



Vía Célere Desarrollos  
Inmobiliarios, S.A. and  
Subsidiaries

Consolidated Annual Accounts

31 December 2018

Consolidated Directors' Report

2018

(With Independent Auditor's Report Thereon)



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

## **Independent Auditor's Report on the Consolidated Annual Accounts**

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

### **Opinion**

We have audited the consolidated annual accounts of Vía Célere Desarrollos Inmobiliarios, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

### **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 Consolidated Annual Accounts section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated 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**

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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 consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated 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 2.4., 4.12 and 16)

At 31 December 2018 the Group holds real estate inventories to be developed and sold in the ordinary course of its activity totalling Euros 666,345 thousand. The Group tests these assets for impairment every year and to determine whether the net realisable value of the inventories is in line with appraisals or valuations performed by independent experts. The valuation process of these assets for these purposes has been considered as a relevant aspect of the audit insofar as the valuation techniques used often require the exercising of judgement by the directors and the use of assumptions and estimates.

Our audit procedures included, among others, the evaluation of the design and implementation of the key controls related to the valuation of real estate inventories, as well as the evaluation of 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 consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.

### Recognition and recoverability of deferred tax assets (see notes 2.4, 4.15 and 22)

At 31 December 2018 the Group has deferred tax assets amounting to Euros 71,089 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 and the uncertainty associated with the recovery thereof, this matter has been considered a relevant aspect of the audit.

Our audit procedures included, among others, an assessment of the design and implementation of controls over the recognition and measurement of deferred tax assets, and an evaluation of the key assumptions used to estimate the Group's future taxable profits, compared with data from external sources, such as economic forecasts, and the Group's historical data. We involved our tax specialists to assess the tax planning strategies. In addition, we assessed the sufficiency of future taxable profits to offset deferred tax assets and we evaluated whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.



## **Emphasis of Matter**

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We draw attention to note 28 to the accompanying consolidated annual accounts, which states that after the 2018 year end, the Parent finalised the process to take control of certain real estate development companies, which were previously controlled by their ultimate majority shareholder, as well as the merger by absorption of these companies, once the conditions precedent set forth in the contracts between the parties had been met. Note 28 to the accompanying consolidated annual accounts includes the main effects of the transaction, as well as its accounting treatment as a transaction between Group companies applied by the Group in the consolidated annual accounts. Our opinion is not modified in respect of this matter.

## **Other Information: Consolidated Directors' Report**

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

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility for the consolidated 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 consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group 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 consolidated 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 consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2018 and the content and presentation of the report are in accordance with applicable legislation.

## **Directors' Responsibility for the Consolidated Annual Accounts**

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The Parent's directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.



## **Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the Parent's 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



We communicate with the directors of the Parent 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 consolidated 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

Francisco Rabadán Molero

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

12 April 2019



KPMG AUDITORES, S.L.

2019 Núm. 01/19/05708

96,00 EUR

SELLO CORPORATIVO:  
Informe de auditoría de cuentas sujeto  
a la normativa de auditoría de cuentas  
española o internacional



# Via Celere Desarrollos Inmobiliarios, S.A. and Subsidiaries

**Consolidated Annual Accounts and Consolidated Management Report for the year  
ended 31 December 2018**

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU)

VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018  
(IN THOUSANDS OF EUROS)

