through subsidiaries, exercises control in accordance with Article 42 of the Commercial Code, or when the companies are controlled by any means by one or more natural or legal persons acting jointly or under a single management through agreements or clauses in the bylaws.

Control is the power to direct the financial and operating policies of a company in order to obtain profits from its activities, considering for these purposes the potential voting rights exercisable or convertible at the end of the accounting year held by the Company or third parties.

Associates are defined as companies over which the Company, directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to intervene in a company's financial and operating policy decisions without implying the existence of control or joint control over the company. In assessing the existence of significant influence, the potential voting rights exercisable or convertible at the end of each year are taken into account, also taking into account the potential voting rights held by the Company or by another company.

Investments in Group associated and related companies are initially recognised at cost, which is the fair value of the consideration provided, including transaction costs incurred for investments in associates and related parties, and are subsequently measured at cost minus accumulated impairment losses.

If an investment no longer meets the conditions for classification in this category, it is reclassified to investments available for sale and is valued as such from the date of reclassification.

(vi) Interest and dividends

Interest is recognised using the effective interest method.

Dividend income from investments in equity instruments is recognised when the Company's rights to receive it have arisen. If the dividends distributed arise unequivocally from results generated prior to the acquisition date because amounts greater than the profits generated by the investee since the acquisition have been distributed, they reduce the carrying amount of the investment.

(vii) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows relating to them have expired or have been transferred and the Company has substantially transferred the risks and rewards of ownership.

The derecognition of a financial asset in its entirety implies the recognition of results for the difference between its carrying amount and the sum of the consideration received, net of transaction expenses, including the assets obtained or liabilities assumed and any deferred gain or loss in income and expenses recognised in net equity.

(viii) Impairment of financial assets

A financial asset or group of financial assets is impaired and an impairment loss has occurred if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and said event or events causing the loss have an impact on the estimated future cash flows of the asset or group of financial assets that can be reliably estimated.

The Company records the appropriate valuation adjustments for impairment of loans and receivables and debt instruments when there has been a reduction or delay in the estimated future cash flows due to the insolvency of the debtor.

Also, in the case of equity instruments, impairment exists when the carrying amount of the asset is not recoverable due to a prolonged or significant decrease in its fair value.

- Impairment of financial assets measured at amortised cost

In the case of financial assets carried at amortised cost, the amount of the impairment loss is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows, excluding future credit losses not incurred, discounted at the asset's original effective interest rate.

An impairment loss is recognised with a charge to income and is reversible in subsequent years if the decrease can be objectively related to an event subsequent to its recognition. However, the reversal of the loss is limited to the amortised cost of the assets if the impairment loss had not been recognised.

- Investments in Group companies, associates and equity instruments measured at cost

The calculation of impairment is determined as a result of comparing the carrying amount of the investment with its recoverable amount, understood as the higher of value in use and fair value minus costs to sell.

In this respect, value in use is calculated on the basis of the Company's interest in the present value of the estimated cash flows from ordinary activities and the final disposal or the estimated cash flows expected from the distribution of dividends and the final disposal of the investment.

However, in certain cases, unless there is better evidence of the recoverable amount of the investment, when estimating the impairment of this asset class, the net equity of the investee is taken into account, adjusted, where appropriate, to the generally accepted accounting principles and standards in Spanish GAAP that are applicable, adjusted for the unrealized net gains existing at the valuation date.

For these purposes, the carrying amount of the investment includes any monetary item receivable or payable that is not expected or likely to be settled in the foreseeable future, excluding items of a commercial nature.

In subsequent years, reversals of impairment are recognised to the extent that there is an increase in recoverable amount, up to the limit of the carrying amount that the investment would have had if the impairment had not been recognised.

The loss or reversal of the impairment is recognised in the profit and loss account.

Impairment losses on equity instruments measured at cost are not reversible and are therefore recognised directly against the asset value.

(ix) Financial liabilities

Financial liabilities, including trade creditors and other payables, which are not classified as held for trading or as financial liabilities at fair value with changes in the profit and loss account, are initially recognised at fair value minus any transaction costs that are directly attributable to their issue. Subsequent to initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

However, financial liabilities that do not have an established interest rate, the amount of which matures or is expected to be received in the short term and the effect of discounting of which is not significant, are valued at their par value.

The Company values financial liabilities at amortised cost provided that, in view of the contractual conditions, reliable estimates of cash flows can be made.

(x) Bonds

The bonds received as a result of the operating lease contracts are measured in accordance with the criteria set out for financial liabilities. The difference between the amount received and the fair value is recognised as an advance payment which is taken to the profit and loss account during the lease term.

In accordance with Spanish regional legislation, the Company makes deposits and sureties with the official regional bodies that so request in order to reasonably ensure the return, where appropriate, of the sureties received from the lessees of the real estate investments owned by the Company. The bonds are measured in accordance with the criteria set forth for financial assets. The difference between the amount delivered and the fair value, is recognised as an advance payment which is allocated to the profit and loss account during the lease term.

Long-term advances are revalued at each year-end based on the market interest rate at the date of initial recognition. When the bond is short term, the cash flow discount is not performed if its effect is not significant.

(xi) Derecognition and modifications of financial liabilities

The Company derecognises a financial liability or part of it when it has met the obligation contained in the liability.

The Company recognises the difference between the carrying amount of the financial liability or a portion thereof cancelled or transferred to a third party and the consideration paid, including any asset transferred other than the cash or liability assumed, with a charge or credit to the profit and loss account.

(h) Inventories

This heading in the balance sheet includes the assets that the Company:

- Maintains for sale in the ordinary course of its business.
- Has in the process of construction or development for this purpose.
- Estimates that it will consume in the production process or in the provision of services.

Consequently, "Inventories" includes land and other property held for sale or for integration into a real estate development in the ordinary course of the Company's business, and not for appraisal or rental purposes.

The Company uses the following criteria in the valuation of its inventories:

- Land and plots acquired for disposal or for the development of real estate developments are recorded at their acquisition price, which includes the expenses directly related to their purchase (registration expenses, fees, expenses for studies and technical projects prior to the acquisition of plots, etc.).
- The Company does not capitalise as an increase in the value of land and plots the finance costs accrued on the loans obtained to finance the purchase thereof during the period between the date of acquisition and the date on which the construction permit is obtained and they are transferred to "Property Developments in Progress".
- As "Property Developments in Progress", the costs incurred at source in the developments in the execution phase are recorded. These costs include, for each development, the amounts corresponding to the acquisition price of the site, development and construction costs, as well as other costs directly related to the development (studies and projects, licences, etc.) and the financial expenses accrued by the specific financing obtained during the construction period.

Short-cycle Property Developments in Progress are all those accumulated costs of developments whose completion period is estimated not to exceed 12 months.

At the end of each development, the Company follows the procedure of transferring the cost corresponding to those developments still pending sale from the Property Developments in Progress account to the Completed Property Developments account.

The Company makes the appropriate valuation adjustments, recognising them as an expense in the profit and loss account when the net realisable value of the inventories is lower than their acquisition price (or production cost). This net realisable value is based on valuations performed by an independent expert (See Note 12).

Valuation adjustments and reversals for impairment of inventories are recognised under "Changes in inventories of finished and in-progress goods" or "Supplies", depending on whether they are developments in progress or completed or land and plots of land.

i) Cash and other equivalent liquid assets

Cash and other equivalent liquid assets include cash on hand and demand deposits at credit institutions. Other short-term, highly liquid investments are also included under this heading provided that they are readily convertible into specified amounts of cash and are subject to a negligible risk of changes in value.

This heading also includes the cash received as advances from customers and deposited in a special account separate from the Company's other funds, which is intended to cover the expenses arising from the corresponding development.

j) Profit tax

Expenses or revenue due to taxes on profits comprises the portion relating to current tax expense or income and the portion relating to deferred tax expense or income.

Assets or liabilities due to current taxes on profits are measured at the amounts expected to be paid to or recovered from the tax authorities, using tax rates and regulations in force or approved and pending publication at year-end.

Current or deferred tax on profits is recognised in the results, unless it arises from an economic transaction or event that has been recognised in the same or a different period, against net equity or a business combination.

At 31 December 2018, the Company filed a consolidated corporate income tax return (See Note 17) and is the parent company of a consolidated tax group.

The corporate income tax expense accrued by companies filing consolidated returns is determined taking into account, in addition to the parameters to be considered in the event of individual taxation set forth above, the following:

- Temporary and permanent differences arising from the elimination of gains or losses on transactions between companies in the tax group arising from the process of determining the consolidated tax base.

- The deductions and allowances corresponding to each company in the tax group under the consolidated tax return regime. For these purposes, the deductions and allowances are allocated to the company that carried out the activity or obtained the yield necessary to obtain the right to the tax deduction or allowance.

Temporary differences arising from the elimination of profit or loss between companies in the tax group are recognised in the company that generated the profit or loss and are measured at the tax rate applicable to it.

As a result of the negative tax results from some of the companies in the tax group that have been offset by the rest of the companies in the tax group, a reciprocal credit and debit arises between the companies to which they correspond and the companies that offset them. If there is a negative tax result that cannot be offset by the rest of the companies in the tax group, these tax loss carryforwards are recognised as deferred tax assets and the tax group is considered a taxpayer for recovery.

The parent company of the tax group records the total amount payable (refundable) for consolidated corporate income tax with a charge (credit) to Credits (Debts) with group companies and associates.

The amount of the debt (credit) corresponding to dependent companies is recorded with a credit (charge) to Debts (Credits) with Group companies and associates.

(i) *Recognition of deferred tax liabilities*

The Company recognises deferred tax liabilities in all cases, except when they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that at the date of the transaction affects neither accounting profit nor the tax base.

(ii) *Recognition of deferred tax assets*

The Company recognises deferred tax assets whenever it is probable that there will be sufficient future taxable income to offset them, or when tax legislation contemplates the possibility of future conversion of deferred tax assets into a receivable from the Public Administration.

However, assets that arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the date of the transaction affects neither accounting profit nor taxable profit are not recognised.

Unless there is evidence to the contrary, it is not considered probable that the Company will have future taxable profits when it is expected that their future recovery will take place within a period of more than ten years from the closing date of the fiscal year, regardless of the nature of the deferred tax asset or, in the case of credits derived from tax deductions and other tax advantages pending to be applied due to insufficient tax liability, when the activity has taken place or the income giving rise to the right to the deduction or rebate has been obtained, there are reasonable doubts as to whether the requirements for making them effective have been met.

The Company only recognises deferred tax assets arising from tax loss carryforwards to the extent that there is convincing evidence that future taxable profits will be obtained that will allow them to be offset within a period not exceeding that established by applicable tax legislation, with a maximum limit of ten years.

It is considered probable that the Company has sufficient taxable profits to recover deferred tax assets, provided that there are sufficient taxable temporary differences related to the same tax authority and relating to the same taxpayer that are expected to reverse in the same tax year in which the deductible temporary differences are expected to reverse or in years in which a tax loss arising from a deductible temporary difference can be offset against prior or subsequent gains.

The Company recognises deferred tax assets that have not been recognised for exceeding the ten-year recovery period as long as the future reversal period does not exceed ten years from the year-end date, or when there are sufficient taxable temporary differences.

In order to determine future taxable profits, the Company takes tax planning opportunities into account whenever it intends to adopt them or is likely to adopt them.

(iii) Valuation of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that will be applicable in the years in which the assets are expected to be realised or the liabilities paid, based on the regulations and rates that are in force or approved and pending publication, and after consideration of the tax consequences that will result from the manner in which each company expects to recover the assets or settle the liabilities. For these purposes, each company considered the deduction for reversal of temporary measures developed in transitional provision thirty-seven of Law 27/2014, of 27 November, on Corporate Income Tax, as an adjustment to the tax rate applicable to the deductible temporary difference associated with the non-deductibility of depreciation in 2013 and 2014.

(iv) Compensation and classification

The Company only offsets income tax assets and liabilities if there is a legal right to offset them against the tax authorities and it intends to settle the resulting amounts on a net basis or to realise the assets and settle the liabilities simultaneously.

Deferred tax assets and liabilities are recognised in the balance sheet as non-current assets or liabilities, regardless of the expected date of realisation or settlement.

k) Revenue from the sale of goods and provision of services

Revenue from the sale of goods or the provision of services is recognised at the fair value of the consideration received or receivable. Prompt payment, volume and other discounts, as well as the interest included in the nominal amount of the loans, are recorded as a reduction thereof.

However, the Company includes interest included in trade loans maturing in no more than one year that do not have a contractual interest rate, when the effect of not discounting cash flows is not material.

In the case of sales of property developments, the Company recognises the sales and the cost thereof when the corresponding public deed of sale is executed, i.e. when the property has been delivered and the ownership of the property has been transferred.

Advances on account of future sales are valued at the value received. Long-term advances are revalued at each year- or period-end based on the market interest rate at the date of initial recognition.

l) Provisions and contingencies

The Company's Directors, in the formulation of the annual accounts of the Company, differentiate between:

a) Provisions: credit balances covering current obligations arising from past events, the settlement of which is likely to give rise to an outflow of resources, but which are undetermined as to their amount and/or timing.

b) Contingent liabilities: possible obligations arising from past events, the future materialisation of which is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the Company.

The balance includes all the provisions with respect to which it is estimated that the probability that the obligation will have to be met is greater than otherwise. Unless considered probable, contingent liabilities are not recognised in the balance sheet but are disclosed in the explanatory notes.

The amounts recognised in the balance sheet correspond to the best estimate at the closing date of the disbursements necessary to settle the present obligation, after considering the risks and uncertainties related to the provision.

Provisions are reversed against "Excess Provisions" when it is not probable that there will be an outflow of resources to settle the obligation.

m) Short-term employee benefits and severance indemnities

The Company recognises the expected cost of short-term benefits in the form of remunerated leave, the rights of which accrue as the employees render the services that entitle them to receive them. If permits are not cumulative, the expense is recognised as the permits are produced.

Except in the case of dismissal for just cause, the Company is obliged to indemnify its employees when they leave the Company.

In the absence of any foreseeable need for abnormal termination of employment, and given that employees who retire or voluntarily cease their services do not receive indemnities, severance payments, when they arise, are expensed when a formal termination plan has been approved by Company management and a valid expectation has arisen for those affected that termination of the employment relationship will occur.

On 29 March 2017, the CEO's remuneration policy and an incentive plan for the Company's senior management were approved. In addition, the General Shareholders' Meeting of the Company in 2018 modified and agreed on a new incentive plan for the CEO and the management team This plan has not been executed prior to 31 December 2018 and has been cancelled. The new incentive plan is under discussion as at the date of preparation of these annual accounts, none of which were in force as at 31 December 2018.

n) Merger and segregation operations between Group companies

In the case of mergers and divisions between Group companies in which the parent company of the same or the parent company of a subgroup and its subsidiary, directly or indirectly, the assets acquired are valued at the amount that would correspond to them, once the transaction has been performed, in the consolidated annual accounts of the group or subgroup in accordance with the Standards for the Preparation of Consolidated Annual Accounts. Any difference which may become apparent in the accounting records as a result of the application of the above criteria shall be recorded under an item of voluntary reserves.

The consolidated annual accounts to be used for these purposes will be those of the largest group or subgroup in which the assets and liabilities are included, whose parent company is Spanish. In the event that the aforementioned accounts are not prepared under any of the reasons for exemption provided for in the consolidation rules, the existing values will be taken before the operation is carried out in the individual annual accounts of the contributing company.

In the case of mergers and divisions between Group companies, as stated in the consultations of the Institute of Accounting and Auditing, the accounting effect date will be the beginning of the year in which the transaction is approved, provided that it is later than the date on which the companies were incorporated into the Group. If one of the companies joined the Group in the year in which the merger or segregation takes place, the accounting effect date will be the date of acquisition.

In the case of non-monetary contributions to a Group company, the contributor will value its investment at the carrying amount of the assets delivered in the consolidated annual accounts on the date on which the operation is carried out, in accordance with the Standards for the Formulation of Consolidated Annual Accounts. The acquirer recognises them for the same amount. Any difference which may arise in respect of individual securities shall be recorded under an item of voluntary reserves. Specifically, in the non-monetary contribution described in Note 13, the Company's directors took the values existing in the consolidated annual accounts at the date of the contribution.

Transfer prices are adequately supported and, therefore, the Company's directors consider that there are no significant risks in this respect from which material liabilities may arise in the future.

For the purposes of presenting the balance sheet, it shall be understood that another company forms part of the Group when they constitute a decision-making unit under the terms provided for in Article 42 of the Commercial Code.

A company is considered to be an associate when, although it is not a Group company in the sense indicated above, one or more of the companies that make it up, including the dominant entity or individual, exerts a notable influence over such company.

Capital reduction, dividend distribution and dissolution of companies operations between Group companies

The following criteria will be followed in transactions between Group companies for the distribution of dividends, provided that the business in which the capital reduction materialises, the payment of the dividend is agreed or the liquidation quota of the partner or owner is cancelled, remains in the Group.

The ceding company shall account for the difference between the amount of the debt to the partner or owner and the carrying amount of the business delivered with a credit to a reserve account.

The transferring company will account for it applying the criteria established in the section "Merger and segregation operations between Group companies".

Related party transactions

Transactions between Group companies, except those related to mergers, spin-offs and non-monetary business contributions, are recognised at the initial moment at the fair value of the consideration given or received. If the agreed price differs from its fair value, the difference is recorded on the basis of the economic reality of the transaction. Subsequent valuation is carried out in accordance with the relevant standards.

o) Non-current assets held for sale

The Company classifies a non-current asset or a disposal group as held for sale when it has made the decision to sell it and it is estimated that the sale will take place within the next twelve months.

These assets or disposal groups are measured at the lower of their carrying amount or fair value minus costs to sell.

Assets classified as non-current held for sale are not depreciated, but at each balance sheet date the related valuation adjustments are made so that their carrying amount does not exceed fair value minus costs to sell.

Income and expenses generated by non-current assets and disposal groups of items held for sale that do not qualify as discontinued operations are recognised in the appropriate line item of the profit and loss account according to their nature.

p) Discontinued operations

A discontinued operation is any component of the Company that has been sold or otherwise disposed of, or that has been classified as held for sale and, among other conditions, represents a significant line of business or area that can be considered separate from the rest.

For this type of operation, the Company includes in the profit and loss account and in a single item entitled "Earnings for the year from discontinued operations", the after-tax result of discontinued operations.

In addition, when operations are classified as discontinued, the Company presents in the aforementioned accounting item the amount for the previous year corresponding to activities that were discontinued on the closing date of the year to which the annual accounts relate.

q) Classification of assets and liabilities between current and non-current

The Company presents the balance sheet by classifying assets and liabilities between current and non-current. For these purposes, current assets or liabilities are those that meet the following criteria:

- Assets are classified as current when they are expected to be realised or sold or consumed in the course of the Company's normal operating cycle, are held primarily for trading purposes, are expected to be realised within twelve months after the balance sheet date or are cash or equivalent liquid assets, except in those cases in which they cannot be exchanged or used to settle a liability, at least within twelve months after the balance sheet date.

- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, are held primarily for trading, have to be settled within twelve months from the balance sheet date or the Company does not have the unconditional right to defer the settlement of liabilities for twelve months from the balance sheet date.

- Financial liabilities are classified as current when they must be settled within twelve months of the balance sheet date, even if the original term is for more than twelve months and there is an agreement to refinance or restructure long-term payments that was concluded after the explanatory notes and before the annual accounts are prepared, or are earmarked for financing assets classified in the balance sheet as "current".

r) Heritage elements of an environmental nature

Environmental assets are assets that are used on a lasting basis in the Company's activities, the main purpose of which is to minimise environmental impact and to protect and improve the environment, including the reduction or elimination of future pollution.