<b>Assets</b>	<b>Note</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>Intangible assets</b>	<b>8</b>	<b>122</b>	<b>85</b>
Patents, licences, brands and similar		27	27
Computer software		90	53
Goodwill		5	5
<b>Property, plant and equipment</b>	<b>9</b>	<b>3,546</b>	<b>3,393</b>
Land and buildings		2,729	2,813
Plant and machinery		172	223
Other property, plant and equipment		428	357
Work in progress		217	-
<b>Investment property</b>	<b>10</b>	<b>114</b>	<b>116</b>
Buildings		114	116
<b>Investments in associates</b>		<b>12,682</b>	<b>15,722</b>
Equity instruments	14	12,682	15,722
<b>Non-current financial assets</b>	<b>15</b>	<b>27,349</b>	<b>38,630</b>
Deposits and guarantees		635	343
Derivative financial instruments		26	99
Loans to third parties		26,688	38,188
<b>Deferred tax assets</b>	<b>22.2</b>	<b>71,089</b>	<b>9,054</b>
<b>Total non-current assets</b>		<b>114,902</b>	<b>67,000</b>
<b>Non-current assets held for sale</b>	<b>11</b>	<b>-</b>	<b>16,642</b>
<b>Inventories</b>	<b>16</b>	<b>675,624</b>	<b>616,948</b>
Raw material		1,180	-
Land and plots		271,229	274,088
Completed developments		4,801	21,182
Property developments in progress		390,315	309,748
Advances to suppliers		8,099	11,930
<b>Trade and other receivables</b>		<b>10,090</b>	<b>8,576</b>
Trade receivables for sales and services	15	3,438	2,759
Receivables from Group companies and associates	15, 25	121	-
Other receivables from public administrations	22.1	2,952	3,621
Current tax receivable	22.1	96	85
Other accounts receivable	15	3,483	2,111
<b>Current investments in associates</b>	<b>15, 25</b>	<b>365</b>	<b>681</b>
Loans to associates		365	681
<b>Current financial assets</b>	<b>15</b>	<b>419</b>	<b>828</b>
Other financial assets		419	828
<b>Prepayments and accrued income</b>		<b>3,890</b>	<b>1,114</b>
<b>Cash and cash equivalents</b>	<b>15.3</b>	<b>56,236</b>	<b>100,046</b>
Cash		11	4
Treasury		56,225	100,042
<b>Total current assets</b>		<b>746,624</b>	<b>744,835</b>
<b>Total assets</b>		<b>861,526</b>	<b>811,835</b>

Notes 1 to 28 form an integral part of these consolidated annual accounts for 2018.



VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018  
(IN THOUSANDS OF EUROS)

<i>Equity</i>	<b>Note</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Share capital	17.1	204,187	169,433
Share premium	17.2	239,294	159,518
<b>Reserves</b>		<b>(69,725)</b>	<b>64,192</b>
Legal reserve	17.3	20,814	20,814
Retained Earnings		(90,539)	43,378
<b>Profit /(Loss) for the year</b>		<b>84,786</b>	<b>(135,419)</b>
Other equity instruments	17.7	-	41,327
<b>Total Equity attributable to the Parent</b>		<b>458,542</b>	<b>299,051</b>
<b>Total Equity</b>		<b>458,542</b>	<b>299,051</b>
<b>Non-current provisions</b>	18	<b>8,823</b>	<b>10,093</b>
<b>Non-current payables</b>	19	<b>1,497</b>	<b>1,720</b>
Bank borrow ings		1,309	1,460
Other financial liabilities		188	260
<b>Deferred tax liabilities</b>	22.2	<b>13,852</b>	<b>15,780</b>
<b>Total non-current liabilities</b>		<b>24,172</b>	<b>27,593</b>
<b>Current provisions</b>	18	<b>421</b>	<b>3,812</b>
<b>Current payables</b>	19	<b>238,184</b>	<b>363,477</b>
Bank borrow ings		237,648	363,255
Other financial liabilities		536	222
<b>Current related party payables</b>	25	<b>142</b>	<b>15,001</b>
<b>Trade and other payables</b>		<b>140,062</b>	<b>102,901</b>
Current payables to suppliers	19.2	41,196	38,712
Customer advances	19.2	92,909	57,777
Payable to employees	19.2	1,442	1,066
Taxes payable	22.1	3,454	1,662
Current tax liabilities	22.1	1,061	3,684
<b>Accrued expenses and deferred income</b>		<b>3</b>	<b>-</b>
<b>Total current liabilities</b>		<b>378,812</b>	<b>485,191</b>
<b>Total liabilities</b>		<b>402,984</b>	<b>512,784</b>
<b>Total equity and liabilities</b>		<b>861,526</b>	<b>811,835</b>

Notes 1 to 28 form an integral part of these consolidated annual accounts for 2018.

VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 2018

(IN THOUSANDS OF EUROS)

	Note	31.12.2018	31.12.2017
<b>Revenue</b>	<b>24.1</b>	<b>157,063</b>	<b>57,796</b>
Sales		157,048	57,787
Services rendered		15	9
<b>Other income</b>		<b>2,136</b>	<b>2,042</b>
<b>Changes in inventories of finished goods and work in progress</b>	<b>24.2</b>	<b>47,143</b>	<b>80,151</b>
<b>Raw materials and other consumables used</b>		<b>(163,921)</b>	<b>(245,191)</b>
Raw materials and other consumables used		(85,540)	(125,598)
Work performed by other companies		(93,044)	(35,386)
Impairment losses on real estate inventories	<b>16</b>	14,663	(84,207)
<b>Personnel expenses</b>	<b>24.4</b>	<b>(15,322)</b>	<b>(10,890)</b>
Wages, salaries and similar		(12,249)	(8,920)
Employee benefits expense		(3,073)	(1,970)
<b>Other expenses</b>	<b>24.6</b>	<b>(20,752)</b>	<b>(16,184)</b>
<b>Depreciation and amortisation charge</b>	<b>8, 9, 10</b>	<b>(325)</b>	<b>(386)</b>
<b>Impairment losses and gains/(losses) on disposal of non-current assets</b>	<b>24.11</b>	<b>(85)</b>	<b>38</b>
Impairment and losses		(54)	-
Gains on disposals and others		(31)	38
<b>OPERATING LOSS</b>		<b>5,937</b>	<b>(132,624)</b>
<b>Finance income</b>	<b>24.9</b>	<b>386</b>	<b>284</b>
From marketable securities and other financial instruments		386	284
<b>Finance cost</b>	<b>24.10</b>	<b>(8,084)</b>	<b>(10,856)</b>
On borrowings from associated companies		(56)	(43)
On payables to third parties		(8,028)	(10,813)
<b>Change in fair value of financial instruments</b>	<b>24.13</b>	<b>25,743</b>	<b>6</b>
<b>Impairment losses and gains/(losses) on disposal of financial instruments</b>	<b>24.12</b>	<b>621</b>	<b>(2,087)</b>
<b>NET FINANCE INCOME / (COST)</b>		<b>18,666</b>	<b>(12,653)</b>
<b>Share of loss on investments accounted for using the equity method</b>	<b>14</b>	<b>(640)</b>	<b>(480)</b>
<b>PROFIT /(LOSS) BEFORE TAX</b>		<b>23,963</b>	<b>(145,757)</b>
Income tax	<b>22</b>	60,823	10,834
<b>PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>84,786</b>	<b>(134,923)</b>
(Loss)/Profit for the year from discontinued operations Net of Tax	<b>7.2</b>	-	(526)
<b>PROFIT /(LOSS) FOR THE YEAR</b>		<b>84,786</b>	<b>(135,449)</b>
<b>Earning per share</b>			
Basic earning per share (Euros) (see Note 5)		2.56	(6.24)
Diluted earning per share (Euros) (see Note 5)		2.56	(6.24)
<b>Earning per share - Continuing operations</b>			
Basic earning per share (Euros) (see Note 5)		2.56	(6.21)
Diluted earning per share (Euros) (see Note 5)		2.56	(6.21)
Loss attributable to non-controlling interests		-	(30)
Loss attributable to Parent Company Shareholders		<b>84,786</b>	<b>(135,419)</b>

Notes 1 to 28 form an integral part of these consolidated annual accounts for 2018.

VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018  
(IN THOUSANDS OF EUROS)

(Thousands of Euros)		
	Year 2018	Year 2017
<b>Consolidated profit/(loss) for the year</b>	<b>84,786</b>	<b>(135,449)</b>
<b>Items reclassified to profit and loss</b>		
- Translation differences	-	319
<b>Total</b>	<b>-</b>	<b>319</b>
<b>Total comprehensive income/(loss), net of taxes</b>	<b>84,786</b>	<b>(135,130)</b>
a) Owners of the Parent	84,786	(135,100)
b) Non-controlling interests	-	(30)

Notes 1 to 28 form an integral part of these consolidated annual accounts for 2018.

VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR- ENDED 31 DECEMBER 2018  
(IN THOUSANDS OF EUROS)

	Attributable to owners of the Company							Total	Non-controlling interest	Total Equity
	Share Capital	Share premium	Legal reserve	Translation differences	Retained earnings	Other Equity instruments				
<b>Balance at 1 January 2017</b>	121,254	190,728	20,814	(319)	28,968	-	361,445	674	362,119	
Total comprehensive loss for the year	-	-	-	319	(135,419)	-	(135,100)	(30)	(135,130)	
Issue of ordinary shares (Note 17.1)	48,179	141,821	-	-	-	-	190,000	-	190,000	
Other equity instruments (Note 17.7)	-	-	-	-	-	41,327	41,327	-	41,327	
Distribution to shareholders (Note 17.1 and 17.2)	-	(173,031)	-	-	14,410	-	(158,621)	(644)	(159,265)	
<b>Balance at 31 December 2017</b>	169,433	159,518	20,814	-	(92,041)	41,327	299,051	-	299,051	
Total comprehensive loss for the year	-	-	-	-	84,786	-	84,786	-	84,786	
Issue of ordinary shares (Note 17.1)	34,754	79,776	-	-	-	(41,327)	73,203	-	73,203	
Other equity	-	-	-	-	1,502	-	1,502	-	1,502	
<b>Balance at 31 December 2018</b>	204,187	239,294	20,814	-	(5,753)	-	458,542	-	458,542	

Notes 1 to 28 form an integral part of these consolidated annual accounts for 2018.

**VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 2018**  
**(IN THOUSANDS OF EUROS)**

	Note	31.12.2018	31.12.2017
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>			
Loss for the year		<b>84,786</b>	<b>(135,449)</b>
Adjustments for		<b>(150,974)</b>	<b>96,046</b>
Depreciation and amortisation charge	8, 9, 10	325	5,795
Impairment losses on real estate inventories	16	(71,741)	84,207
Changes in provisions	18	(740)	10,109
Gains on derecognition and disposal of non-current assets	24.11	31	(8,224)
(Gains)/losses on derecognition and disposal of financial instruments	24.12	(621)	(2,434)
Finance income	24.9	°	(2,652)
Finance cost	24.10	8,084	20,208
Tax income		(60,823)	(11,437)
Change in fair value of financial instruments		(25,743)	(6)
Share of loss on investments for using the equity method	14	640	480
<b>Changes in working capital</b>		<b>60,922</b>	<b>(99,690)</b>
Inventories		42,189	(125,400)
Trade and other receivables		(1,357)	24,646
Trade and other payables		26,941	2,355
Other current assets and liabilities		(6,230)	(1,278)
Other non-current assets and liabilities		(621)	(13)
<b>Other cash flows used in operating activities</b>		<b>(15,011)</b>	<b>(19,053)</b>
Income taxes paid	22	(2,400)	(791)
Interest paid	24.10	(12,997)	(20,594)
Interest received	24.9	386	2,332
<b>Total net cash flows used in operating activities</b>		<b>(20,277)</b>	<b>(158,146)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Payments due/proceeds from investing activities</b>		<b>(872)</b>	<b>(69,237)</b>
Associated companies		-	(3,848)
Acquisition of intangible assets	8	(85)	(70)
Acquisition of property, plant and equipment	9	(492)	(335)
Acquisition of subsidiary, net of cash acquired	7.1	-	(64,137)
Other financial assets		(295)	(847)
<b>Proceeds from sale of investments</b>		<b>18,288</b>	<b>54,031</b>
Investments in associates		1,116	6,284
Investment property		36	45,001
Non-current assets held for sale	11	16,585	-
Other financial assets		551	2,746
<b>Total net cash flows (used in)/from investing activities</b>		<b>17,416</b>	<b>(15,206)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of equity instruments	17.1, 17.8	183	229,216
Proceeds from associated companies		-	13,948
Proceeds from bank borrowings		50,377	55,269
Payment to associates companies		(15,001)	-
Repayment of bank borrowings		(76,508)	(58,694)
Dividends paid		-	(9,524)
<b>Total net cash flows from financing activities</b>		<b>(40,949)</b>	<b>230,215</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(43,810)</b>	<b>56,863</b>
<b>Cash and cash equivalents at 1 January</b>	15.3	100,046	43,183
<b>Cash and cash equivalents at 31 December</b>	15.3	56,236	100,046

Notes 1 to 28 form an integral part of these consolidated annual accounts for 2018.

## VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts as at 31 December 2018

### 1. Nature, activities and composition of the Group

Via Celere Desarrollos Inmobiliarios, S.A. (hereinafter, the Parent Company, the Company or VCDI) was incorporated in Pontevedra on 16 August 1989, under the trade name "Confecciones Udra, S.A.", which was subsequently changed in 1993 to "Inmobiliaria Udra, S.A.", in June 2008 to "San José Desarrollos Inmobiliarios, S.A.", and later in June 2016 to "Dos Puntos Desarrollos Inmobiliarios S.A."

On 20 June 2017 at the Extraordinary General Shareholders' Meeting it was resolved to change the registered office and adopt the subsequent by laws amendment, with the new registered office set at Carlos y Guillermo Fernández Shaw 1, 28007 Madrid, Spain.

As part of its business strategy, in 2017 the Parent Company, decided to spin-off their rental business into a newly-incorporated company, Dospuntos Asset Management, S.L. Management committed to a plan to distribute to its shareholders the rental business following a strategic decision to restructure its activities and place greater focus on the Group's key competencies, the residential development business. Subsequently, the aforementioned company was transferred out of the Group through a non-monetary contribution to entities under common control of the Group's shareholders (see Notes 7 and 17).

In this regard the spin-off transaction was carried out as follows:

- On 20 October 2017, at the Extraordinary General Shareholders' Meeting the Parent Company's segregation project in favour of Dospuntos Asset Management, S.L. was approved.
- On 22 December 2017, the Parent Company acquired from its subsidiary Parquesoles Portugal SGPS, S.A. (rental business) the shares of Parquesoles Inmobiliaria y Proyectos – Investimentos Inmobiliários, S.A. (residential development business). At the same time, Parquesoles Portugal SGPS, S.A. acquired from Douro - Atlántico – Sociedade Imobiliária, S.A. its stake in Burgo Fundiários, S.A., all group companies.
- Furthermore, on 22 December 2017 the Parent Company transferred to Dospuntos Asset Management, S.L. by means of a non-monetary contribution, the wholly-owned stakes in the following subsidiaries: Lardea, S.L.U., Douro Atlántico, S.L.U., Udamar Inmobiliaria, S.L.U. and Udrasol Inmobiliaria, S.L.U.
- On 28 December 2017 it was agreed at the General Shareholders Meeting to distribute the share premium reserve of Euros 173,031 thousand, which has the nature of a freely distributable reserve, in kind through the transfer of the shares of the wholly-owned subsidiary Dospuntos Asset Management, S.L. This distribution was done among the Shareholders proportionally to their stake in the share capital of the Company.

The Parent Company is the head of a group of subsidiaries engaged most of them in the same activities and constitute together Via Celere Desarrollos Inmobiliarios Group (hereinafter, the "Group").

The Group activity consists of providing the following services through Group companies: the development of all types of properties; construction in general, on its own behalf or on behalf of third parties; the sale and purchase of construction equipment, development and gardening material; the execution of public works in general; and the sale and purchase of all types of properties, whether transportable or non-transportable and real estate properties whether rural or urban. The Group's activity takes place in Spain and Portugal.

As a subsequent event of the financial year and before preparing the present consolidated annual accounts, the Group's Parent Company, Via Celere Desarrollos Inmobiliarios, S.A., carried out the purchase of certain companies with similar activity (mainly real estate development), once the conditions precedent established in the agreements signed on September 2018 between the parties have been fulfilled. The operation was placed on public record on 9 January 2019 and is detailed in note 28 of subsequent events.

### 2. Basis of presentation of the consolidated annual accounts and consolidation principles

#### 2.1 Financial reporting standards framework applicable to the Group

These consolidated annual accounts as at 31 December 2018 were prepared on the basis of the accounting records of the Company and subsidiaries in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU) (the 2018 Consolidated Annual Accounts) with the aim of giving a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group as at 31 December 2018, the results of its consolidated transactions, its consolidated cash flows and changes in consolidated equity for the year then ended.