The Company's activity, by its nature, does not have a significant environmental impact.

s) Cash flow statement

In the cash flow statement, prepared using the indirect method, the following expressions are used in the following senses:

1. Cash flows: inflows and outflows of cash and cash equivalents, i.e. short-term, highly liquid investments with no significant risk of changes in value.
2. Operating activities: activities that constitute the Company's main source of ordinary income, as well as other activities that cannot be classified as investment or financing activities.
3. Investing activities: the acquisition or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.
4. Financing activities: activities that result in changes in the size and composition of net equity and liabilities that are not part of operating activities.

5. Segregation of the real estate business

On 28 November 2017, the segregation operation by the Company (segregated company) of the property business branch in favour of a newly-created company, Dospuntos Asset Management, S.L., a wholly-owned subsidiary of Vía Célere Desarrollos Inmobiliarios, S.A., was registered in the Companies Registry of Madrid.

The transaction was based on a segregation Project formulated by Via Célere Desarrollos Inmobiliarios, S.A. on 17 October 2017, approved by the Extraordinary General Meeting of the Company held on a universal basis on 20 October 2017, deposited at the Companies Registry of Madrid on 23 October 2017, and published on 31 October 2017 in the Official Gazette of the Companies Registry.

The segregation perimeter comprised:

- The Company's assets and liabilities corresponding to the real estate business (the business of leasing and sale of real estate) constituting an economic unit within the meaning of Article 71 of Law 3/2009, on structural modifications of commercial companies ("LME");

- Investments in the following subsidiaries representing the real estate business: Inmoprado Laguna, S.L.U., Sofía Hoteles, S.L.U., Hotel Rey Pelayo, S.A., Green Inmuebles, S.L., Desarrollos Inmobiliarios Makalu, S.L., Udra Argentina, S.A. and Parquesoles Portugal SGPS, S.A., the latter company includes the subsidiary Edificio Duque de Loule - Investimentos Imobiliários, S.A., Edificio Duque de Palmela Nº 11 - Investimentos Imobiliários, S.A., Edificio Avenida da Liberdade Nº 35-Investimentos Imobiliários, S.A. and Parquesoles Inmobiliaria y Proyectos - Investimentos Imobiliários, S.A.

The segregation was carried out in order to distribute to its shareholders the real estate leasing and sale business following a strategic decision to restructure its activities and focus on the Group's key competencies, the residential housing development business (See Note 1).

In the case of mergers and spin-offs between Group companies, the accounting effect date is the beginning of the year in which the spin-off is approved, provided that it is later than the date on which the companies were incorporated into the group. Consequently, for accounting purposes, 1 January 2017 was set as the date from which the operations of the segregated company were to be considered to have been carried out by the beneficiary company.

For the constituent elements of the segregated business, the Company considered the consolidated values included in the consolidated annual accounts prepared applying EU-IFRSs, which did not differ from the values that would have been obtained applying the Standards for the Preparation of Consolidated Annual Accounts approved by Royal Decree 1159/2010, of 17 September.

The detail of the segregation balance sheet has been included as Annex I to these annual accounts.

6. Intangible assets

The changes in intangible assets in 2018 and 2017 were as follows:

	Thousands of euros		
	Application IT	**Patents, licenses, brands and similar**	**Total**
Cost			
01 January 2017	870	129	999
Additions	70	-	70
Derecognitons	(426)	-	(426)
Derecognitons due to segregation (Note 5)	(356)	(129)	(485)
31 December 2017	158	-	158
Additions	85	-	85
31 December 2018	243	-	243
Depreciation			
Accumulated at 01 January 2017	(679)	(3)	(682)
Depreciation for the year	(33)	-	(33)
Derecognitons	420	-	420
Derecognitons due to segregation (Note 5)	187	3	190
Accumulated at 31 December 2017	(105)	-	(105)
Amortisations of the period	(48)	-	(48)
Accumulated at 31 December 2018	(153)	-	(153)
Net carrying amount at 31 December 2017	**53**	**-**	**53**
Net carrying amount at 31 December 2018	**90**	**-**	**90**

The cost of fully depreciated assets at 31 December 2018 amounted to 33 thousand euros (31 December 2017: 8 thousand euros).

The Company has assessed the existence of indications that could reveal the potential impairment of the assets composing the intangible assets, and has verified that there are no indications of impairment.

During 2018 and 2017 the additions to "IT Applications" correspond entirely to the acquisition of new software for accounting and administrative use.

7. Property, plant and equipment

The changes in property, plant and equipment in 2018 and 2017 were as follows:

	Thousands of euros				
	Technical	Property, plant buildings	Other and equipment PPE	property, plant installations in progress	Total
Cost					
01 January 2017	329	430	1,827	-	2,586
Additions	2,886	4	306	-	3,196
Derecognitons	(50)	(289)	(1,739)	-	(2,078)
Derecognitons due to segregation (Note 5)	(329)	(1)	(19)	-	(349)
31 December 2017	2,836	144	375	-	3,355
Additions	-	-	176	192	368
Derecognitons	-	-	(13)	-	(13)
31 December 2018	2,836	144	538	192	3,710
Depreciation					
Accumulated at 01 January 2017	(26)	(302)	(1,770)	-	(2,098)
Depreciation for the year	(73)	(19)	(105)	-	(197)
Derecognitons	50	289	1,739	-	2,078
Derecognitons due to segregation (Note 5)	26	1	19	-	46
Accumulated at 31 December 2017	(23)	(31)	(117)	-	(171)
Amortisations of the period	(30)	(13)	(132)	-	(175)
Derecognitons	-	-	3	-	3
Accumulated at 31 December 2018	(53)	(44)	(246)	-	(343)
Impairment					
Accumulated impairment at 1 January 2018	-	-	-	-	-
Impairment losses for the period	(54)	-	-	-	(54)
Accumulated impairment at 31 December 2018	(54)	-	-	-	(54)
Net carrying amount at 31 December 2017	**2,813**	**113**	**258**	**-**	**3,184**
Net carrying amount at 31 December 2018	**2,729**	**100**	**292**	**192**	**3,313**

As of 31 December 2017, the Company had acquisitions corresponding to the acquisition of the new offices of the Company, located at Calle Carlos y Guillermo Fernandez Shaw, in Madrid.

At 31 December 2018, property, plant and equipment had been derecognised for a net book value of 10 thousand euros, giving rise to a profit of 26 thousand euros (See Note 18.7).

The Company has evaluated the existence of indications that could reveal the potential impairment of the value of the assets composing the property, plant and equipment at 31 December 2018, determining an impairment of 54 thousand euros in constructions (See Note 18.7).

The cost of fully depreciated assets at 31 December 2018 and 2017 amounts to:

	Thousands of euros	
	31.12.2018	31.12.2017
Other property, plant and equipment	96	44
	96	**44**

The Company has taken out various insurance policies to cover the risks to which its property, plant and equipment are subject. The coverage of these policies is considered sufficient.

8. Investment property

As of 31 December 2018, there were no changes in this heading. The changes in this heading in 2017 were as follows:

	Thousands of euros					
	Land	Buildings	Real Estate Investments in progress	Installations Technical and fixtures	Other Real Estate Investments	Total
Cost						
01 January 2017	31	291,684	44,782	9,567	2,296	348,360
Derecognitons due to segregation (Note 5)	(31)	(291,684)	(44,782)	(9,567)	(2,296)	(348,360)
31 December 2017	-	-	-	-	-	-
Depreciation						
Accumulated at 01 January 2017	-	(39,567)	-	(7,951)	(2.270)	(49,788)
Derecognitons due to segregation (Note 5)	-	39,567	-	7,951	2,270	49,788
Accumulated at 31 December 2017	-	-	-	-	-	-
Impairment						
Accumulated value as of 1 January 2017	-	(62,006)	(32,129)	-	-	(94,135)
Derecognitons due to segregation (Note 5)	-	62,006	32,129	-	-	94,135
Accumulated value as of 31 December 2017	-	-	-	-	-	-
Net carrying amount at 31 December 2017	-	-	-	-	-	-

On 1 January 2017, as part of the real estate business segregation, the Company contributed its real estate investments to Dospuntos Asset Management S.L. for a net amount of 204,437 thousand euros (See Note 5).

9. Non-current assets held for sale

In 2017, 12,991 thousand euros were transferred to "Non-Current Assets Held for Sale" relating to the option to sell land located in Cortijo Norte. This option was exercised on 10 April 2018, giving rise to a loss of 62 thousand euros (See Note 18.7). At 31 December 2018, 3,242 thousand euros (See Note 10) had not yet been collected in relation to this transaction.

At 31 December 2018 there were no assets qualifying for recognition under the heading Non-Current Assets Held for Sale.

10. Financial Assets

Classification of financial assets by category

	Thousands of euros			
	Non-current		Current	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Investments in group, associated and related companies (Note 11)				
Equity instruments	95,436	86,184	-	-
Loans to companies	110,659	78,086	53,643	25,053
Financial investments	27,142	38,362	219	15
Trade receivables for sales and services	-	-	620	244
Clients, Group companies and associates	-	-	8,358	-
Staff	-	-	45	11
Sundry accounts receivable	-	-	3,242	2,111
	233,237	**202,632**	**66,127**	**27,434**

Long-term financial investments

The detail of "Long-Term Financial Investments" at 2018 and 2017year-end is as follows:

	Thousands of euros	
	31.12.2018	31.12.2017
Loans to third parties	26,688	38,188
Derivatives (Note 15.2)	26	99
Bonds and guarantees	428	75
	27,142	**38,362**

In 2016, the Company purchased from financial entities the debt associated with the companies in bankruptcy, Sacresa Terrenos y Promoción, S.L y Cuafec, S.A. The purchase of these rights will enable the Company to acquire the property assets associated with these loans at the time of the liquidation of the companies. The balance recorded at 31 December 2018 and 31 December 2017 under "Non-current loans to third parties" corresponds to the payment price of the debt purchase. Valuations carried out by independent experts of the mortgaged assets are higher than the price paid for the acquisition of the loans. On 23 October 2018, the Company executed one of the loans to third parties on Sacresa Terresnos y Promoción, S.L. amounting to 11,500 million euros. During the financial year 2019 it is expected that the remaining credits to third parties will be executed.

The fair value of loans to third parties amounted to 79,430 thousand euros at 31 December 2018 and 109,484 thousand euros at 31 December 2017.

As of 31 December 2018 and 2017, "Deposits and Bonds" correspond mainly to bonds deposited with autonomous agencies as a guarantee of possible damage to public roads associated with the development of real estate developments.

Trade and other receivables

The detail of trade and other receivables is as follows:

	Thousands of euros	
	31.12.2018	31.12.2017
Group		
Group company customers (Note 20)	8,358	-
Non-Group		
Clients	776	2,197
Sundry accounts receivable	3,242	2,111
Staff	45	11
Other receivables from public administrations (Note 17.1)	400	2,931
Valuation adjustments for impairment	(156)	(1,953)
	12,665	**5,297**

The "Sundry Accounts Receivable" heading includes the amount receivable for the sale of the non-current asset held for sale detailed in Note 9. On 10 February 2019, 2,100 thousand euros were collected and 1,142 thousand euros were pending at the date of preparation of these annual accounts, which are expected to be collected during the first six months of 2019.

At 31 December 2017 the amount corresponded to the outstanding disbursement of the loan subscribed on 21 December 2017 by the Company with its shareholders (Maplesville Invest, S.L.U., Greencoat B. V, MELF, B. V, JP Morgan Securities PLC and Barclays Bank PLC.) and Värde Investment Partners, L.P., which was disbursed during 2018.

Group corporate customers includes balances receivable for the Company's holding activity (See Note 20).

Impairment

The analysis of the movement in the corrective accounts representing the impairment losses originated by the credit risk of financial assets measured at amortised cost is as follows:

	Thousands of euros	
	31.12.2018	31.12.2017
Opening balance	(1,953)	(3,912)
Allocations	(156)	-
Application	1,884	51
Reversal	69	82
Derecognition due to segregation	-	1,826
Closing balance	**(156)**	**(1,953)**

11. Group, associated and related companies

Short- and long-term investments in Group, associated and related companies

The detail of and movement in investments in Group, associated and related companies in the short and long term at 31 December 2018 is as follows:

	Thousands of euros				
	31 December 2017	Additions/ Allocations	Derecognition/ Reversal	Transfers	31 December 2018
Long Term					
Group equity instruments	90,384	33,512	-	12,200	136,096
Associated equity instruments	14,012	-	(800)	-	13,212
Impairment of investments	(18,212)	-	6,270	(41,930)	(53,872)
Total Holdings	**86,184**	**33,512**	**5,470**	**(29,730)**	**95,436**
Loans to Group companies (Note 20)	141,018	150	(3,151)	-	138,017
Impairment loans	(62,932)	(1,503)	3,565	33,512	(27,358)
Total Long-term loans	**78,086**	**(1,353)**	**414**	**33,512**	**110,659**
Total EEGGAA Investments and related to L/T	**164,270**	**32,159**	**5,884**	**3,782**	**206,095**
Short term					
Loans to Group companies (Note 20)	32,790	34,747	(2,053)	(12,200)	53,284
Loans to Associates and Related Parties (Note 20)	681	96	(411)	-	366
Impairment loans	(8,418)	(7)	-	8,418	(7)
Total EEGGAA Investments and related to S/T	**25,053**	**34,836**	**(2,464)**	**(3,782)**	**53,643**

In 2018 the most significant additions and disposals of investments in Group companies and associates were as follows

- On 23 February 2018, the Company agreed to subrogate itself as a debtor before the creditor position of the loans held by its subsidiary Udralar, S.L.U. with Bank of America Merrill Lynch, and to capitalise the loan arising with that subsidiary amounting to 33,512 thousand euros and maturing on the same date as the loans assigned.

- Capitalisation of short-term loans held with the Portuguese subsidiary Parquesoles Inversiones Inmobiliarias y Proyectos, S.A. to resolve the equity imbalance it had and, therefore, part of its current account amounting to 8,450 thousand euros and 3,750 thousand euros were converted into supplementary benefits (a business entity used in Portugal), representing an increase in the share and a decrease in the current account for the aforementioned amount.

- On 10 June 2018, the investee Célere Fórum Barcelona, S.L. distributed a premium amounting to 800 thousand euros.

The composition and movement of long-term investments in Group companies, associated and related companies at 31 December 2017 was as follows:

	Thousands of euros								
	31 December 2016	Additions due to segregation	Derecognition due to segregation	Additions due to acquisition	Additions/Allocations	Derecognition/Reversal	Derecognitions due to liquidation	Derecognitions due to contribution	31 December 2017
Long Term									
Group equity instruments	127,358	99,883	(59,051)	67,942	45,831	(145,714)	(15,951)	(29,914)	90,384
Associated equity instruments	4,623	-	(4,623)	14,012	-	-	-	-	14,012
Impairment of investments	(44,311)	-	23,200	-	(30,046)	4,034	-	28 911	(18,212)
Total Holdings	**87,670**	**99,883**	**(40,474)**	**81,954**	**15,785**	**(141,680)**	**(15,951)**	**(1,003)**	**86,184**
Loans to Group companies (Note 20)	129,160	-	(364)	41,994	6,868	(3,480)	-	(33,160)	141,018
Loans to Associated and Related Companies	17,589	-	(17,589)	-	-	-	-	-	-
Impairment loans	(101,711)	-	14,898	-	(9,481)	9,190	-	24,172	(62,932)
Total Long-term loans	**45,038**	**-**	**(3,055)**	**41,994**	**(2,613)**	**5,710**	**-**	**(8,988)**	**78,086**
Total EEGGAA Investments and related to L/T	**132,708**	**99,883**	**(43,529)**	**123,948**	**13,172**	**(135,970)**	**(15,951)**	**(9,991)**	**164,270**
Short term									
Loans to Group companies (Note 20)	72,501	-	(54,798)	-	32,028	(13,972)	(2,969)	-	32,790
Loans to Associates and Related Parties (Note 20)	6,362	-	(6,362)	-	681	-	-	-	681
Impairment loans	-	-	-	-	(8 418)	-	-	-	(8,418)
Total EEGGAA Investments and related to S/T	**78,863**	**-**	**(61,160)**	**-**	**24,291**	**(13,972)**	**(2,969)**	**-**	**25,053**

During 2017, the most significant additions and deletions of holdings in Group, associated and related companies were:

- As explained in Note 1, in the process of corporate restructuring through segregation, the investments in the following subsidiaries were derecognised: Inmoprado Laguna, S.L.U., Sofía Hoteles, S.L.U., Hotel Rey Pelayo, S.A., Green Inmuebles, S.L., Desarrollos Inmobiliarios Makalu, S.L., Udra Argentina, S.A. and Parquesoles Portugal SGPS, S.A., the latter company includes the subsidiary Edificio Duque de Loule - Investimentos Imobiliários, S.A., Edificio Duque de Palmela No. 11 - Investimentos Imobiliários, S.A., Edificio Avenida da Liberdade No. 35-Investimentos Imobiliários, S.A. and Parquesoles Inmobiliaria y Proyectos - Investimentos Imobiliários, S.A., for a net amount of 40,474 thousand euros. In addition, the segregated assets and liabilities amounting to 66,023 thousand euros were derecognised and the investment in Dospuntos Asset Management, S.L. amounting to 99,883 thousand euros (See Note 5) corresponding to the value of the assets and liabilities of this company in the Vía Celere Group's consolidated balance sheet at 1 January 2017 was derecognised. The difference between the value of the investment in Dospuntos Asset Management, S.L. and the values of the assets and liabilities and investments in the companies segregated in the Company's books was recorded against voluntary reserves amounting to 6,614 thousand euros (Note 13.6).

- In addition, as explained in Note 1, on 22 December 2017 the Company contributed to Dospuntos Asset Management, S.L. the investments in the following subsidiaries: Lardea, S.L.U., Douro Atlántico, S.L.U., Udramar Inmobiliaria, S.L.U. and Udrasol Inmobiliaria, S.L.U. with a negative effect on voluntary reserves of 1,003 thousand euros (See Note 13.6).

- On 24 February 2017, 100% of the shares of Maywood Invest, S.L.U., a Spanish company specialising in residential development, were acquired for 12,110 thousand euros. The acquisition took place between entities under common control.

- In addition, on 29 March 2017, 100% of the shares in Vía Célere, S.L.U., Vía Célere 1, S.L.U., Vía Célere 2, S.L.U., Vía Célere Catalunya, S.L.U., Conspace, S.L.U. were acquired, Vía Célere Gestión de Proyectos, S.L.U. amounting to 55,832 thousand euros and a 50% ownership interest in Célere Fórum Barcelona, S.L.U. amounting to 14,012 thousand euros, jointly representing the entire residential development business in Spain of the group headed by Vía Ágora, S.L.U (related party). In addition, the Company's offices were acquired in Calle Carlos and Guillermo Fernandez Shaw. Also, as mentioned in Note 7, assets and liabilities of Vía Ágora S.L.U. were acquired for 15,001 thousand euros from this purchase. This amount has been fully disbursed as of 31 December 2018.

- As explained in Note 1, on 22 December 2017, as part of the corporate restructuring process, Parquesoles inmobiliaria y proyectos - Investimentos Inmobiliários, S.A. was acquired. (residential development business), owned by Parquesoles Portugal SGPS, S.A. (company contributed to Dospuntos Asset Management, S.L. on 1 January 2017 in the segregation).

- Two holdings in Group companies, Azac, S.A.U. and Altiplano Desarrollos Inmobiliarios, S.L.U., were liquidated as they did not present any transactions as a result of the sale of their assets. The profit resulting from the divestment of the aforementioned companies amounted to 11,880 thousand euros and 860 thousand euros, respectively.

- On 23 March 2017, the Company sold its ownership interest in Otoño, S.L. to the other shareholder for 100 thousand euros.

- Contributions of assets and liabilities corresponding to the real estate investment activity to the newly-created company Dospuntos Asset Management, S.L., for a net amount of 44,680 thousand euros, the most significant of which relates to a land purchase amounting to 51,000 thousand euros. Subsequently, on 29 December 2017, the Company distributed 100% of the ownership interest in Dospuntos Asset Management, S.L. amounting to 145,715 thousand euros to its shareholders (See Note 13.4).

Group and associated Equity Instruments

The amount of the valuation adjustments for impairment and reversals recorded in the various investments at 31 December 2018 and 2017 is as follows:

	Thousands of euros			
Share	**31 December 2017**	**versal / Derecognit**	**Transfers**	**31 December 2018**
Group Companies				
Copaga, S.A.	(2,755)	-	-	(2,755)
Douro Atlántico, S.A.	(15,049)	129	-	(14,920)
Udrasur Inmobliaria, S.L.U.	(3)	-	-	(3)
Udralar, S.L.U.	(3)	-	(33,512)	(33,515)
Vía Célere Gestión de Proyectos, S.L.U.	(381)	381	-	-
Vía Célere 1, S.L.U.	(20)	-	-	(20)
Vía Célere Catalunya, S.L.U.	-		-	-
Conspace, S.L.U.	(1)	1	-	-
Portugal Parquesoles SPGS S.A.	-	5,759	(8,418)	(2,659)
Total Group	**(18,212)**	**6,270**	**(41,930)**	**(53,872)**

	Thousands of euros				
Share	31 December 2016	Allocations	Derecognition due to segregation	versal / Derecognit	31 December 2017
Group Companies					
Copaga, S.A.	(1,391)	(1,364)	-	-	(2,755)
Douro Atlántico, S.L.U.	(3,579)	-	-	3,579	-
Udra Argentina S.A.	(992)	-	992	-	-
Douro Atlántico, S.A.	(1,583)	(16,803)	-	3,337	(15,049)
Udrasol Inmobiliaria S.L.U.	(3)	-	-	3	-
Udramar Inmobiliaria S.L.U.	(3)	-	-	3	-
Udrasur Inmobliaria, S.L.U.	-	(3)	-	-	(3)
Udralar, S.L.U.	(3)	-	-	-	(3)
Vía Célere Gestión de Proyectos, S.L.U.	-	(381)	-	-	(381)
Vía Célere 1, S.L.U.	-	(20)	-	-	(20)
Conspace, S.L.U.	-	(1)	-	-	(1)
Portugal Parquesoles SPGS S.A.	(11,233)	-	11,233	-	-
Hotel Rey Pelayo S.A.	(688)	-	688	-	-
Green Inmuebles S.L.	(4,037)	-	4,037	-	-
Inmoprado Laguna, S.L.U.	(1,627)	-	1,627	-	-
Lardea S.L.U.	(14,549)	(11,467)	-	26,016	-
Torok Investment 2015, S.L.U.	-	(7)	-	7	-
Total Group	**(39,688)**	**(30,046)**	**18,577**	**32,945**	**(18,212)**
Associated companies					
Desarrollos Inmobiliarios Makalu, S.L.	(4,623)	-	4,623	-	-
Total Associates	**(4,623)**	**-**	**4,623**	**-**	**-**
	(44,311)	**(30,046)**	**23,200**	**32,945**	**(18,212)**

In relation to the investments held in Group companies, in the opinion of the Company's directors the excess of net book value over their underlying book value is covered by the gains associated with the future results of these investees, taking into account the valuations performed by independent experts at 31 December 2018 of the assets held by the investees in question.

The most significant information relating to the Group companies, jointly controlled entities and associates in which the Company participates at 31 December 2018 and 2017 is as follows:

	Thousands of euros								
	31.12.2018								
		% holding				Result		Rest of Net equity	Net value in books of the holdings
Company	Address	Direct	Indirect	Total	Capital	Exploitation	From the period	Net	
Copaga, S.A.	Madrid	100%	-	100%	144	(66)	(36)	(1,316)	-
Udralar, S.L.U. (a)	Madrid	100%	-	100%	3	1,734	4,347	(32,130)	-
Torok Investment 2015, S.L.U.	Madrid	100%	-	100%	3	(165)	210	(1,391)	7
Udrasur Inmobliaria, S.L.U.	Madrid	100%	-	100%	3	(44)	(30)	(455)	-
Douro Atlántico, S.A. (a)	Lisbon, Portugal	100%	-	100%	8,062	(266)	(509)	(4,795)	4,754
Maywood Invest, S.L.U. (a)	Madrid	100%	-	100%	833	(3,018)	(1,781)	3,485	12,110
Vía Célere, S.L.U. (a)	Madrid	100%	-	100%	22,749	(13,795)	13,118	(2,441)	31,914
Vía Célere 1, S.L.U.	Madrid	100%	-	100%	3	96	87	(999)	-
Vía Célere 2, S.L.U. (a)	Madrid	100%	-	100%	3	6	184	7,735	7,336
Vía Célere Catalunya S.L.U. (a)	Madrid	100%	-	100%	11,112	(72)	220	4,907	16,181
Vía Célere Gestión de Proyectos, S.L.U. (a)	Madrid	100%	-	100%	3	886	646	(242)	381
Conspace, S.L.U.	Madrid	100%	-	100%	3	(57)	(51)	(522)	-
Parquesoles Inversiones Inmobiliarias Y Proyectos, S.A. (a)	Lisbon, Portugal	100%	-	100%	50	(219)	(1,184)	5,625	9,541
Célere Forum Barcelona, S.L. (a)	Madrid	50%	-	50%	2,102	(640)	(640)	3,303	13,212
									95,436

(a) Company audited as of 31 December 2018

Company	Address	% holding Direct	% holding Indirect	% holding Total	Capital	Result Exploitation	Result From year	Rest of Net equity Net	Net value in books of the holdings
	Thousands of euros 31.12.2017								
Copaga, S.A. (a)	Madrid	100%	-	100%	144	(1,678)	(1,663)	348	-
Udralar, S.L.U. (a)	Madrid	100%	-	100%	3	6,895	4,377	(70,018)	-
Torok Investment 2015, S.L.U. (a)	Madrid	100%	-	100%	3	(378)	(632)	(805)	7
Udrasur Inmobliaria, S.L.U. (a)	Madrid	100%	-	100%	3	(424)	(428)	(27)	-
Douro Atlántico, S.A. (b)	Porto, Portugal	100%	-	100%	8,062	(304)	(766)	(4,027)	4,624
Maywood Invest, S.L.U. (a)	Madrid	100%	-	100%	833	(1,113)	(1,773)	5,258	12,110
Vía Célere, S.L.U. (a)	Madrid	100%	-	100%	22,749	(4,759)	(4,841)	2,384	31,914
Vía Célere 1, S.L.U. (a)	Madrid	100%	-	100%	3	(75)	(83)	(915)	-
Vía Célere 2, S.L.U. (a)	Madrid	100%	-	100%	3	10,737	7,966	(230)	7,336
Vía Célere Catalunya S.L.U. (a)	Madrid	100%	-	100%	11,112	6,112	4,906	2	16,181
Vía Célere Gestión de Proyectos, S.L.U. (a)	Madrid	100%	-	100%	3	(515)	(577)	395	-
Conspace, S.L.U. (a)	Madrid	100%	-	100%	3	(37)	(37)	(485)	-
Parquesoles Inversiones Inmobiliarias Y Proyectos, S.A. (b)	Lisbon, Portugal	100%	-	100%	50	(5,623)	(6,553)	8,428	-
Célere Forum Barcelona, S.L. (a)	Madrid	50%	-	50%	2,102	(654)	(659)	5,961	14,012
									86,184

(a) Company audited by KPMG.
(b) Company audited by KPMG Portugal

In 2017 the investees Vía Célere, S.L.U. and Vía Célere Catalunya, S.L.U. distributed interim dividends of 5,000 thousand euros and 500 thousand euros, respectively, out of profit for 2016. These dividends have been recorded as a reduction in the cost of the investment since they correspond to results prior to the takeover of these companies by the Company.

Loans to Group, associated and related companies

The long-term loans granted by the Company to its investees are of a participating nature and bear interest at a variable rate determined on the basis of the performance of the investee, ranging from 4% to 7% over the limit of the investee's loan. The detail at 31 December 2018 is as follows:

Company	Thousands of euros		Maturity
	Limit	Drawn down	
Udralar, S.L.U.	80,000	74,323	12/31/2020
Udrasur Inmobiliarias, S.L.U.	1,000	456	12/31/2020
Torok Investments 2015, S.L.U.	26,100	22,245	3/15/2022
Copaga, S.L.U.	2,000	1,563	12/30/2020
Vía Célere 1, S.L.U.	5,000	38	12/20/2020
Conspace, S.L.U.	2,000	728	12/31/2020
Vía Célere Gestión de Proyectos, S.L.U.	7,000	4,857	12/31/2020
Total	**123,100**	**104,210**	

Ordinary loans	Thousands of euros		Maturity
	Limit	Drawn down	
Vía Célere, S.L.U.	37,000	33,807	12/31/2020
Total	**37,000**	**33,807**	

The most significant additions to short-term loans in 2018 are as follows:

- On 23 February 2018, the Company agreed to subrogate itself as a debtor to the creditor position of the loans held by Douro Atlántico, S.A. with Deutsche Bank AG, to maintain the account receivable from the subsidiary amounting to 5,762 thousand euros and not to modify the conditions of the loans assigned.
- In addition, in 2018 the current accounts with Maywood Invest, S.L.U. and Vía Célere Gestión de Proyectos, S.L.U. increased by 9,576 thousand euros and 9,456 thousand euros, respectively, due to the current operations of both companies.

The most significant additions in 2017 of loans to Group companies are due to those acquired in the purchase of the real estate development business from Vía Ágora, and to increases in the principal during the year, the position of which at 31 December 2017 was held by Vía Célere, S.L.U. for 36,470 thousand euros, Via Celere 1, S.L.U. for 1,000 thousand euros, Via Celere Gestión de Proyectos, S.L.U. for 4,706 thousand euros and Conspace, S.L.U. for 1,276 thousand euros.

12. Inventories

The activity in inventories at 31 December 2018 and 2017 is as follows:

	Thousands of euros				
	Land and plots	Developments finished	Developments in progress	Advances to suppliers	Total
Cost at 01 January 2017	**687,226**	**56,546**	**75,398**	**25,262**	**844,432**
Additions	59,862	-	12,859	10,702	83,423
Derecognitons	(1,783)	(18,298)	-	(24,687)	(44,768)
Derecognitions due to segregation(Note 5))	(90,426)	-	-	-	(90,426)
Transfers	(109,944)	-	109,944	-	-
Transfers to maintained for sale (Note 9)	(12,991)	-	-	-	(12,991)
Cost at 31 December 2017	**531,944**	**38,248**	**198,201**	**11,277**	**779,670**
Additions	49,015	-	70,016	1,754	120,785
Derecognitons	(8,487)	(35,480)	-	(6,486)	(50,453)
Transfers	(34,950)	-	34,950	-	-
Cost at 31 December 2018	**537,522**	**2,768**	**303,167**	**6,545**	**850,002**
Valuation adjustments due to impairment at 01 January 2017	**(403,097)**	**(8,373)**	**(31,191)**	**(24,687)**	**(467,348)**
Allocations	(110,751)	(23,277)	(22,456)	-	(156,484)
Reversals	29,834	2,690	22,757	24,687	79,968
Derecognitons due to sales	963	8,479	-	-	9,442
Derecognitons due to segregation (Note 5)	62,820	-	-	-	62,820
Transfers	50,144		(50,144)	-	-
Valuation adjustments due to impairment as of 31 December 2017	**(370,087)**	**(20,481)**	**(81,034)**	**-**	**(471,602)**
Allocations	(10,597)	(443)	(2,874)	-	(13,914)
Reversals	20,468	20,067	9,961	-	50,496
Transfers	(990)	-	990	-	-
Valuation adjustments due to impairment as of 31 December 2018	**(361,206)**	**(857)**	**(72,957)**	**-**	**(435,020)**
Net carrying amount at 31 December 2017	**161,857**	**17,767**	**117,167**	**11,277**	**308,068**
Net carrying amount at 31 December 2018	**176,316**	**1,911**	**230,210**	**6,545**	**414,982**

As "Property Developments in Progress", the Company records the cost of short-cycle and long-cycle developments in progress.

At 31 December 2018, the developments Forestier, Banderas, Ventura, Casa de la Cierva, Retamar Fase I, Barama and Ponce de León were considered short-cycle inventories and were recorded at 109,707 thousand euros. At 31 December 2017 all inventories were long cycle.

The Company capitalises the financial expenses accrued during the year relating to financing for the development of real estate inventories, provided that they are related to inventories with a production cycle of more than one year. In 2018 and 2017 financial expenses of 1,509 thousand euros and 28 thousand euros, respectively, were capitalised.

12.1 Land and plots

The balance of this account relates to the acquisition price of various plots of land and plots of land which at 31 December 2018 and 2017 were in the final stage or under urban development management, and which are basically intended for residential use (although there are public service or industrial plots).

As at 31 December 2018 and 2017, the building area above ground of the Company's land portfolio was 1,054,104 m2 and 635,667 m2 respectively. The detail, by geographical area, of the Company's land is as follows:

Land and plots

City	total m2 31.12.2018	total m2 31.12.2017
Valladolid	114,302	104,170
Madrid	594,813	199,496
Seville	96,228	174,221
Malaga	76,371	33,847
Other provinces	172,390	123,933
	1,054,104	**635,667**

At 31 December 2018 and 2017 there were certain "Land and Plots" assets with a net cost of 15,441 thousand euros (31 December 2017: 7,491 thousand euros) which had been mortgaged to secure the repayment of various bilateral loans for which 12,384 thousand euros and 14,021 thousand euros, respectively, had been drawn down (See Note 15.1).

In 2018, land costing 8,487 thousand euros was sold. 49,015 thousand of land and plots, the most significant of which were acquired:

- Purchase of a plot of land in Campomanes for 1,900 thousand euros.
- Purchase of a plot in Ibiza UA 14 for 26,900 thousand euros.
- Purchase of land in Los Cerros (Madrid) for 11,500 thousand euros (See Note 10)

In 2017, land costing 1,783 thousand euros was sold. 59,862 thousand of land and plots, the most significant of which were acquired:

- Purchase of a plot of land in Sevilla Este for 26,748 thousand euros.
- Purchase of a plot of land in Ibiza for 12,322 thousand euros

12.2 Land and plot purchase commitments

At 31 December 2018 and 2017, the Company had entered into contracts for the promise or option to purchase land and building plots for a total amount of 44,135 thousand euros and 71,100 thousand euros, respectively, with prepayments of 5,242 thousand euros and 7,942 thousand euros, respectively. The variation with respect to fiscal year 2017 is due to the execution of the purchase option of the plot Ibiza UA 14. These amounts are recorded under "Advances to Suppliers" in the balance sheet.

As of 31 December 2018, the principal advances are as follows:

- On 14 February 2017, the Company signed an agreement with Iberia Líneas Aéreas de España, Sociedad Anónima Operadora, to purchase several plots of land located on the Camino de la Fuente road in Madrid.

- On 6 April 2017, the Company signed a purchase agreement with Resto HG, S.L. for several plots of land, all of them part of UZ 2.4-03 "ARPO".

12.3 Property Developments in Progress

At 31 December 2018 and 31 December 2017, this corresponds to the total costs incurred in the development of property developments in progress at that date, including the cost of purchasing land.

As of 31 December 2018, the main developments in progress are:

- Residential developments Barama and Casa Banderas in Malaga, Casa de la Cierva in Getafe, Casa Forestier in Seville and Cortijo Norte Fase I in Boadilla del Monte.

As of 31 December 2017, the main developments in progress were:

- Barama and Casa Banderas Residential Developments in Malaga and Casa Ventura, Retamar Phase I and Casa Ponce de León in Valladolid

The property developments in progress at 31 December 2018 and 2017 had a net cost of 230,210 thousand euros and 117,167 thousand euros, respectively, of which 194,179 thousand euros and 74,840 thousand euros, respectively, were mortgaged to secure the repayment of property development loans in progress, the balances drawn down at that date being 28,310 thousand euros and 25,057 thousand euros, respectively (See Note 15.1)

12.4 Completed Developments

The "Completed Developments" heading in the balance sheet as of 31 December 2018, includes the cost of the unsold portion of, mainly, the following developments:

Murcia

- Viña del mar Residential

Valladolid

- Juan de Austria Building
- Residential Paseo Jalón

In 2018, 35,480 thousand euros (18,298 thousand euros in 2017) relating to the cost of inventories delivered in the year were derecognised under "Finished Developments".

At 31 December 2018 there were no property assets recorded under "Completed Developments" mortgaged to secure loan repayment.

At 31 December 2017, the property assets recognised under "Completed Developments" in the accompanying balance sheet had been mortgaged to secure the repayment of various loans amounting to EUR 13,139 thousand, the balance of which drawn down at that date amounted to EUR 19,972 thousand (See Note 15.3).

12.5 Commitments to sell property developments in progress and completed developments

The Company recognises under the heading “Trade and other payables” the amount received in advance, in cash or in bills payable, received from the customers with whom it has entered into these sale commitments.

At 31 December 2018 and 2017, the Company had signed contracts for the sale of property developments in progress at that date, or completed developments, for a total amount of EUR 325,595 thousand and EUR 139,738 thousand, respectively. Of the total sale commitments at 31 December 2018 and 2017, the Company has received advances on account totalling 46,483 thousand euros and 14,494 thousand euros, respectively (See Note 15.3). The advances recorded at 31 December 2018 and 2017 include EUR 27,228 thousand and EUR 14,045 thousand of restricted cash.

As a normal procedure, almost all pre-sales are subject to indemnity clauses for late delivery consisting, for the most part, of statutory interest on the quantities delivered during the period between the expected date of delivery in the contract and the actual delivery date. The Company does not estimate any impact on these annual accounts for this reason, due mainly to the historical experience of recent years and the fact that the delivery date envisaged in the contracts considers a safety margin. Also, pre-sales generally include indemnities for the Company in the event of cancellation by the customer, although no amount is recorded for this item until it is collected.

12.6 Impairment of inventories

The Company annually commissions valuations by independent experts to determine the fair values of its inventories. As of 31 December 2018 and 2017 the valuations have been performed by “Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U.” (formerly “Savills Consultores Inmobiliarios, S.A.”). Valuations have been carried out on the basis of market value, as defined by the Royal Institution of Chartered Surveyors (RICS) and in line with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), the leading international real estate and general valuation organisations, respectively.

For the calculation of the market value, the comparison valuation method was used (mainly for finished products) and the static and dynamic residual methods (mainly for land and plots and property developments in progress). Using the dynamic residual method, the residual value of the property being valued is obtained by discounting the cash flows established on the basis of the forecast of pending expenses and income, taking into account the period that must elapse until the realisation of said flow, at the fixed discount rate. To the result of this calculation the total cash income considered to have been realised prior to the valuation date is added, thereby obtaining the total value. The discount rate used is that which represents the average annual profitability of the project, without taking into account the third-party financing that an average promoter would obtain in a development with the same characteristics of the one analysed.

The Cash Flow Discount ("CFD") defined by Savills comprises the analysis of development and its derecognition at completion, or when urban status is granted, discounting the costs necessary to bring the project to a successful conclusion (construction, architecture, town planning and cost of completion) and recognition of revenues as sales are completed. This will result in a cash flow that will be updated at the valuation date using the IRR, which is indicative of the level of risk that the developer is willing to accept and the profits it expects to obtain.

At 31 December 2018, the Company recognised an impairment loss of EUR 13,914 thousand (EUR 156,484 thousand during 2017) and a reversal of EUR 50,496 thousand (EUR 55,281 thousand during 2017) in order to adjust the carrying amount to its estimated realisable value, which is determined on the basis of the valuations of the independent expert "Savills".

At 31 December 2018 and 2017, the overall fair value of the Company's inventories arising from the aforementioned valuations amounted to 614 thousand euros and 416 thousand euros, respectively.

Savills' main assumptions in the valuation are as follows:

Sell price (€/m2)	Margin	Internal Rate of Return
957 - 6,751	1% - 49%	6% -25%

At the close of 2018, the Company's directors carried out various sensitivity analyses of the valuations:

In the case of the discount rate, a sensitivity of +/- 100 basis points has been established based on different short and medium-term economic scenarios, as well as the consideration of the rate of return required by other property developers with characteristics other than those of the Company.

In the case of the sale price, sensitivity analyses of +/-1%, +/-5% and +/-10% were carried out, although the Directors do not consider the 10% valuation to be likely to increase or decrease.

This sensitivity exercise was performed assuming that all other variables remain constant.

Changes in the net book value of inventories would be affected as follows if key assumptions changed:

Assumption	Thousands of Euros Discount rate Increase/(decrease)	
	1%	(1%)
Market Value	522,255	556,814
Net Book Value	402,871	411,994

Assumption	Thousands of Euros Sell price Increase / (Decrease)					
	1%	(1%)	5%	(5%)	10%	(10%)
Market Value	548,703	528,430	587,443	486,681	635,576	436,120
Net Book Value	411,994	404,853	426,246	389,966	442,804	370,626

The weighted average discount rate by type of asset is as follows:

	Discount rate (%)
Work in progress	9.7%
"Fully-permitted"	12.7%
"Strategic land"	16.0%
Total	**13.7%**

The impact that these sensitivities would have on the assessments made by the independent expert is as follows:

- A decrease of 100 basis points in the discount rate would result in an increase in the valuation of EUR 17,899 thousand, and an increase of 100 basis points would result in a decrease in the valuation of EUR 16,660 thousand.
- A 1% decrease in the selling price would lead to a decrease in the valuation of EUR 10,485 thousand, and a 1% increase would lead to an increase in the valuation of EUR 9,788 thousand.
- A 5% decrease in the selling price would lead to a decrease in the valuation of EUR 52,234 thousand, and a 5% increase would lead to an increase in the valuation of EUR 48,529 thousand.
- A 10% decrease in the selling price would lead to a decrease in the valuation of EUR 102,794 thousand and a 10% increase would lead to an increase in the valuation of EUR 96,661 thousand.

In addition, a calculation was made of the discount rate associated with each project, and a sensitivity analysis was performed with respect to this rate based on the urban development situation of each of the Company's developments at that time. The discount rates applied vary depending on the stage of development of the asset (land not yet developed, under construction, with pre-sales or completed), ranging from 6% to 25%, with a weighted average of 12.9%, as follows:

TIR (%)	**Discount rate (%) 31.12.2018**
Work in progress	9,5%
Fully permitted	12,5%
Strategic land	15,5%
Total	12,9%

13. Net equity

13.1. Share capital

On 29 March 2017, the Company's shareholders at the General Shareholders' Meeting resolved to increase capital by EUR 11,297 thousand through the creation of 1,882,832 new shares with the same rights as those existing at that date. This monetary capital increase was granted by public deed on 22 June 2017, and was registered in the Companies Registry of Madrid.

On 28 December 2017, the Company's shareholders at the General Shareholders' Meeting resolved to increase capital by EUR 36,882 thousand through the issue of 6,147,042 new shares with the same rights as those existing at that date. The extension was carried out by credit offsetting. The share convertible loan agreement entered into on 24 July 2017 (see section 5 of this Note) was contributed by several of its shareholders (Maplesville Invest, S.L.U., Greencoat B.V, MELF, B.V, JP Morgan Securities, PLC and Barclays Banck Plc.) and Värde Investment Partners, L.P., which assigned its financial claims on that convertible loan agreement to Bank of America Merill Lynch International Limited. This capital increase was granted in public deed on 29 December 2017 and registered at the Companies Registry of Madrid on 1 February 2018.

On 23 February 2018, the Company's General Shareholders' Meeting resolved to increase its share capital by 22,158 thousand euros through the issue of 3,692,956 new shares with a par value of 6 euros each and with the same rights as the existing shares. This capital increase was carried out through a non-monetary consideration consisting of the capitalisation of certain bilateral loans that the shareholders had granted to the Company for a book value of 98,839 thousand euros. The increase in share capital was recognised at the fair value of the loans capitalised at that date (73,020 thousand euros) and the difference of 25,819 thousand euros was recognised as a contribution from shareholders and is recognised as finance income in the consolidated income statement (See Note 24.13). The public deed of the capital increase was executed on 2 March 2018 (See section 7 of this Note), having been registered in the Companies Registry of Madrid.

In addition, at the same General Shareholders' Meeting of the Company, it was resolved to increase its share capital by 56 thousand euros through the issue of 9,280 new shares, each with a par value of 6 euros, with the same rights as the existing shares. This capital increase was executed by means of a public deed dated 28 March 2018, which has been registered in the Companies Registry of Madrid.

On 2 March 2018, the Company's General Shareholders' Meeting approved an increase in share capital by 12,540 thousand euros through the issue of 2,090,120 new shares with a par value of 6 euros each and with the same rights as the existing shares. This capital increase was executed by public deed on 3 April 2018 and is registered in the Companies Registry of Madrid.

Following the transactions described above, as of 31 December 2018, the Company's share capital amounted to 204,187,122 euros (169,432,986 euros as of 31 December 2017), and is made up of registered shares of 6 euros par value each, all of them authorized, subscribed and paid up, not listed on the stock exchange, all with the same corporate rights.

As of the date of preparation of these annual accounts, the Company, as an integral part of the merger process detailed in note 24, had increased its capital through the issue of 31,746,987 new shares.

The shareholders of the Company at 31 December 2018 and 2017 are as follows:

	2018		2017	
Company	**Number of shares**	**Percentage of ownership**	**Number of shares**	**Percentage of ownership**
Maplesville Invest, S.L.U	17,828,983	52.39%	15,143,442	53.63%
Greencoat B.V.	5,513,934	16.20%	4,110,294	14.56%
Trinity Investment Ltd.	5,112,989	15.02%	4,898,247	17.35%
MELF B.V.	1,832,276	5.38%	1,411,943	5.00%
Barclays Bank PLC	1,329,208	3.91%	1,192,045	4.22%
Bank of America Merrill Lynch International	-	0.00%	307,351	1.09%
Merrill Lynch International	2,229,368	6.55%	1,104,588	3.91%
Deutsche Bank AkticngescMschafl	97,877	0.29%	-	0.00%
JP Morgan Securities PLC	86,552	0.25%	70,921	0.25%
	34,031,187	**100.00%**	**28,238,831**	**100.00%**

On 28 December 2017, the Company's General Shareholders' Meeting unanimously resolved to distribute the share premium, which was classified as distributable reserves, amounting to EUR 173,031 thousand, through the transfer of the shares of its wholly-owned subsidiary Dospuntos Asset Management, S.L., which was distributed among the shareholders in proportion to their ownership interest in the Company's share capital (See Note 1).

The expenses incurred in the capitalizations were not significant and were recorded in the profit and loss account.

The movement in the number of shares in 2018 was as follows:

Company	Number of shares at 31.12 2017	Capital increase (23.02.2018)	Capital increase (02.03.2018)	Transfers	Number of shares at 31.12.2018
Maplesville Invest, S.L.U	15,143,442	-	1,356,077	1,329,464	17,828,983
Greencoat B.V.	4,110,294	1,329,464	74,176	-	5,513,934
Trinity Investment Ltd.	4,898,247	245,159	-	(30,417)	5,112,989
MELF B.V.	1,411,943	-	420,333	-	1,832,276
Barclays Bank PLC	1,192,045	-	106,746	30,417	1,329,208
Bank of America Merrill Lynch International	307,351	690,992	126,437	(1,124,780)	-
Merrill Lynch International	1,104,588	-	-	1,124,780	2,229,368
Deutsche Bank AkticngescMschafl	0	97,877	-	-	97,877
JP Morgan Securities PLC	70,921	9,280	6,351	-	86,552
Arvo Invcsliieni Holdings S.á.r.l.	0	1,329,464	-	(1,329,464)	-
	28,238,831	**3,702,236**	**2,090,120**	**-**	**34,031,187**

13.2 Share premium

The Spanish Companies Act expressly permits the use of the share premium balance to increase the share capital of the entities in which it is registered and establishes the same restrictions as regards its availability as the voluntary reserves.

13.3 Legal reserve

Under the Spanish Companies Act, 10% of net income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve may be used to increase capital in that part of its balance that exceeds 10% of the increased capital. Except for the aforementioned purpose, until the reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

13.4 Distribution of dividends

On 28 December 2017, the Company distributed the shares of Dospuntos Asset Management, S.L., a subsidiary in which the Company had a 100% interest. The transactions of Dospuntos Asset Management, S.L. represented the entire real estate business of the Company (See Note 1).

At the date of distribution, the investment in the shares of Dospuntos Asset Management, S.L. amounted to a book value of EUR 145,715 thousand. The fair value of the shares in Dospuntos Asset Management, S.L. was estimated on the basis of a valuation report by an expert valuator (PwC) at EUR 173,031 thousand. Fair value was estimated using a valuation technique by applying the revenue approach using the discounted cash flow methodology. All cash flows were discounted at a weighted average cost of capital of 8.6%. The difference between the estimated fair value of the investments in Dospuntos Asset Management, S.L. and their book value of EUR 27,316 thousand was recognised as an increase in the Company's voluntary reserves.

At the date of preparation of these annual accounts, the Company had signed a syndicated loan agreement (See Note 24) which contains limitations on the distribution of dividends.

13.5 Other partner contributions

On 24 July 2017, the Company, MaplesVille Invest, S.L.U., Greencoat B.V., MELF B.V., Trinity Investment Ltd, Barclays Bank Plc, JP Morgan Securities, PLC and Värde Investment Partners, L.P. signed a loan agreement amounting to EUR 150,000 thousand. This loan established a maturity date prior to 24 December 2017 and a mandatory conversion into capital. On 23 August 2017, Värde Investment Partners, L.P. assigned its claims under the aforementioned Loan against the Company, for a nominal amount of 7,499,990 euros in favour of Bank of America Merril Lynch Internacional Limited. At 31 December 2017 the Company had converted the entire loan into ordinary shares of the Company (see section 1 of this note).

On 21 December 2017, the Company and its shareholders (Maplesville Invest, S.L.U., Greencoat B.V, MELF, B.V, JP Morgan Securities PLC and Barclays Bank PLC) and Värde Investment Partners, L.P. signed a loan agreement amounting to EUR 41,327 thousand. The Loan was disbursed on 29 December 2017, and the maturity date of the Loan was established as that which occurred before (i) the date on which the borrower sent the conversion notice provided for in section 3.1 of the loan agreement; or (ii) the first business day following the third month overdue from the date on which the loan agreement was signed, i.e. 28 February 2018. As indicated in section 1 of this note, on 2 March 2018 this loan was converted into shares of EUR 6 par value, with a share premium of EUR 13.7726 per share, all equal to and with the same rights as those currently existing.

As of the date of preparation of these annual accounts, a number of contributions had been made by shareholders and converted into share capital as an integral part of the merger process in order to carry out the operation described in Note 24.

13.6 Voluntary reserves

During 2018 and 2017, voluntary reserves had the following movement:

	Thousands of euros
Opening Balance 31.12.2016	**54,764**
Segregation (Notes 5 and 11)	(6,614)
Contributions (Note 11)	(1,003)
Distribution of shareholders (Note 13.4)	27,316
Opening Balance 31.12.2017	**74,463**
Prior years' adjustments	(803)
Closing balance 31.12.2018	**73,660**

14. Provisions and contingencies

The breakdown of the balance of these balance sheet headings corresponds in full to the provision for litigation and is as follows:

	Thousands of euros			
	31.12.2018		31.12.2017	
	Non-current	Current	Non-current	Current
Provisions for other liabilities	8,547	240	9,876	3,401
	8,547	**240**	**9,876**	**3,401**

The activity in provisions during 2018 and 2017 is as follows:

	Thousands of euros	
	Provision for other responsibilities	
	Non-current	Current
Balance at 1 January 2018	9,876	3,401
Endowment	-	54
Reversals	(708)	-
Application	(621)	(3,215)
Balance at 31 December 2018	**8,547**	**240**

	Thousands of euros	
	Provision for other	
	Non-current	Current
Balance at 1 January 2017	5,308	-
Allocations	7,900	3,401
Reversals	(1,193)	-
Application	(13)	-
Derecognitons due to segregation (Note 5)	(2,126)	-
Balance at 31 December 2017	**9,876**	**3,401**

At 31 December 2018 and 2017, the provision for contingencies and expenses relates mainly to contingencies that are likely to arise from legal proceedings relating to the Group's ordinary activities. The outcome of these related contingencies depends on the resolution of the corresponding legal proceedings.

During 2018 and 2017, the Parent delivered two letters of guarantee to Antigua Rehabitalia, S.A., an indirect subsidiary of the Company until 29 December 2017, covering two mortgage loans between Antigua Rehabitalia, S.A. and SAREB amounting to EUR 12,400 thousand to secure two properties owned by Antigua Rehabitalia, S.A. located in the Conil de la Frontera Sector (Cádiz). During 2017, Antigua Rehabitalia, S.A. entered the competition. As a result, the Group recorded a provision of 7,900 thousand relating to the difference between the guarantee and the fair value of the land, which remains at 2018 year-end.

Additions to trade provisions in 2017 refer to provisions related to the accrual of municipal capital gains tax with respect to the following transactions:

- Sales of inventories in December amounting to EUR 74 thousand; and
- segregation of the branch of activity amounting to 3,327 thousand euros.

In the first half of 2018, the Company paid the settlements of the tax on the increase in value of urban land amounting to EUR 3,209 thousand arising from the segregation, for which it applied the provision recorded for this purpose.

As mentioned in Note 11, in December the Company, the sole shareholder of Dospuntos Asset Management, S.L., approved the contribution to it of its shareholding in Lardea, S.L.U., Douro Atlantico, S.L.U., Udramar Inmobiliaria, S.L.U. and Udrasol Inmobiliaria, S.L.U., and the transfer by the Company to Dospuntos Asset Management, S.L. of the position as borrower or lender of all the loans with these subsidiaries.

Prior to the transfer of these loans, the Company and Udramar Inmobiliaria, S.L. formalized the offsetting of the positions between the two companies. However, those balances were not liquid, due and payable at the date of the offsetting agreement, and the offsetting could potentially penalise third party rights. In this respect, in 2018 both companies agreed to cancel the related compensation and to transfer the balances separately to Dospuntos Asset Management, S.L. This transfer has not affected these annual accounts.

In the opinion of the directors, the provisions recorded at 31 December 2018 and 2017 reasonably cover the existing risks, not considering that significant additional losses may arise from the resolution of litigation in progress.

Likewise, and in relation to the segregation described in Note 5, the arbitration procedure held at the Official Chamber of Commerce and Industry of Madrid, with reference number 265/2011 (hereinafter, the Apollo Arbitration), was transferred to Dospuntos Asset Management, S.L. together with the Hotel Apolo Barcelona. At the date of these annual accounts, Dospuntos Asset Management S.L. has not assumed the Company's position in this litigation, although it has duly informed the Company that it intends to take over any payment related to this matter. Therefore, the Company has not made provisions for the possibility that it may be necessary to make disbursements under this procedure, as it would be entitled to claim reimbursement from Dospuntos Asset Management S.L., which is considered a solvent company.

As additional information, the Apollo Arbitration eliminated the obligation of San Josë Desarrollos Inmobiliarios, S.A. (currently Vía Célere Desarrollos Inmobiliarios, S.A.) to assume the cost of various maintenance and repair works at the Hotel Apolo Barcelona, a decision that was ratified and declared enforceable by the Court of First Instance number 101 of Madrid. In January 2019, this court issued an attachment order for the amount claimed by Meliá Hotels International, S.A. in the aforementioned judicial proceeding. However, Dospuntos Asset Management, S.L., in accordance with the agreement assumed referred to above, is managing the return to the Company of the amount seized in compliance with the seizure order.

As described in Note 11, on 22 December 2017 the Company, as the sole shareholder of Dospuntos Asset Management, S.L., approved the contribution to this subsidiary of 100% of its ownership interest in the subsidiaries Lardea, S.L.U., Douro Atlántico, S.L.U., Udramar Inmobiliaria, S.L.U. and Udrasol Inmobiliaria, S.L.U. In addition, the borrower and lender positions in each loan with the aforementioned subsidiaries are assigned to Dospuntos Asset Management, S.L.

15. Long-term and short-term debts and trade creditors

Classification of Financial Liabilities by categories is as follows:

	Thousands of euros			
	31.12.2018		31.12.2017	
	Non-current	Current	Non-current	Current
Amounts owed to credit institutions	1,309	160,961	1,460	208,774
Debt with credit institutions	1,309	160,961	1,460	149,724
Debt with group credit institutions (Note 20)	-	-	-	59,050
Payable to Group, associated and related companies (Note 20)	26,910	44,359	25,679	23,126
Remunerations to be paid	-	1,192	-	937
Suppliers (Note 15.3)	-	24,602	-	24,505
Suppliers of group and associated companies (Note 20)	-	13,477	-	214
Advances to customers (Note 12.5)	-	46,483	-	14,494
Other financial liabilities	7	163	26	99
	28,226	**291,237**	**27,165**	**272,149**

Regardless of the effective amortisation date, financial debt that affects the financing of assets also classified as current in the balance sheet is classified as current (See Note 4.p).

The detail of "Amounts owed to credit institutions" at 31 December 2018 and 2017 is as follows:

	Thousands of euros			
	31.12.2018		31.12.2017	
	Non-current	Current	Non-current	Current
Mortgage loans on inventories (Note 15.1)	-	40,694	-	59,050
Interest	-	524	-	5,241
Other loans	1,309	119,743	1,460	144,483
	1,309	**160,961**	**1,460**	**208,774**

Other current loans as of 31 December 2018 and 31 December 2017 include the amount drawn down, recorded at amortized cost, mainly from a credit line arranged with Banco Popular to finance the purchase of land, with an available limit of 121 million euros, which is fully drawn down.

All loans have an interest rate tied to EURIBOR plus a market spread.

"Interest" at 31 December 2018 includes accrued interest on loans on inventories and other credits. At 31 December 2017, this heading included mainly unpaid accrued interest on bilateral loans of inventories which are capitalised at the principal amount, as established in the framework agreement.

In addition, during 2018 and prior to the date of these annual accounts, as a result of the merger operation and the financing agreement described in Note 24, the Company and certain subsidiaries have requested waivers from the following financial institutions and insurance companies: Bankia, S.A., BBVA, S.A., Caixabank, S.A., Abanca, S.A., Unicaja Banco, S.A., Bankinter, S.A., Banco Sabadell, S.A., Kutxabank, S.A., Banco Santander, S.A., Liberty Mutual Insurance Europe Limited and QBE Insurance (Europe) Limited, to comply with certain clauses included in certain contracts.

In consideration of these waivers, at the date of these annual accounts the Directors consider that the Company is complying with all the covenants of the loan agreements.

Classification by maturity

The maturity classification of financial liabilities by maturity is as follows:

	Thousands of euros 31.12.2018					
	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023 and subsequent	Total
Mortgage loans on inventories	32,702	7,992	-	-	-	40,694
Other loans	17,061	11,563	91,431	160	837	121,052
Total financial liabilities	49,763	19,555	91,431	160	837	161,746

	Thousands of euros 31.12.2017					
	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022 and subsequent	Total
Mortgage loans on inventories	55,322	3,728	-	-	-	59,050
Other loans	24,463	17,302	11,805	91,376	997	145,943
Total financial liabilities	79,785	21,030	11,805	91,376	997	204,993

15.1 Loans secured by mortgages on inventories

The main movements that took place in 2018 and 2017 in mortgage loans on inventories are related to the cancellation of mortgage loans with delivery of assets that guarantee the loans amounting to 1,072 thousand euros (14,289 thousand euros in 2017) and which has resulted in a positive financial result for the Company of 621 thousand euros (5,859 thousand euros in 2017).

The detail of the loans secured by mortgages on inventories at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	31.12.2018	31.12.2017
Mortgage loans secured by developments		
Property under construction (Note 12.3)	28,310	25,057
Mortgage loan on completed developments (Note 12.4)	-	19,972
Loans secured by mortgages on land and plots (Note 12.1)	12,384	14,021
	40,694	59,050

These mortgage loans bear annual market interest, which ranged from 2.00% to 2.50% in 2018 (from 0.30% to 4.00% in 2017).

15.2 Derivative Financial Instruments

The Company has entered into OTC derivative financial instruments with national and international financial institutions with a high credit rating.

As a result of the transaction described in Note 5 "Business Combinations", the Company was subrogated to a maximum interest rate transaction (CAP) entered into on 22 April 2016.

The interest rate derivative arranged by the Company and in force at 31 December 2018 and 31 December 2017, together with its fair value at that date, is as follows:

Financial	Maturity	Nominal	Reference variable rate	Type CAP	31.12.2018
CAP	4/22/2021	9,000,000	Euribor 12M	0%	26

Financial	Maturity	Nominal	Reference variable rate	Type CAP	31.12.2017
CAP	4/22/2021	9,000,000	Euribor 12M	0%	99

For this instrument the Company is entitled to receive a positive settlement if the 12-month Euribor fixed at the beginning of the quarterly calculation period is higher than the corresponding CAP rate. This settlement is paid quarterly and is the difference between the 12-month Euribor and the CAP rate, based on the nominal value of the transaction.

15.3 Trade payables

The "Trade and other payables" heading includes mainly the amounts payable for trade purchases and related expenses. The detail of this heading is as follows:

	Thousands of euros	
	31.12.2018	31.12.2017
Suppliers	24,602	24,505
Suppliers, group companies and associates (Note 20)	13,477	214
Advances to customers (Note 12.5)	46,483	14,494
Staff	1,192	937
Payable to public administrations (Note 17)	3,580	796
	89,334	**40,946**

16. Information on payment deferrals made to suppliers. Final provision three, "Duty to provide information" of Law 15/2010, of 5 July.

The information required by the third additional provision of Law 15/2010, of 5 July, (modified through the second final provision of Law 31/2014, of 3 December) prepared in accordance with ICAC Resolution of 29 January 2016, on the information to be included in the report.

	Payments made and outstanding	
	2018	2017
	Days	Days
Average period of payment to suppliers	54	43
Ratio of paid transactions	55	39
Ratio for transactions pending payment	50	63
	Amount (Euros)	Amount (Euros)
Total payments made	46,650,749	17,668,739
Total payments pending	17,788,493	3,977,032

17. Fiscal situation

Since 1 January 2016, the Company has been taxed on a consolidated basis for corporate income tax purposes as the head of the group (Group 0258/16). Subsidiaries in the tax group are all subsidiaries resident in Spain in which the Company has a direct or indirect ownership interest of 75% or more.

With effect from 1 January 2018, seven companies acquired by the Company in 2017 have been included in the tax consolidation group.

At 31 December 2018, the scope of the tax consolidation group was as follows:

IS Group	
2018	**2017**
Parent	**Parent**
Vía Célere Desarrollos Inmobiliarios, S.A.	Vía Célere Desarrollos Inmobiliarios, S.A.
Subsidiaries	**Subsidiaries**
Copaga, S.A.	Copaga, S.A.
Udralar, S.L.U.	Udralar, S.L.U.
Udrasur Inmobiliaria, S.L.U.	Udrasur Inmobiliaria, S.L.U.
Torok Investment 2015, S.L.U.	Torok Investment 2015, S.L.U.
Vía Célere, S.L.U.	
Vía Célere 1, S.L.U.	
Vía Célere 2, S.L.U.	
Vía Célere Gestión de Proyectos, S.L.U.	
Conspace, S.L.U.	
Vía Célere Catalunya, S.L.U.	
Maywood Invest, S.L.U.	

In 2016 the Company was taxed in accordance with the special VAT group regime, being the head of the group (VAT Group 13/16). However, in the month of January 2018 the Company notified the extinction of the VAT Group with effect from 1 January 2018, and since then all the companies have been taxed in accordance with the individual regime.

17.1. Balances with Public Administrations

The detail of the balances with Public Administrations is as follows:

	Thousands of euros 31.12.2018		Thousands of euros 31.12.2017	
	No current	Current	No current	Current
Assets				
Deductible temporary differences	65,418	-	7,751	-
Current tax assets	-	71	-	33
Value-added tax and similar	-	261	-	2,771
Other	-	68	-	127
	65,418	**400**	**7,751**	**2,931**
Liabilities				
Deferred tax liabilities	10,225	-	8,802	-
Corporate income tax	-	965	-	412
Social Security	-	2,111	-	123
Withholdings	-	504	-	256
Other	-	-	-	5
	10,225	**3,580**	**8,802**	**796**

17.2. Deferred tax assets and liabilities

The detail of the heading "Deferred tax assets" at 31 December 2018 and 2017 is as follows:

	Thousands of euros			
	31.12.2017	**Addition**	**Low**	**31.12.2018**
Assets with a tax value other than carrying amount	6,778	-	(1,008)	5,770
Credits for loss carryforwards	-	22,567	-	22,567
Non-deductible financial expenses	-	36,208	-	36,208
Limitation to depreciation	953	-	(100)	853
Tax deductions	20	-	-	20
	7,751	**58,775**	**(1,108)**	**65,418**

The detail of the heading "Deferred tax liabilities" at 31 December 2018 and 2017 is as follows:

	Thousands of euros			
	31.12.2017	Addition	Low	31.12.2018
Revaluation of assets from previous reorganisations	8,802	234	(403)	8,633
Exemption for reinvestment of profits	-	1,644	(52)	1,592
	8,802	**1,878**	**(455)**	**10,225**

The Company's main deferred tax assets and liabilities are related to the following items:

- Non-deductible financial expenses. In accordance with article 16 of the IS Law, net financial expenses will be deductible annually up to a limit of 30% of the year's operating profit, and net financial expenses of 1 million euros may be deducted in any case. In 2018 the Company has decided to recognise as a deferred tax asset the non-deductible financial expenses from previous years amounting to EUR 36,208 thousand (tax liability), since the directors of the Company consider that at the end of 2018 it is reasonably certain that future tax benefits will be obtained which will allow the deductibility of financial expenses not deducted in previous years.

- Credits for loss carryforwards. In the 2018 fiscal year, the Company recorded deferred tax assets corresponding to tax loss carryforwards from prior years pending set-off. In previous years, the Directors of the Company considered that the tax group's economic and financial situation was not consolidated and, therefore, the recoverability of the aforementioned tax losses was not reasonably assured. During the 2018 financial year, the directors reassessed the situation of the tax group and have concluded that obtaining future tax benefits that allow the setting-off of these tax losses is reasonably assured. On this basis, and also considering the positive tax base obtained in 2018, the Group estimated the tax benefits it expects to obtain in the next six years (the period for which it considers the estimates to be sufficiently reliable) in accordance with the business plan prepared by the Company's directors for the period 2018-2023, recognising deferred tax assets by the tax bases it estimates it can offset in these six years.

- Limitation to book depreciation. In 2013 and 2014, only 70% of the book depreciation expense was deductible for tax purposes, and the remaining 30% was recorded as a tax credit (deferred tax asset) which is reversed on a straight-line basis over 10 years.

In order to assess the recoverability of deferred tax assets, the Company also considered the 2018 year-end inventory valuation carried out by Savills, which reflects a Gross Asset Value of 614,785 thousand euros (See note 12.6).

17.3. Reconciliation of accounting profit and tax base

The reconciliation between the net amount of income and expenses for the year and the tax base is as follows:

	Thousands of euros	
	31.12.2018	31.12.2017
Balance of income and expenditure for the period	90,963	(144,476)
Corporate income tax	(55,172)	(14,254)
Profit (loss) before taxes - discontinued operations	-	(3,783)
Profit (loss) before taxes - continued operations	35,791	(154,947)
Profit (loss) before taxes	35,791	(158,730)
Permanent differences	(34,189)	82,509
Temporary differences	4,753	49,488
Offsetting of tax losses from previous years	(1,129)	
Taxable income (taxable income)	**5,226**	**(26,733)**

	Thousands of euros	
	31.12.2018	31.12.2017
Balance of income and expenditure before taxes for the fiscal year	35,791	(158,730)
Profit (loss) before taxes - discontinued operations	-	(3,783)
Profit (loss) before taxes - continued operations	35,791	(154,947)
25% tax	**8,948**	**(39,683)**
Permanent differences	(8,547)	20,627
Deferred tax assets not recognised in prior years	(35,375)	-
Tax credits not recognised in prior years	(22,567)	-
Tax credits applied but not recognised in prior years	(279)	-
Tax credits generated in the year and not capitalised	-	6,684
Exemption for reinvestment of prior years' profits	1,644	-
Adjustment from previous years	-	(1,862)
Assets with a tax value other than carrying amount	1,008	-
Revaluation of assets from previous reorganisations	243	-
Deductions and bonuses for the current year	(247)	(20)
Cost / (Income) due to taxes on profits	**(55,172)**	**(14,254)**

The main adjustments for permanent differences to the accounting profit for 2018 are as follows:

- Accounting impairment of holdings (negative non-accounting adjustment amounting to 6,270 thousand euros). The accounting impairments recorded have been positively adjusted in accordance with the provisions of Article 13 of the Corporate Income Tax Law.

- Accounting impairment of loans with related entities and participation loans. The Company has negatively adjusted the reversal of accounting impairment losses recorded in prior years and positively adjusted the impairment losses recorded in the first half of 2018 in accordance with Article 13 of the Corporate Income Tax Law. The net result is a negative adjustment of 2,055 thousand euros.

- Bilateral capitalisation (negative non -accounting sheet adjustment of 25,819 thousand euros, see note 13.1). According to article 17.2 LIS, "operations to increase capital or net equity by offsetting credits shall be valued for tax purposes at the amount of such increase from a commercial point of view, regardless of the accounting valuation". Therefore, in accordance with the aforementioned precept, regardless of the fact that from an accounting point of view an income had to be recorded (for the difference between the par value of the loan and its fair value), it would not have a fiscal impact and, therefore, a negative adjustment to the taxable base is made.

In 2018, the main temporary tax differences in accounting profit are as follows:

- Impairment of certain inventories with carrying values different from taxable values (EUR 1,610 thousand).
- Positive adjustment of 3,333 thousand euros arising from the limitation on the deductibility of financial expenses, in accordance with Article 16 of the Corporate Income Tax Law.
- Negative adjustment of 399 thousand euros corresponding to the reversal of accounting amortisation expenses

17.4. Deductions and tax loss carryforwards to be offset

The legislation in force regarding Corporate Tax establishes various tax incentives. The deductions generated over a year, in excess of the applicable legal limits, may be applied to the reduction of Corporate Income Tax payments for the following tax years, within the limits and terms established by tax regulations in this regard.

The tax credits taken in prior years are as follows:

Year	Thousands of euros	Item
2017	60	Deductions due to R&D
2017	65	Deductions due to donations
2017	20	Deductions due to reversal of temporary measures
	145	

The deductions generated and applied in the period are as follows:

Year	Thousands of euros	Item
2018	82	Deductions due to donations
2018	20	Deductions due to reversal of temporary measures
	102	

As of 31 December 2018, there are no deductions outstanding.

The individual tax losses (pre-consolidation) not yet offset at 31 December 2018 are detailed below:

Year of origin	Euros
2009	2,079
2010	27,374
2011	44,313
2012	54,446
2013	133,580
2015	160,436
	422,228

At 31 December 2018, the tax loss carryforwards generated in the tax group are detailed below:

BINS Consolidation Group	
Year of origin	**Euros**
2017	26,804

17.5 Restructuring operations

There were no restructuring operations in 2018.

Acquisition of companies

On 24 February 2017, the Company acquired 100% of the interest in Maywood Invest, S.L., owner of several farms in Spain.

On 29 March 2017, the Company acquired from Via Ágora the real estate business branch of its group formed by:

(i) seven subsidiaries (Vía Célere, S.L.U., Vía Célere 1, S.L.U., Vía Célere 2, S.L.U., Vía Célere Gestión de Proyectos, S.L.U., Conspace, S.L.U., Vía Célere Catalunya, S.L.U., Célere Fórum Barcelona, S.L.),

(ii) the headquarters offices (offices in Madrid, C/ Carlos and Guillermo Fernández Shaw, 1).

On 22 December 2017, the Company acquired from its subsidiary Parquesoles Portugal SGPS, S.A. the shares of Parquesoles Inmobiliaria y Proyectos - Investimentos Inmobiliarios, S.A.

Liquidation of companies

In 2017 two subsidiaries, Azac, S.A.U. and Altiplano Desarrollos Inmobiliarios, S.L.U., which were wholly-owned by the Company insofar as they were inactive companies with no property assets, were liquidated.

Sale of dependent companies

On 23 March 2017, the Company sold its ownership interest in Otoño, S.L. to the other shareholder (1,050 shares for EUR 100 thousand) (See Note 11).

Segregation of the property branch of activity of Vía Célere Desarrollos Inmobiliarios, S.A,

On 27 November 2017, the branch of the Company's equity business was segregated in favour of a newly-constituted Spanish company, Dospuntos Asset Management, S.L., which is wholly-owned by the Company.

By means of segregation, all the assets and liabilities assigned to the branch of asset activity and which constituted an autonomous economic unit for VAT purposes were transferred to Dospuntos Asset Management, S.L., including all the assets in income and commercial land, as well as the shareholding in the following companies:

1. Inmoprado Laguna, S.L.U.
2. Sofia Hoteles, S.L.U.
3. Hotel Rey Pelayo, S.A.
4. Green Inmuebles, S.L.
5. Desarrollos Inmobiliarios Makalu, S.L.U.
6. Parquesoles Portugal SGPS and its subsidiaries (Loule, Palmela and Avda. Liberdade)
7. Udra Argentina, S.A.

This operation was made public on 27 November 2017, with retroactive accounting effects from 1 January 2017. The assets and rights, assets and liabilities that made up the branch were transferred at the same carrying amount that appeared in the Company's balance sheet, except for the investments that became consolidated net values.

The segregation operation was carried out in accordance with the provisions of the Law on Structural Modifications of Capital Companies, number 3/2009, although it did not avail itself of the special restructuring operations regime provided for in Chapter VII of Heading VII of the Corporate Income Tax Law. Therefore, all income generated as a result of this segregation operation was subject to taxation.

On 28 December 2017, the Company transferred to Dospuntos Asset Management, S.L. its 100% ownership interest in Lardea, S.L., Douro Atlantico, S.L.U., Udramar Inmobiliaria, S.L. and its subsidiary Antigua Rehabitalia, S.A. and Udrasol Inmobiliaria, S.L.

Subsequently, on 28 December, the Company transferred 100% of its ownership interest in Dospuntos Asset Management, S.L. to its shareholders (in accordance with the same percentage of ownership held by the shareholders in the Company) via the distribution of mission in kind premium with holdings in Dospuntos Asset Management, S.L.

Through this operation, Dospuntos Asset Management, S.L. and its subsidiaries left the group, and were constituted as an independent group from the Via Celere group, but with the same shareholders.

17.6. Fiscal years pending verification and inspection actions

According to the legal provisions in force, tax assessments cannot be considered definitive until they have been inspected by the tax authorities or the four-year limitation period has elapsed.

The Company currently has the following taxes open for tax inspection:

	Years Open to Inspection
Corporate income tax	2014-2018
Value Added Tax	2015-2018
Personal Income Tax	2015-2018
Capital gains tax	2015-2018

On 8 March 2019, the Company received notification from the Spanish tax authorities of the commencement of inspection, verification and investigation actions in relation to the following Taxes and periods:

- Corporate income tax: 2013 and 2014
- Value-added tax: 04/2014 to 06/2015.

Corporate income tax year 2018 cannot be reviewed until the tax return has been filed (July 2019).

However, the right of the tax authorities to check or investigate tax losses used or not yet used, double taxation deductions and deductions to encourage the performance of certain activities applied or not yet applied prescribes 10 years from the day following the end of the period established for filing the tax return or self-assessment corresponding to the tax period in which the right to offset or apply for it arose. Once this period has elapsed, the Company must accredit the negative tax bases or deductions, by means of the exhibition of the settlement or self-assessment and of the accounting, with accreditation of its deposit during the stipulated period in the Companies Registry.

With respect to the rest of the dependent entities not resident in Spain, the years open for inspection are all the years established as maximums by each of the legislation in force in the country of residence.

On 1 September 2017, the Company received notification of the processing of allegations and proposal for the provisional liquidation of the corporate income tax for the year 2015. Under the proposal, the tax authorities made the following deductions as a result of a formal error in the completion of the 2014 consolidated tax return filed by Grupo Empresarial San José (the parent company of the tax group in which the Company was then integrated), in which all of the tax losses corresponding to the Company were allocated:

1. Consolidated tax loss carryforwards: reduction of EUR 259,713 thousand.
2. Tax credits for double taxation: a reduction of 48 thousand euros.

On 10 April 2018, the tax authorities requested the Company to clarify the allocation of negative tax bases that were pending compensation at the beginning of fiscal year 2016, and that coincided with those credited in the self-assessment for fiscal year 2015.

Grupo Empresarial San José presented a rectification of the self-assessment of the consolidated tax, recognising the rights questioned by the tax administration in the aforementioned procedure.

On 3 May 2018, the tax administration notified the positive resolution of the open procedure on the negative tax bases for 2016. Therefore, once the tax loss carryforwards declared by the Company in 2016 have been validated, the tax loss carryforwards that were questioned with respect to 2015 have been tacitly validated.

As a result of this procedure, no sanctioning procedures have been opened.

In any event, the Company's directors consider that the aforementioned taxes have been properly settled and, therefore, even in the event of discrepancies in the current legal interpretation of the tax management granted to the transactions, any resulting liabilities, if any, would not have a material effect on these annual accounts.

18. Income and expenses

18.1 Net turnover

The breakdown of this heading at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	National	
	2018	2017
Revenue from the sale of property developments	32,286	9,109
Income from Holding activities (Note 19)	10,752	641
	43,038	9,750

According to a consultation published in 2009 by the Institute of Accounting and Auditing (Instituto de Contabilidad y Auditoría de Cuentas - I.C.A.C.), in the case of a holding company such as Vía Célere Desarrollos Inmobiliarios, S.A., dividends and income from financing granted to investees or from the provision of management services must be classified and presented as part of the net turnover, since this is considered to be the Company's main activity.

The Company recognises under "Revenue from Holding Activities" the revenue from the financing and services provided to investees, which amounted to EUR 10,752 thousand in 2018 and EUR 641 thousand in 2017 (See Note 19).

18.2 Changes in inventories of finished and in-progress goods

The breakdown of this item is as follows:

	Thousands of euros	
	31.12.2018	**31.12.2017**
Expenses capitalised as an increase in inventories (Note 12)	117,522	72,693
Cost of sales (Note 12)	(35,480)	(22,302)
Impairment losses on sales (Note 12)	18,861	8,479
Impairment of inventories (Note 12)	(3,317)	(45,733)
Reversal of impairment of inventories (Note 12)	11,167	25,447
	108,753	**38,584**

18.3. Staff expenses

The breakdown at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	31.12.2018	**31.12.2017**
Wages and salaries	7,947	5,602
Indemnities	533	1,331
Social Security	1,702	1,236
Other social charges	114	83
	10,296	**8,252**

18.4 Staff

The composition of the Company's workforce at 2018 and 2017 year-end, broken down by professional category and gender, is as follows:

	31.12.2018		**31.12.2017**	
	Women	Men	Women	Men
Group General Management	3	2	3	2
Directors and Department Heads	22	32	15	20
Technicians	26	37	18	17
Trade	20	6	15	7
Administration w orkers	32	14	20	7
Other staff	3	-	3	-
	106	**91**	**74**	**53**

At 31 December 2018 and 2017, the composition of the Company's average headcount is as follows:

	31.12.2018	**31.12.2017**
Group General Management	5	5
Directors and Department Heads	46	40
Technicians	46	28
Trade	20	17
Administration w orkers	30	25
Other staff	3	3
	150	**118**

As of 31 December 2018 and 2017, all directors are men.

In 2018 the Company had one employee with a disability greater than or equal to 33% (two employees in 2017).

18.5 External Services

The detail of this heading in 2018 and 2017 is as follows:

	Thousands of euros	
	31.12.2018	31.12.2017
Leasing	655	487
Repairs and maintenance	260	356
Independent professional services	9,392	5,323
Insurance premiums	191	416
Banking and similar services	89	303
Advertising and propaganda	1,770	1,104
Supplies	1,862	691
Other services	429	711
	14,648	**9,391**

In 2017 this heading included income from expenses incurred, reinvoiced to the customers of the properties rented by the Company and not recorded under "Income from leasing properties", amounting to EUR 638 thousand.

This heading also includes EUR 2,685 thousand at 31 December 2018 (31 December 2017: EUR 680 thousand) relating to expenses relating to the "Public Offering", of which EUR 1,485 thousand had been capitalised under current assets at 31 December 2017.

Audit Fees

The auditors of the Company's annual accounts have invoiced fees for professional services for the years ended 31 December 2018 and 2017, as detailed below:

	Thousands of euros	
	31.12.2018	31.12.2017
For audit services	787	694
For other services	9	86
	796	**780**

The amounts included in the foregoing table include all the fees relating to the services provided in 2018 and 2017, regardless of when they were invoiced, and have been recognised under the heading "Independent Professional Services" in the profit and loss account for the year.

The information relating to the services provided by KPMG Auditores, S.L. to the companies controlled by the Company during the year ended 31 December 2018, if applicable, is included in the consolidated annual accounts of Vía Célere Desarrollos Inmobiliarios, S.A. and subsidiaries at 31 December 2018.

18.6. Financial income and expenses

The detail of this heading in 2018 and 2017 is as follows:

	Thousands of euros	
	31.12.2018	31.12.2017
Financial expenses		
Interest accrued with group companies (Note 19)	1,535	500
Interest on debts	8,274	8,296
	9,809	**8,796**
Financial income		
From marketable securities and other financial instruments	72	160
	72	**160**

18.7. Impairment and gains or losses on disposal of non-current assets and financial instruments

The detail of this heading in 2018 and 2017 is as follows:

	Thousands of euros	
	31.12.2018	31.12.2017
Impairment of financial holdings and loans to companies (Note 11)	8,325	(21,834)
Impairment of Fixed Assets (Note 7)	(54)	-
Gains or losses on disposal of non-current assets (Notes 7 and 9)	(36)	(66)
Financial result of disposal of inventories (Note 15.1)	621	5,859
Losses on disposals of financial and other instruments (Note 10)	-	(46)
Other results from financial instruments (Note 14)	-	(7,900)
	8,856	**(23,987)**

18.8. Discontinued Operations

The Company considers as discontinued operations the results of the operations relating to the real estate property business which was distributed to the shareholders on 29 December 2017 (Notes 1 and 13.4).

	Thousands of euros
	31.12.2017
Other operating expenses	**(6,197)**
Tax	(6,197)
OPERATING INCOME	**(6,197)**
Financial income	**10,168**
From marketable securities and other financial instruments	696
From shares in equity instruments	9,472
Impairment and gains or losses on disposal of financial instruments	**(7,754)**
FINANCIAL RESULT	**2,414**
RESULT BEFORE TAXES	**(3,783)**
DISCONTINUED OPERATIONS	**(3,783)**

19. Transactions with Group, associates and related parties

On 24 February 2017, the Company acquired 100% of the shares in Maywood Invest, S.L.U., a Spanish company specialising in the residential development of a related party, more specifically the Luxembourg company BPLP, S.á r.l. The acquisition took place between entities under common control, as this company belongs to the group of one of our shareholders. The total price of the transaction was 12,110 thousand euros, paid in full in cash.

On 28 December 2017, the Company agreed to distribute the share premium, which was of the nature of a freely distributable reserve, to its shareholders amounting to EUR 173,031 thousand (See Note 5).

The detail of the transactions performed with groups, associates and related parties in 2018 and 2017 is as follows:

	Thousands of euros		
	31.12.2018		
	Expenses	Income	
	Financial expenses (Note 18.6)	Provisions of service (Note 18.1)	Financal income (Note 18.1)
Group companies			
Vía Célere Catalunya, S.L.U.	472	36	7
Vía Célere Gestión de Proyectos, S.L.U.	5	1,055	53
Torok Investments 2015, S.L.U.	1	36	10
Vía Célere 2, S.L.U.	393	36	31
Vía Célere 1, S.L.U.	-	36	-
Vía Célere, S.L.U.	279	3,907	152
Copaga, S.A.	1	36	-
Conspace, S.L.U.	-	107	13
Maywood, S.L.U.	-	2,480	310
Udralar, S.L.U.	327	471	31
Udrasur, S.L.U.	-	36	-
Douro Atlántico S.A.	-	-	152
Parquesoles Inversiones Inmobiliarias y Proyectos S.A.	-	-	586
Associated companies			
Célere Fórum Barcelona, S.L.	-	1,171	-
Vía Ágora S.L.U.	57	-	-
	1,535	**9,407**	**1,345**

	Thousands of euros		
	31.12.2017		
	Expenses	Income	
	Financial expenses (Note 18.6)	Provision of services (Note 18.1)	Financal income (Note 18.1)
Group companies			
Vía Célere Catalunya, S.L.U.	461	-	-
Vía Célere Gestión de Proyectos, S.L.U.	-	-	3
Copaga, S.A.	1	-	-
Torok Investments 2015, S.L.U.	-	-	394
Udrasur, S.L.U.	-	-	3
Udralar, S.L.U.	38	-	-
Associated companies			
Célere Fórum Barcelona, S.L.	-	241	-
Related companies			
Bank of America Merril Lynch	1,241	-	-
	1,741	**241**	**400**

20. Balances with Group, associates and related parties

The amount of balances on the balance sheet with group, associated and related companies is as follows:

	Thousands of euros					
	31.12.2018					
	Long-term loans (Note 11)	Short-term loans (Note 11)	Trade accounts receivable (Note 10)	Long-term payables (Note 15)	Short-term payables (Note 15)	Trade creditors (Note 15.3)
Group companies:						
Vía Célere, S.L.U.	33,807	3,239	3,907	-	24,067	-
Vía Célere Catalunya, S.L.U.	1	360	36	16,224	-	-
Vía Célere 1, S.L.U.	38	18	36	-	-	-
Vía Célere 2, S.L.U.	-	2,508	36	10,686	-	-
Vía Célere Gestión de Proyectos, S.L.U.	4,856	9,303	1,055	-	968	13,459
Maywood Invest, S.L.U.	-	12,469	2,480	-	831	-
Conspace, S.L.U.	728	727	107	-	17	18
Douro Atlántico, S.A.	-	5,591	-	-	-	-
Copaga, S.A.	1,563	-	36	-	45	-
Udralar, S.L.U.	74,323	2,281	471	-	18,375	-
Udrasur, S.L.U.	456	10	36	-	11	-
Parquesoles Inversiones Inmobiliarias y Proyectos, S.A.	-	16,337	-	-	-	-
Torok Investments 2015, S.L.U.	22,245	441	36	-	45	-
Associated companies						
Célere Fórum, S.L.	-	-	122	-	-	-
Related companies						
Vía Agora, S.L.U	-	179	-	-	-	-
Dospuntos Asset Management S.L.	-	187	-	-	-	-
	138,017	**53,650**	**8,358**	**26,910**	**44,359**	**13,477**

	Thousands of euros				
	31.12.2017				
	Long-term loans (Note 11)	Short-term loans (Note 11)	Long-term payables (Note 15)	Short-term payables (Note 15)	Trade creditors (Note 15.3)
Group companies:					
Vía Célere, S.L.U.	36,470	1	-	-	-
Vía Célere Catalunya, S.L.U.	1	-	15,383	374	-
Vía Célere 1, S.L.U.	88	-	-	-	-
Vía Célere 2, S.L.U.	-	-	10,296	-	-
Vía Célere Gestión de Proyectos, S.L.U.	4,707	-	-	-	-
Maywood Invest, S.L.U.	-	2,892	-	-	-
Conspace, S.L.U.	728	-	-	-	214
Douro Atlántico, S.A.	-	-	-	252	-
Copaga, S.A.	2,000	820	-	10	-
Udralar, S.L.U.	74,323	1,854	-	7,489	-
Udrasur, S.L.U.	456	-	-	-	-
Parquesoles Inversiones Inmobiliarias y Proyectos, S.A.	-	27,102	-	-	-
Torok Investments 2015, S.L.U.	22,245	121	-	-	-
Related companies					
Vía Agora, S.L.U.	-	574	-	15,001	-
Dospuntos Asset Management S.L.	-	107	-	-	-
Bank of America Merril Lynch	-	-	-	59,050	-
	141,018	**33,471**	**25,679**	**82,176**	**214**

Short-term loans to companies and short-term payables correspond to the amount of cash transfers between Group companies, by virtue of the current account contracts that the Company has with its investees, as well as with its parent company. These accounts are remunerated at Euribor plus a market spread.

21. Other Information

21.1. Remuneration of the Board of Directors and Senior Management

The members of the Board of Directors have not received any remuneration for their position as directors. Senior executives' remuneration in 2018 and 2017 amounted to EUR 3,193 thousand and EUR 3,513 thousand, respectively. In 2017, with the acquisition of the residential business of Vía Agora, S.L.U., there were changes in Senior Management which involved restructuring costs and redundancy payments. It should be borne in mind that a member of the Board of Directors is paid for the performance of his executive duties.

There are no advances or loans granted to all the members of the Management Body.

No obligations were assumed on behalf of the directors in the form of a guarantee in 2018 or 2017, and civil liability insurance premiums were accrued to cover damage caused by actions or omissions in the performance of their duties in the amounts of 56,000 euros and 23,000 euros, respectively. In addition, the Company has life insurance commitments with respect to the current directors of the Company.

There are four members on the Board of Directors (four men) and six members of Senior Management (three men and three women) as of 31 December 2018 and 2017.

21.2. Transactions outside the ordinary course of business or under different market conditions carried out by the Directors and by the members of the Board of Directors of the Company

In 2018 and 2017 the directors and members of the Board of Directors of the Company did not carry out any transactions with the Company or with Group companies other than in the ordinary course of business or under conditions other than market conditions.

21.3. Conflicts of interest situations for the Directors

Except as detailed below, the directors of the Company did not have any conflicts of interest requiring disclosure under article 229 of the Limited Liability Companies Act.

Héctor Serrat Sanz and his related persons have not incurred, during fiscal year 2018 and until the date of preparation of the Company's annual accounts, in a situation of direct or indirect conflict with the Company's interest, and therefore have not had to abstain from intervening in agreements or decisions relating to this situation of conflict. However, Héctor Serrat Sanz has responsibilities in companies whose object is similar to that of Vía Célere Desarrollos Inmobiliarios, S.A. given his status as Director of Finca Global Assets, S.A. and Dos Puntos Asset Management, S.L. In particular, Héctor Serrat Sanz had to abstain from voting on the second, third, fourth, fifth and seventh resolutions of the Company's Board of Directors meeting held on 28 September 2018; on the first and second resolutions of the Company's Board of Directors meeting held on 30 October; on the first, second, third, fourth, fifth and sixth resolutions of the Company's Board of Directors meeting held on 10 December 2018 and on the first resolution of the Company's Board of Directors meeting held on 21 December 2018.

Francisco Milone and his related persons have not incurred, during fiscal year 2018 and up to the date of preparation of the annual accounts of the Company, in a situation of direct or indirect conflict with the interest of the Company, and therefore have not had to abstain from intervening in agreements or decisions relating to this situation of conflict. However, Francisco Milone has responsibilities in companies whose object is similar to that of Vía Célere Desarrollos Inmobiliarios, S.A. due to its professional link with Värde Partners, indirect majority shareholder of the Parent Company. In particular, I had to abstain on the second, third, fourth, fifth and seventh resolutions of the meeting of the Board of Directors of the Company on 28 September 2018; on the first and second resolutions of the meeting of the Board of Directors of the Company on 30 October; on the first, second, third, fourth, fifth and sixth resolutions of the meeting of the Board of Directors of the Company on 10 December 2018 and on the first resolution of the meeting of the Board of Directors of the Company on 21 December 2018.

Jaime Echevarría and his related persons have not incurred, from 11 May 2018 until the date of preparation of the Company's annual accounts, in a situation of direct or indirect conflict with the Company's interest, and therefore have not had to abstain from intervening in agreements or decisions relating to this situation of conflict. However, Jaime Echevarría has responsibilities in companies whose object is similar to that of Vía Célere Desarrollos Inmobiliarios, S.A. given his status as Director of Dos Puntos Asset Management, S.L.

Juan Antonio Gómez Pintado Rodríguez de Segovia has incurred, during the financial year 2018 and until the date of preparation of the annual accounts of the Company, in a situation of direct or indirect conflict with the interest of the Company, and therefore has had to abstain from intervening in the agreements or decisions relating to such conflict situation, due to the condition of sole director of Vía Ágora, S.L.U. and Chief Executive Officer of Vía Célere Desarrollos Inmobiliarios. In particular, I had to abstain in the seventh resolution of the Board of Directors meeting held on 7 February 2018, as well as in my capacity as Chief Executive Officer of the Company, due to which I had to abstain in the first and second resolutions of the Board of Directors meeting held on 14 February 2018 and in the fifth and sixth resolutions of the Board of Directors meeting held on 30 October 2018.

In addition, Juan Antonio Gómez Pintado has the following responsibilities in companies whose object is similar to Via Celere in Spain and foreign countries:

- As sole administrator of Quick Home Residential, S.L.U.
- His capacity as sole director of Agora Sofia 2, EOOD.
- His capacity as sole director of Via Agora Poland, sp zoo.
- His capacity as joint director of Wolzcynska, sp zoo
- His condition of direct/indirect owner and director in Via Ágora Brasil Holding, Ltda.
- His capacity as owner of 1% of the shares of Avantia Romania Desarrollos Inmobiliarios 4, S.L.
- His capacity as indirect owner of 100% of the shares of SP Premiere Jaguaribe Empreendimientos Imobiliarios, Ltda.
- As indirect owner of 100% of the shares of Spe Meu Apê Salvador Norte Empreendimientos Imobiliarios, Ltda.
- As indirect owner of 50% of the shares of SPE Horto Opera, Ltda.
- As indirect owner of 100% of Via Celere Brasil 7 Empreendimientos Imobiliarios, Ltda.
- As indirect owner of 100% of SPE Belbedere Empreendimientos Imobiliarios, Ltda.
- As indirect owner of 100% of Via Celere Brasil 9 Empreendimientos Imobiliarios, Ltda.
- As indirect owner of 100% of Spe Ville Jardim Empreendimientos Imobiliarios, Ltda.
- As indirect owner of 100% of Via Ágora Construçoes Ltda.

21.4. Guarantees committed to third parties

At 31 December 2018, the Company had guarantees with third parties amounting to EUR 66,051 thousand (31 December 2017: EUR 17,551 thousand). These guarantees correspond mainly to provisional guarantees presented mostly by banks and insurance companies.

22. Environmental information

In view of the activity carried out by the Company, it has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its net worth, financial position and results. For this reason, no specific breakdowns are included in the balance sheet with respect to information on environmental issues.

23. Risk and management policy

Operational risks

These are those derived from the activity of the Company in the development of the corporate purpose established in its bylaws, whether they are the purchase and sale and rental of assets, residential, tertiary or industrial development.

In order to guarantee and maximise the return on the investments made and to contribute and promote the increase in the value of the property assets, detailed and individualized economic-financial studies of the projects are carried out.

These studies are complemented with fiscal, legal and urban analysis of each of the operations to be developed. This work is carried out by the Fiscal and Legal Department, in collaboration with first class offices, analysing the possible repercussions and fiscal, legal and urban risks of the different areas in which the Company carries out its activity.

Market risks

Market risk is one of the main risks to which the Company is exposed, both in relation to demand for new housing and to departures.

To counteract this risk, detailed studies are carried out of the geographical areas in which the Company develops or plans to develop its activity, thus determining the existence of sufficient demand to absorb future developments and the product to be marketed, guaranteeing the success of the developments, always adapting it to the customer's needs and therefore ensuring commercial viability

Financial risks

Exposure to credit risk

In general terms, the Company does not have significant credit risk, since its customers and the institutions in which cash placements or derivatives are arranged are highly solvent entities in which counterparty risk is not significant. Counterparties are banks to which international credit rating agencies have assigned high ratings.

The Company's principal financial assets are cash and cash balances, trade and other receivables and investments, which represent the Company's maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is mainly attributable to its trade debts. The amounts are reflected in the balance sheet net of provisions for bad debts, estimated by Company management on the basis of experience in previous years and its assessment of the current economic environment. In any case, the Company does not have a significant concentration of credit risk.

Interest risk exposure

This is evidenced by changes in the future cash flows of debt arranged at variable interest rates (or maturing in the short term) as a result of changes in market interest rates.

Liquidity risk exposure

At 31 December 2018, the Company had working capital of EUR 218,775 thousand (31 December 2017: EUR 142,795 thousand).

The Company prudently manages its liquidity risk by maintaining sufficient cash and marketable securities, and by having adequate financing available through committed credit facilities and sufficient capacity to liquidate its market positions. The Company determines its cash requirements through the budget, with a time horizon of 12 months. The Company considers that the agreed financing framework is sufficiently flexible to adapt to the needs, given the dynamic nature of its business.

The liquidity position for the years 2018 and 2017 is based on the following aspects:

- Cash and cash equivalents amounting to EUR 29,631 thousand at 31 December 2018 (EUR 67,021 thousand in 2017).
- Lines of credit with a pending amount of 2,400 thousand euros at 31 December 2018 (1,223 thousand euros in 2017), thus obtaining the economic resources necessary to face the foreseen Business Plan.

24. Subsequent events

24. 1 Merger and purchase agreement

On 28 September 2018 the Company signed certain agreements with Myjoja Inversiones, S.L. (hereinafter "minority partner"), with the companies Lewistown Invest, S.L.U., Glenwock Invest, S.L.U., Rimbey Spain, S.L.U. and Windham Spain, S.L.U. (hereinafter "majority shareholders") and with the companies in which the foregoing have stakes, and with Aelca Desarrollos Inmobiliarios, S.L. (hereinafter "Aelca" or "ADI"), whereby the parties set out the following terms and conditions:

i. Acquisition by the Company of the minority shareholdings held by the minority shareholder (minority shareholdings of around 10-20% of the share capital) in Promyva Inmuebles, S.L., Myvain Inmuebles, S.L., Nalentia Urbana, S.L., Inmavy Urbana, S.L., Nirbe Inmuebles, S.L., Nirbe Meseta, S.L. and Nirbe Costa Norte, S.L. (hereinafter referred to as "parent companies"). These parent companies own 100% of the share capital of 70 residential development companies (hereinafter the "project companies" (see Annex II).

ii. Acquisition by the Company of 100% of the ownership interest held by Aelca in Habitatio Urbana, S.L.U., Campuslar Inmuebles, S.L.U., Novosolum Urbana, S.L.U., Segeslar Inmuebles, S.L.U., Velan Urbana, S.L.U., Generlar Inmuebles, S.L.U. and Numen Inmuebles, S.L.U. (hereinafter "Aelca operating companies").

iii. Merger by absorption of the Company (as absorbing entity) with the parent companies, the project companies of the operating companies of Aelca and Ponsnova Inmuebles, S.L.U. (as absorbed entities), by means of simultaneous execution and in unity of act, with extinction of all of them and block transfer of their respective assets to the absorbing entity, which acquires by universal succession the totality of the rights and obligations of the former. In consideration of the merger operation, the majority shareholders receive shares of the Company equivalent to 80-90% of the share capital in the absorbed entities through a non-monetary contribution (issuance and delivery of new VCDI shares to these shareholders).

On 30 October 2018, the transaction was authorized by the Comisión Nacional del Mercado y Competencia (CNMC) and approved by the Company's Extraordinary General Shareholders' Meeting on 31 October 2018. The transaction was subject to the fulfilment of certain conditions precedent and the execution of the closing actions foreseen in the contract. Subsequent to 2018 year-end and prior to the date of preparation of these consolidated annual accounts, these conditions have been met by the Group.

Prior to points i., ii. and iii, on 2 January 2019 the Parent signed a senior syndicated loan agreement amounting to EUR 223,000 thousand as the original borrower. The Parent Company, Vía Célere, S.L.U., Maywood Invest, S.L.U. and Udralar, S.L.U., as original guarantors, J.P. Morgan Securities PLC and Credit Suisse International as coordinators, a number of financial entities as original lenders, and Credit Suisse International as agent and security agent. The initial amount has been distributed through an Acquisition facility (loan) in the amount of 185,000 thousand euros, which is fully disposed at the date of formulation of these consolidated annual accounts, and a "Revolving Credit Facility" (RCF) for an amount of 38,000 thousand euros, also fully disposed at the date of formulation of these consolidated annual accounts.

The syndicated senior loan has a duration of two years, with final maturity on 2 January 2021, extendable for an additional year if certain conditions are met, and accrues an interest rate based on the EURIBOR plus a market differential.

The Parent undertakes to comply with certain covenant financial obligations during the term of the loan and relating to its quarterly Consolidated Financial Statements. These obligations are as follows:

➢ Commitment to comply with a ratio known as "LTV", understood as the quotient between: *Net Debt* and Gross *Assets* Value ("GAV").

  This ratio must be less than 45% and must not be validated by 31 December 2018. The first validation period will therefore be that ending on 31 March 2019.

➢ Commitment to comply with at least 85% of the consolidated EBITDA, the contribution by the guarantor companies of the senior syndicated loan and at least 5% of the total aggregate assets (calculated on a non-consolidated basis and excluding all intragroup elements and investments in investees).

Additionally, a personal security was granted on the following Group companies: Vía Célere, S.L.U., Maywood Invest, S.L.U. and Udralar, S.L.U. With regard to these securities, in 2019 and prior to the formulation of these consolidated annual accounts, the security on Maywood Invest, S.L.U. and Udralar, S.L.U. has been released.

On 9 January 2019, the merger deed was executed and it was registered at the Companies Registry of Madrid on 8 March 2019. The accounting effects of the merger are considered from 1 January 2019 as a transaction under common control.

The objective of the operation is to increase the volume of assets to be developed by the Group. According to the information provided, the combination of the Group's assets and the absorbed entities would create a specialised residential housing developer in Spain with a land portfolio of approximately EUR 2,100 thousand, a development potential of more than 23,000 units and an objective delivery rate of approximately. 5,000 units per year that:

- Reduce the risks associated to the need to acquire land in order to reach the production targets – the combined land bank would be self-sufficient from that perspective.
- Benefit from the geographic complementarity of both land banks, providing national scope.
- Optimize the use of the operating platform as a result of the larger volume of activity.
- Increase leverage and optimize the use of net equity and returns.
-

Therefore, this merger by absorption implies (i) the dissolution and extinction of the absorbed entities, and (ii) the block transfer of their corporate assets to the absorbing entity that acquires, by universal succession, all the rights and obligations of the absorbed companies.

The issue of these new shares is equivalent to approximately 48.26% of the share capital, while the remaining shareholders of the Parent hold shares equivalent to approximately 51.74% of the merged company.

The Parent's directors have considered the transactions and agreements described in this section to be an integral part of a single transaction. This interpretation has been agreed on the basis that the operations and agreements have been carried out for the benefit of the merged companies and the timing of these has been defined in a single framework of the merger, not generating profit for the previous owners except those who receive as part of the merged entity.

The operation described above is subject to the special tax regime for mergers, divisions, contributions of assets, exchange of securities and change of registered office of a European company or a European cooperative from one Member State to another of the European Union regulated in Heading VII of Chapter VIII of Royal Legislative Decree 4/2014, of 27 November, on Corporation Tax.

The detail of the assets acquired and liabilities assumed at the date of the business combination is as follows:

	Thousand of euros
Property, plant and equitment	296
Non-current investments	4,539
Inventories	575,691
Trade and other receivables	9,637
Current investments in associates	23
Current investments	26,078
Prepayments and accrued income	89
Cash and cash equivalents	71,617
Total Assets	687,970
Loss for the period	-
Non-current provisions	1,128
Non-current payables	54
Non-current related party payables	19
Current payables	113,574
Current related party payables	57,659
Trade and other payables	105,257
Total liabilities	277,691
Net assets	**410,279**
Payment to minority shareholders	**(166,772)**
New shares issued	**(647,966)**
Merger reserves	**(404,459)**

The cash outflow produced in the business combination is as follows:

	Country	Thousand of euros Consideration in cash
Acquisition 10%-20% to minority shareholders (i)	España	126,031
Acquisition 100% "Aelca Operating Companies" (ii)	España	40,741
Merged companies (80%-90%) (iii)	España	-
Contribution 100% "Posnova"(iv)	España	-

24.2 Increase in monetary capital

On 10 December 2018, the Company's shareholders at the General Shareholders' Meeting resolved to increase capital by EUR 37,177 thousand through the issue of 1,821,490 new shares with the same rights as those existing at that date. This increase was made by means of monetary contributions and was granted in a public deed on 15 March 2019 with effect on that date, pending registration in the Companies Registry of Madrid.

24.3 Capital increase through credit compensation

On 10 December 2018, the Company's shareholders at the General Shareholders' Meeting resolved to increase capital by EUR 18,924 thousand through the issue of 927,189 new shares with the same rights as those existing at that date. This increase was made by offsetting loans and was executed in a public deed on 15 March 2019 with effect from that date and is pending registration with the Companies Registry of Madrid.

24.4 Inspection Communication

On 8 March 2019, the Company received notification from the Spanish tax authorities of the commencement of inspection, verification and investigation actions in relation to the following Taxes and periods:

- Corporate income tax: 2013 and 2014
- Value-added tax: 04/2014 to 06/2015.

ANNEX I (1 of 2)

The segregation balances dated 1 January 2017 are set forth below:

Assets	01.01.2017
Intangible assets (Note 6)	**295**
Patents, licenses, trademarks and similar	126
IT applications	169
Property, plant and equipment (Note 7)	**303**
Land and buildings	303
Technical installations and other property, plant and equipment	-
Other property, plant and equipment	-
Investment property (Note 8)	**204,437**
Land	31
Buildings	190,111
Investments in property in progress	12,653
Technical and property installations	1,616
Other investments	26
Long-term investments in group and associates	**43,529**
Equity instruments	40,474
Loans to companies	3,055
Long-term financial investments	**981**
Other financial assets	981
Total non-current assets	**249,545**
Inventories (Note 13)	**27,606**
Land and plots	27,606
Trade and other receivables	**2,218**
Trade receivables for sales and services	2,121
Clients, Group companies and associates	27
Sundry accounts receivable	17
Other receivables from Public Administrations	53
Short-term investments in group and associates	**61,160**
Loans to group companies	61,160
Short-term financial investments	**64**
Other financial assets	64
Cash and other equivalent liquid assets	**649**
Total current assets	**91,697**
Total assets	**341,242**

This annex is part of Note 5 together with the one that has to be read.

ANNEX I (2 of 2)

	01.01.2017
Long-term provisions (Note 15)	**2,126**
Long-term payables	**144,190**
Amounts owed to credit institutions	141,759
Other financial liabilities	2,431
Total non-current liabilities	**146,316**
Short-term payables	**85,360**
Amounts owed to credit institutions	85,253
Other financial liabilities	107
Short-term payables to Group companies and associates	**700**
Trade and other payables	**2,369**
Short-term suppliers	1,982
Staff, remuneration outstanding	289
Total current liabilities	**88,429**
Total liabilities	**234,745**
Total net assets	**106,497**
Investment in Dospuntos Asset Management, S.L. (Note 12)	99,883
Segregation reserves (Note 14.6)	**6,614**
	106,497

This annex is part of note 5 together with the one that has to be read.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.
Notes to the annual accounts for the year ended
31 December 2018

ANNEX II

	Name	Shareholders	Percentage of onwership interest	Audit Firm (*)	Type	Activity
1	Habitatio Urbana, S.L.U.	Aelca Desarrollos Inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
2	Novosolum Urbana, S.L.U.	Aelca Desarrollos Inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
3	Ponsnova Inmuebles, S.L.U.	Aelca Desarrollos Inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
4	Campuslar Inmuebles, S.L.U.	Aelca Desarrollos Inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
5	Segeslar Inmuebles, S.L.U.	Aelca Desarrollos Inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
6	Generlar Inmuebles, S.L.U.	Aelca Desarrollos Inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
7	Numen Inmuebles, S.L.U.	Aelca Desarrollos Inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
8	Velan Urbana, S.L.U.	Aelca Desarrollos Inmobiliarios, S.L.	100%	KPMG	Operanting Company From ADI	Real estate devolpment
9	Promyva Inmuebles, S.L.	Myjoja, S.L. Lewistown Invest, S.L.U.	20% 80%	KPMG	Special Purpose Vehicule	Real estate devolpment
10	Promyva Inmuebles I, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
11	Promyva Inmuebles II, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
12	Promyva Inmuebles III, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
13	Promyva Inmuebles IV, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
14	Promyva Inmuebles V, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
15	Promyva Inmuebles VI, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
16	Promyva Inmuebles VII, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
17	Promyva Inmuebles VIII, S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
18	Promyva Inmuebles IX S.L.U.	Promyva Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
19	Myvain Inmuebles, S.L.	Myjoja, S.L. Lewistown Invest, S.L.U.	20% 80%	KPMG	Special Purpose Vehicule	Real estate devolpment
20	Myvain Inmuebles I, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
21	Myvain Inmuebles II, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
22	Myvain Inmuebles III, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
23	Myvain Inmuebles IV, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
24	Myvain Inmuebles V, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
25	Myvain Inmuebles VI, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
26	Myvain Inmuebles VII, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
27	Myvain Inmuebles VIII, S.L.U.	Myvain Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
28	Nalentia Urbana, S.L.	Myjoja, S.L. Lewistown Invest, S.L.U.	20% 80%	KPMG	Special Purpose Vehicule	Real estate devolpment
29	Nalentia Urbana I, S.L.U.	Nalentia Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
30	Nalentia Urbana IV, S.L.U.	Nalentia Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
31	Nalentia Urbana V, S.L.U.	Nalentia Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
32	Nalentia Urbana VII, S.L.U.	Nalentia Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
33	Invamy Urbana, S.L.	Myjoja, S.L. Lewistown Invest, S.L.U.	20% 80%	KPMG	Special Purpose Vehicule	Real estate devolpment
34	Invamy Urbana I, S.L.U.	Invamy Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
35	Invamy Urbana II, S.L.U.	Invamy Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
36	Invamy Urbana IV, S.L.U.	Invamy Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
37	Invamy Urbana V, S.L.U.	Invamy Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
38	Invamy Urbana VI, S.L.U.	Invamy Urbana, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
39	Nirbe Inmuebles, S.L.	Myjoja, S.L. Glenwock Invest, S.L.U.	10% 90%	KPMG	Special Purpose Vehicule	Real estate devolpment
40	Nirbe Inmuebles I, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
41	Akantia Urbana I, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
42	Naiva Urbana, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
43	Invamy Urbana III, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
44	Invamy Urbana VII, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
45	Invamy Urbana VIII, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
46	Nalentia Urbana II, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
47	Nalentia Urbana VI, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
48	Akantia Urbana Residencial, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
49	Selantia Urbana Residencial, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
50	Akantia Urbana, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
51	Nuarca Inmuebles, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
52	Nirbe Costa Este, S.L.U.	Nirbe Inmuebles, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
53	Nirbe Meseta, S.L.	Myjoja, S.L. Rimbey Spain, S.L.U.	10% 90%	KPMG	Special Purpose Vehicule	Real estate devolpment
54	Selantia Urbana I, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
55	Selantia Urbana, S.L.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
56	Nirbe Costa Sur, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
57	Nirbe Norte, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
58	Nirbe Sur, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
59	Nirbe Este, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
60	Nirbe Oeste, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
61	Nalentia Urbana III, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
62	Nirbe Sierra, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
63	Nalentia Urbana VIII, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
64	Promyva Inmuebles X, S.L.U.	Nirbe Meseta, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
65	Nirbe Costa Norte, S.L.	Myjoja, S.L. Windham Spain, S.L.U.	10% 90%	KPMG	Special Purpose Vehicule	Real estate devolpment
66	Lancaster Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
67	Argao Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
68	Makati Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
69	Laonan Investments, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
70	Cebu Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
71	Luzon Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
72	Manarola Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
73	Sangat Investments, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
74	Dunadry Costanor, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
75	Limavady Costanor, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
76	Derrylin Costanor, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
77	Craigavon Costanor, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
78	Strabane Costanor, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
79	Colorado Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
80	Manati Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
81	Duncan Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
82	Moraine Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
83	Baracoa Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
84	Lora Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment
85	Cienfuegos Directorship, S.L.U.	Nirbe Costa Norte, S.L.	100%	Unaudited	Operanting Company	Real estate devolpment

(*) These annual accounts have not been audited at the date of preparation of these consolidated annual accounts, although KPMG Auditores, S.L. has been entrusted with their audit, and we expect the corresponding audit reports for fiscal year 2018 to be issued in April-May 2019.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.

Notes to the annual accounts for the year ended
31 December 2018

Vía Célere Desarrollos Inmobiliarios, S.A.

1. Situation of the Entity

1.1. Organizational Structure

Vía Célere Desarrollos Inmobiliarios, S.A.(hereinafter, "the Company") was incorporated on August 16, 1989, by means of a deed granted in Pontevedra before the Notary Public of this city, Mr. Rafael Sanmartín Losada, under number 1,503 of his protocol, with the name of "Confecciones Udra, S.A.", changing its name to "Inmobiliaria Udra, S.A." in 1993.

On 20 August 2008, the resolution adopted at the Company's Extraordinary General Shareholders' Meeting held on 30 June 2008, by which the Company changed its corporate name from "Inmobiliaria Udra, S.A." to "San José Desarrollos Inmobiliarios, S.A.", was made public

On 14 June 2016, the corporate resolution adopted by the Company's Board of Directors was publicly ratified, whereby the Company changed its corporate name from "San José Desarrollos Inmobiliarios" to "Dos Puntos Desarrollos Inmobiliarios S.A".

On 20 June 2017, at the Extraordinary General Shareholders' Meeting, it was agreed that the Company's registered office would be changed to Calle Carlos y Guillermo Fernández Shaw 1, 28007 Madrid, Spain.

On 30 June 2017, the Board of Directors of the Company resolved to change the name of the company from "Dos Puntos Desarrollos Inmobiliarios, S.A." to "Vía Célere Desarrollos Inmobiliarios, S.A.".

Subsequent to year-end and prior to the preparation of these consolidated annual accounts, the Company completed the purchase and sale of certain companies with a similar corporate purpose and activity (mainly real estate development), as well as the subsequent merger by absorption of the acquired companies, once the suspensive conditions established in the contracts signed between the parties had been met. The operation was notarised on 9 January 2019 and is detailed in note 24 of subsequent events of the annual accounts.

During 2018, the Company carried out the following capital increases:

- On 23 February 2018, the Company's General Shareholders' Meeting resolved to increase its share capital by EUR 22,158 thousand through the issue of 3,692,956 new shares with a par value of EUR 6 each and with the same rights as the existing shares. This capital increase was carried out through a non-monetary consideration consisting of the capitalisation of certain bilateral loans that the shareholders had granted to the Company for a book value of 98,839 thousand euros. The increase in share capital was recognised at the fair value of the loans capitalised at that date (73,020 thousand euros) and the difference of 25,819 thousand euros was recognised as a contribution from shareholders and is recognised as finance income in the profit and loss account. The public deed of the capital increase was executed on 2 March 2018, having been registered in the Companies Registry of Madrid.
- In addition, at the same General Shareholders' Meeting the Company resolved to increase its share capital by EUR 56 thousand through the issue of 9,280 new shares with a par value of EUR 6 each and with the same rights as the existing shares. This capital increase was executed by means of a public deed dated 28 March 2018, which has been registered in the Companies Registry of Madrid.
- On 2 March 2018, the Company's General Shareholders' Meeting approved an increase in share capital by 12,540 thousand euros through the issue of 2,090,120 new shares with a par value of 6 euros each and with the same rights as the existing shares. This capital increase was executed by public deed on 3 April 2018 and is registered in the Companies Registry of Madrid.

The Company's main operations are carried out in Spain and consist mainly of the development of residential real estate for disposal. The Company's statutory activity consists of providing the following services: development of all types of real estate; construction in general, in its own name or on behalf of third parties; purchase and sale of construction equipment, development and gardening material; execution of public works in general; and purchase and sale of all types of real estate, transportable or not, and of real estate, rural or urban.

The Company is the head of Grupo Vía Célere Desarrollos Inmobiliarios, which is obliged to deposit the consolidated annual accounts with the Companies Registry of Madrid. The composition of the Group is detailed in Note 11 of the report.

For tax purposes, the Company is also the header of the VAT and corporate income tax group. The composition of both groups at the close is as follows:

Since 1 January 2016, the Company has been taxed under the consolidated corporate income tax regime (Group 0258/16). Subsidiaries in the tax group are all subsidiaries resident in Spain in which the Parent has a direct or indirect ownership interest of 75% or more.

With effect from 1 January 2018, seven companies acquired by the Company in 2017 were included in the tax consolidation group.

At 31 December 2018, the tax consolidation group is as follows:

IS Group	
2018	**2017**
Parent	**Parent**
Vía Célere Desarrollos Inmobiliarios, S.A.	Vía Célere Desarrollos Inmobiliarios, S.A.
Subsidiaries	**Subsidiaries**
Copaga, S.A.	Copaga, S.A.
Udralar, S.L.U.	Udralar, S.L.U.
Udrasur Inmobiliaria, S.L.U.	Udrasur Inmobiliaria, S.L.U.
Torok Investment 2015, S.L.U.	Torok Investment 2015, S.L.U.
Vía Célere, S.L.U.	
Vía Célere 1, S.L.U.	
Vía Célere 2, S.L.U.	
Vía Célere Gestión de Proyectos, S.L.U.	
Conspace, S.L.U.	
Vía Célere Catalunya, S.L.U.	
Maywood Invest, S.L.U.	

The Company has a diversified real estate portfolio in land, stock and assets, valued at 538,915 million euros, with a clear focus on the development and promotion of land for the sale of homes.

The shareholding situation of the Company at 31 December 2018 is as shown below:

	2018	
Company	**Number of shares**	**Percentage of ownership**
Maplesville Invest, S.L.U	17,828,983	52.39%
Greencoat B.V.	5,513,934	16.20%
Trinity Investment Ltd.	5,112,989	15.02%
MELF B.V.	1,832,276	5.38%
Barclays Bank PLC	1,329,208	3.91%
Bank of America Merrill Lynch International	-	0.00%
Merrill Lynch International	2,229,368	6.55%
Deutsche Bank AkticngescMschafl	97,877	0.29%
JP Morgan Securities PLC	86,552	0.25%
	34,031,187	**100.00%**

1.2. How it works

The Company's business model aims to promote housing development in Spain and Portugal, in the areas where the highest per capita growth is concentrated, as a way of being less exposed to the risks inherent in this type of activity; at the same time as optimising the *portfolio* of assets to consolidate and increase the recurrent income generated by this business area. The Company intends to consolidate itself as one of the largest agents in the real estate sector in the residential area, its weight in the activity carried out being increasingly important and with a greater future contribution to the Company's turnover.

2. Evolution and results of the businesses

2.1. Main magnitudes of the Company

Net turnover

Net sales amounted to EUR 43,038 thousand. Income from the sale of property assets in stock for the year amounted to EUR 32,286 thousand.

Net equity

During 2018, the Company made the following capital increases:

(i) On 23 February 2018, the Company's General Shareholders' Meeting resolved to increase its share capital by EUR 22,158 thousand through the issue of 3,692,956 new shares with a par value of EUR 6 each and with the same rights as the existing shares. The new shares were issued with a total share premium of 50,862 thousand euros. This capital increase was carried out through a non-monetary consideration consisting of the capitalisation of certain bilateral loans that the shareholders had granted to the Company for a book value of 98,839 thousand euros. The increase in share capital was recognised at the fair value of the loans capitalised at that date (73,020 thousand euros) and the difference of 25,819 thousand euros was recognised as a contribution from shareholders and is recognised as finance income in the profit and loss account. The public deed of the capital increase was executed on 2 March 2018, having been registered in the Companies Registry of Madrid.

(ii) Additionally, at the same Annual General Shareholders' Meeting of the Company, it was resolved to increase its share capital by EUR 56 thousand through the issue of 9,280 new shares with a par value of EUR 6 each and with the same rights as the existing shares. The new shares were issued with a total share premium of 128 thousand euros. This capital increase was executed by means of a public deed dated 28 March 2018, which has been registered in the Companies Registry of Madrid.

(iii) On 2 March 2018, the Company's General Shareholders' Meeting approved an increase in share capital by EUR 12,540 thousand through the issue of 2,090,120 new shares with a par value of EUR 6 each and with the same rights to the existing shares. The new shares were issued with a total share premium of 28,786 thousand euros. This capital increase was executed by public deed on 3 April 2018 and is registered in the Companies Registry of Madrid.

Information on actions relating to the environment and personnel

In view of the Company's business activities, it has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its net worth, financial position and results.

The Company's human resources policy has focused on attracting, maintaining and reinforcing the human teams responsible for implementing and developing the business plan planned for the 2017-2021 period, with people with a high level of knowledge, specialisation and commitment, capable of generating value for the Company and new business opportunities, in addition to offering the best service to the customer, consequently the need for external consultants has been considerably reduced.

A management policy has been developed that fosters performance, results orientation and people's contribution, which is measured and managed by setting corporate, personal and performance evaluation targets.

Likewise, the recruitment of specialised personnel in each area of activity has been strengthened with the aim of improving knowledge, development and execution of processes, quality standards, as well as the Company's quality standards and safety levels.

3. Liquidity and capital resources

Liquidity

In 2018, the Company signed five land loans amounting to EUR 141,541 thousand, of which EUR 139,143 thousand were drawn down, and six development loans amounting to EUR 115,704 thousand to finance the developments in which construction commenced during the year, of which EUR 12,336 thousand were drawn down. The Company's current approach is to finance the construction of developments using bank developer loans, where loan reductions are linked to the stage of construction progress. Clarification of the company's policy on land financing: "At the outset, the Company considers using its own funds to purchase new land, but does not rule out bank financing in a proportion of no more than 50% of the price, provided that the expected profit, commercial risk and zoning status so permits.

4. Main risks and uncertainties

The risk management policies within the different areas in which the Company operates are determined by the analysis of investment projects, taking into account the macroeconomic environment and the situation of the financial markets, as well as the analysis of the management of the assets composing the Company. To this end, we have instruments that allow us to identify them sufficiently in advance or to avoid them, minimising risks.

Operational risks

These are those derived from the activity of the Company in the development of the corporate purpose established in its bylaws, whether they are the purchase and sale and rental of assets, residential, tertiary or industrial development.

In order to guarantee and maximise the return on the investments made and to contribute and promote the increase in the value of the property assets, detailed and individualized economic-financial studies of the projects are carried out.

These studies are complemented with fiscal, legal and urban analysis of each of the operations to be developed. This work is carried out by the Fiscal and Legal Department, in collaboration with first class offices, analysing the possible repercussions and fiscal, legal and urban risks of the different areas in which the Company carries out its activity.

Market risks

Market risk is one of the main risks to which the Company is exposed, both in relation to demand for new housing and to departures.

To counteract this risk, detailed studies are carried out of the geographical areas in which the Company develops or plans to develop its activity, thus determining the existence of sufficient demand to absorb future developments and the product to be marketed, guaranteeing the success of the developments, always adapting it to the customer's needs and therefore ensuring commercial viability.

Financial risks

Due to its usual activity, the Company presents the risks arising from the collection rights and payment obligations that arise in its transactions, including the following:

> **Interest rate risks:** This is the main risk to which the Company is exposed as a result of the debt it owes to financial institutions, which is detailed in the corresponding note to the consolidated annual accounts.
>
> The Company's financial management in the current context of a negative interest rate, in the markets in which it operates, and its foreseeable tendency to rates close to zero percent, does not consider contracting any additional interest rate hedging financial instrument (SWAPS).

Credit risk: The company is not exposed to significant credit risk with third parties in its real estate business, since it collects almost all of the proceeds from the sale at the time the property titles are executed, either by subrogation of the buyer to the respective portions of the developer's loan, or by some other means, at the buyer's option. The credit risk inherent in deferrals of payments for sales of finished land or buildings is mitigated by obtaining guarantees from the purchaser or entering into termination agreements in public registries that, in the event of non-payment, would lead to the recovery of title to the asset sold and compensation for damages.

Liquidity risk: Discussed in Note 3 to this report.

5. Important Circumstances Occurring After Closure

Merger and Acquisition Agreement

On 28 September 2018 the Company signed certain agreements with Myjoja Inversiones, S.L. (hereinafter "minority partner"), with the companies Lewistown Invest, S.L.U., Glenwock Invest, S.L.U., Rimbey Spain, S.L.U. and Windham Spain, S.L.U. (hereinafter "majority shareholders") and with the companies in which the foregoing have stakes, and with Aelca Desarrollos Inmobiliarios, S.L. (hereinafter "Aelca" or "ADI"), whereby the parties set out the following terms and conditions:

i. Acquisition by the Company of the minority shareholdings held by the minority shareholder (minority shareholdings of around 10-20% of the share capital) in Promyva Inmuebles, S.L., Myvain Inmuebles, S.L., Nalentia Urbana, S.L., Inmavy Urbana, S.L., Nirbe Inmuebles, S.L., Nirbe Meseta, S.L. and Nirbe Costa Norte, S.L. (hereinafter referred to as "parent companies"). These parent companies own 100% of the share capital of 70 residential development companies (hereinafter the "project companies" (see Annex II).

ii. Acquisition by the Company of 100% of the ownership interest held by Aelca in Habitatio Urbana, S.L.U., Campuslar Inmuebles, S.L.U., Novosolum Urbana, S.L.U., Segeslar Inmuebles, S.L.U., Velan Urbana, S.L.U., Generlar Inmuebles, S.L.U. and Numen Inmuebles, S.L.U. (hereinafter "Aelca operating companies").

iii. Merger by absorption of the Company (as absorbing entity) with the parent companies, the project companies of the operating companies of Aelca and Ponsnova Inmuebles, S.L.U. (as absorbed entities), by means of simultaneous execution and in unity of act, with extinction of all of them and block transfer of their respective assets to the absorbing entity, which acquires by universal succession the totality of the rights and obligations of the former. In consideration of the merger operation, the majority shareholders receive shares of the Company equivalent to 80-90% of the share capital in the absorbed entities through a non-monetary contribution (issuance and delivery of new VCDI shares to these shareholders).

On 30 October 2018, the transaction was authorized by the Comisión Nacional del Mercado y Competencia (CNMC) and approved by the Company's Extraordinary General Shareholders' Meeting on 31 October 2018. The transaction was subject to the fulfilment of certain conditions precedent and the execution of the closing actions foreseen in the contract. Subsequent to 2018 year-end and prior to the date of preparation of these consolidated annual accounts, these conditions have been met by the Group.

Prior to points i., ii. and iii, on 2 January 2019 the Parent signed a senior syndicated loan agreement amounting to EUR 223,000 thousand as the original borrower. The Parent Company, Vía Célere, S.L.U., Maywood Invest, S.L.U. and Udralar, S.L.U., as original guarantors, J.P. Morgan Securities PLC and Credit Suisse International as coordinators, a number of financial entities as original lenders, and Credit Suisse International as agent and security agent. The initial amount has been distributed through an Acquisition facility (loan) in the amount of 185,000 thousand euros, which is fully disposed at the date of formulation of these consolidated annual accounts, and a "Revolving Credit Facility" (RCF) for an amount of 38,000 thousand euros, also fully disposed at the date of formulation of these consolidated annual accounts.

The syndicated senior loan has a duration of two years, with final maturity on 2 January 2021, extendable for an additional year if certain conditions are met, and accrues an interest rate based on the EURIBOR plus a market differential.

The Parent undertakes to comply with certain covenant financial obligations during the term of the loan and relating to its quarterly Consolidated Financial Statements. These obligations are as follows:

- Commitment to comply with a ratio known as "LTV", understood as the quotient between: *Net Debt* and Gross *Assets* Value ("GAV").

  This ratio must be less than 45% and must not be validated by 31 December 2018. The first validation period will therefore be that ending on 31 March 2019.

- Commitment to comply with at least 85% of the consolidated EBITDA, the contribution by the guarantor companies of the senior syndicated loan and at least 5% of the total aggregate assets (calculated on a non-consolidated basis and excluding all intragroup elements and investments in investees).

Additionally, a personal security was granted on the following Group companies: Vía Célere, S.L.U., Maywood Invest, S.L.U. and Udralar, S.L.U. With regard to these securities, in 2019 and prior to the formulation of these consolidated annual accounts, the security on Maywood Invest, S.L.U. and Udralar, S.L.U. has been released.

On 9 January 2019, the merger deed was executed and it was registered at the Companies Registry of Madrid on 8 March 2019. The accounting effects of the merger are considered from 1 January 2019 as a transaction under common control.

The objective of the operation is to increase the volume of assets to be developed by the Group. According to the information provided, the combination of the Group's assets and the absorbed entities would create a specialised residential housing developer in Spain with a land portfolio of approximately EUR 2,100 thousand, a development potential of more than 23,000 units and an objective delivery rate of approximately. 5,000 units per year that:

- Reduce the risks associated to the need to acquire land in order to reach the production targets – the combined land bank would be self-sufficient from that perspective.
- Benefit from the geographic complementarity of both land banks, providing national scope.
- Optimize the use of the operating platform as a result of the larger volume of activity.
- Increase leverage and optimize the use of net equity and returns.

Therefore, this merger by absorption implies (i) the dissolution and extinction of the absorbed entities, and (ii) the block transfer of their corporate assets to the absorbing entity that acquires, by universal succession, all the rights and obligations of the absorbed companies.

The issue of these new shares is equivalent to approximately 48.26% of the share capital, while the remaining shareholders of the Parent hold shares equivalent to approximately 51.74% of the merged company.

The Parent's directors have considered the transactions and agreements described in this section to be an integral part of a single transaction. This interpretation has been agreed on the basis that the operations and agreements have been carried out for the benefit of the merged companies and the timing of these has been defined in a single framework of the merger, not generating profit for the previous owners except those who receive as part of the merged entity.

The operation described above is subject to the special tax regime for mergers, divisions, contributions of assets, exchange of securities and change of registered office of a European company or a European cooperative from one Member State to another of the European Union regulated in Heading VII of Chapter VIII of Royal Legislative Decree 4/2014, of 27 November, on Corporation Tax.

The detail of the assets acquired and liabilities assumed at the date of the business combination is as follows:

	Thousand of euros
Property, plant and equitment	296
Non-current investments	4,539
Inventories	575,691
Trade and other receivables	9,637
Current investments in associates	23
Current investments	26,078
Prepayments and accrued income	89
Cash and cash equivalents	71,617
Total Assets	687,970
Loss for the period	-
Non-current provisions	1,128
Non-current payables	54
Non-current related party payables	19
Current payables	113,574
Current related party payables	57,659
Trade and other payables	105,257
Total liabilities	277,691
Net assets	**410,279**
Payment to minority shareholders	**(166,772)**
New shares issued	**(647,966)**
Merger reserves	**(404,459)**

The cash outflow produced in the business combination is as follows:

	Country	Thousand of euros Consideration in cash
Acquisition 10%-20% to minority shareholders (i)	España	126,031
Acquisition 100% "Aelca Operating Companies" (ii)	España	40,741
Merged companies (80%-90%) (iii)	España	-
Contribution 100% "Posnova"(iv)	España	-

Increase of monetary capital

On 10 December 2018, the Company's shareholders at the General Shareholders' Meeting resolved to increase capital by EUR 37,177 thousand through the issue of 1,821,490 new shares with the same rights as those existing at that date. This increase was made by means of monetary contributions and was granted in a public deed on 15 March 2019 with effect on that date, pending registration in the Companies Registry of Madrid.

Capital increase due to credit offsetting

On 10 December 2018, the Company's shareholders at the General Shareholders' Meeting resolved to increase capital by EUR 18,924 thousand through the issue of 927,189 new shares with the same rights as those existing at that date. This increase was made by offsetting loans and was executed in a public deed on 15 March 2019 with effect from that date and is pending registration with the Companies Registry of Madrid.

Inspection Communication

On 8 March 2019, the Company received notification from the Spanish tax authorities of the commencement of inspection, verification and investigation actions in relation to the following Taxes and periods:

- Corporate income tax: 2013 and 2014

- Value-added tax: 04/2014 to 06/2015.

6. Information on foreseeable developments

The Company plans to continue to divest its finished goods inventories and cancel associated loans. To achieve this goal, the company will implement sales policies and enter into agreements with local sales agents to maximise return on investment. However, we do not expect to obtain significant margins.

The Company intends to continue buying new plots in line with its strategic growth objectives in terms of regions and new trends in housing demand, with a strong prospect of growth in the coming years.

In 2019, the Company will continue its customer service policy to ensure a unique home delivery experience.

7. Research and development activities and acquisitions of own shares.

The relevant activities carried out by the Company in 2018 in the area of research, development and innovation were as follows:

Industrialised façades

This year, the engineering of a novel façade solution for multi-family building was carried out as a study, with a structural calculation and economic viability of the solution. Prototypes were made at a 1:1 scale of the solution, solving and technically improving the prototype, considering its manufacture and subsequent placement. The solutions of the different parts that make up the system, as well as their anchors and joints, were analysed and prescribed, complying with and improving the performance required by the Technical Building Code. An approximation was also made to the manufacturing process and the sizing of the installations required for an estimated production.

Mobile partition with installations

In response to the growing need for flexible spaces to adapt to different times of the day, and the trend towards smaller surface dwellings, a novel partition wall was developed hanging from the main structure of the building, formed by a metal frame covered with wood, forming the appearance of a piece of furniture with storage, as well as electricity and telecommunications installations that move with the partition wall. This partition can be moved manually and in subsequent prototypes, it has been able to be motorised by means of a human present switch. This development is also limited by the height available in the dropped ceilings of the dwelling, lower than those of tertiary spaces, and therefore, limiting the hardware for fastening and moving this partition and its installations.

Inventory of intangible assets

The Company's intangible assets have been mapped, as they crystallise the innovative and creative activity of individuals and companies, in such a way as to enable the company to have a strategic decision-making tool, an integral analysis of the innovation cycle and to be able to initiate a process of document management and internal and external protection measures.

8. Business principle in operation

The Company's directors prepared these 2018 annual accounts in accordance with the going concern principle, based on the assumption that the Group's forecasts contemplate the generation of income and a positive cash flow from the delivery of housing units.

In addition, the operating profit for 2018 shows a profit of EUR 17,652 thousand (losses of EUR 144,258 thousand for 2017), and at 31 December 2018 shows a positive net equity of EUR 473,935 thousand (EUR 310,572 thousand at 31 December 2017) and positive working capital of EUR 218,875 thousand (EUR 142,795 thousand at 31 December 2017).

The Company also has the necessary financing for the development of assets classified as "Property Developments in Progress". These loans are conditional on the specific construction of the asset for which the financing is obtained, and their drawdown is presented gradually with the progress of the construction work and, therefore, the Company does not depend solely on the cash available at 31 December 2018 to guarantee the continuity of the business. Annex I shows the details of the loans, indicating the approved limits and the amount drawn down at 31 December 2018.

As indicated in Notes 1 and 24, prior to the preparation of these annual accounts, the Company acquired certain companies engaged mainly in real estate development once the suspensive conditions established in the agreements signed between the parties had been met. The operation was granted via public deed on 4 and 9 January and was submitted for registration on 9 January 2019 and was registered in the Companies Registry of Madrid on 15 March 2019.

Within the framework of the transaction described in the preceding paragraphs, on 2 January 2019 the Company entered into a syndicated loan agreement as a borrower of 223,000 thousand euros. The agreement named the Company, Via Celere, S.L.U., Maywood Invest, S.L.U. and Udralar, S.L.U., as original guarantors, J.P. Morgan Securities PLC and Credit Suisse International as coordinators, several financial institutions as original lenders, and Credit Suisse International as agent and guarantee agent. The companies Maywood Invest, S.L.U and Udralar were released as guarantors on 15 March 2019.

The directors consider that the situation described above will enable the Group to obtain sufficient profits and cash flows to meet its obligations in the short term

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.

Hoja de firmas

Reunidos los Administradores de la sociedad Vía Célere Desarrollos Inmobiliarios, S.A., con fecha de 27 de marzo de 2019 y en cumplimiento de los requisitos establecidos en los artículos 253.2 del Texto Refundido de la Ley de Sociedades de Capital y del artículo 37 del Código de Comercio, proceden a formular las Cuenta Anuales y el Informe de Gestión del ejercicio comprendido entre el 1 de enero de 2018 y el 31 de diciembre de 2018. Las cuentas anuales vienen constituidas por los documentos anexos que preceden a este escrito.

The directors of the Company Via Celere Desarrollos Inmobiliarios S.A., on a meeting held on 27 March 2019 and complying with the requirements established in the articles 253.2 of the Consolidated Text of the Spanish Companies Act and in article 37 of the Commerce Code, decide to drawn up the Annual Accounts and the Management Report of financial year covered between 1 January 2018 and 31 December 2018. The annual accounts are composed of the documents attached herein.

D. Francisco Milone

Mr. Francisco Milone

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.

Signature sheet

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D. Héctor Serrat Sanz

Mr. Héctor Serrat Sanz

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.

Signature sheet

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D. Jaime Echevarría

Mr. Jaime Echevarría

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.
Signature sheet

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D. Juan Antonio Gómez Pintado de Segovia

Mr. Juan Antonio Gómez Pintado de Segovia