The Board of Directors of the Parent Company considers that the 2018 Consolidated Annual Accounts, which were authorised for issue on 27 March 2019, will be approved at the General Shareholders' Meeting without any significant changes.

Details of the Group's accounting policies are included in Note 4.

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### Notes to the Consolidated Annual Accounts as at 31 December 2018

This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 2.1a

#### a) Changes in accounting policies and disclosures

The Group applied IFRS 15 (see A) and IFRS 9 (see B) from 1 January 2018. A number of other new standards are also effective from 1 January 2018, but they do not have a material effect on the Group's annual accounts.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these annual accounts has not been restated to reflect the requirements of the new standards.

The Group has adopted IFRS 15 using the cumulative effect (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

#### A) IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains controls of good or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

##### *Sales of goods*

The Group recognises revenue upon delivery of the dwelling to the customer, although three different documents are signed (the pre-reservation and/or reservation, the private contract of sale and the deed of sale) during the course of the entire process. Upon delivery, the customer accepts the property and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

The Group's assessment indicates that all these impacts does not imply any change in the previous revenue recognition approach, as the performance obligation is satisfied on the signing of the final document, which is when the property is delivered, control is transferred, and the revenue is recognised.

##### *Customer advances*

Customers make advances on the future delivery of the homes, which are recognised as a contractual liability. Since the period between delivery of the advance and recognition of the income exceeds twelve months, the Group recognises a finance charge with a credit to the liability from the time when the advance is collected until the income is recognised. The interest rate used to recognise the interest expense is determined by the Group's incremental interest rate. However, since customer advances are specifically used to finance work in progress, financial expenses are capitalised in inventories in progress, as indicated in section 4.4.

Consequently, the application of IFRS 15 led to the recognition of an amount of Euros 1,468 thousand (see Note 16) under "Inventories" in order to recognise the aforementioned financial component, although, since it is capitalised, the application of this standard did not have an impact on the Group's reserves as at 1 January 2018.

Before the adoption of IFRS 15, the Group presented these advances as customer advances in the consolidated statement of financial position and no interest was accrued on advances received in the short term.

##### *Commissions*

It is also important to consider that in some residential developments there are sales commissions that are granted to a third party. These commissions are usually charged to the developments as part of the indirect costs involved. The commissions are specific to each contract and would not have been incurred if the contract had not been obtained. These commissions arise in two moments: on the signing of the private sales contract and on the legalisation of the sale deed. The second part of the commission is paid at the moment of the transfer of control. IFRS 15 requires incremental costs of obtaining a contract and certain costs to fulfil a contract to be recognized as an asset if certain criteria are met. Any capitalized contract costs assets must be amortised on a systematic basis that is consistent with the entity's transfer of the related goods or services to the customer. For additional information about the Group's accounting policies relating to revenue recognition, see Note 4.16.

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Notes to the Consolidated Annual Accounts as at  
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B) IFRS 9 – Financial Instruments and subsequent amendments.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

*i. Classification and measurement of financial assets and financial liabilities*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, embedded derivatives in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial Assets	Classification under IAS 39	New classification under IFRS 9
Investment in Associates	Available for sale	FVTPL
Loans and receivables	Loans and receivables	Amortised cost
Cash and Cash equivalent	Loans and receivables	Amortised cost

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies.

*ii. Impairment – Financial assets and contract assets*

IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment has not had a material increase for assets in the scope of the IFRS 9 impairment model.

*iii. Hedge accounting*

The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objective and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses over-the-counter (OTC) derivative financial instruments to hedge the variability in cash flows arising from changes in variable interest rate (Euribor) relating to the bank borrowings. The fair value of the interest rate derivative is of Euros 26 thousand (see Note 19.1.4). The Group considers that the impact on the consolidated annual accounts is not significant.

*iv. Transition*

Changes in accounting policies from the adoption of IFRS 9 are applied retrospectively, except as described below.

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements.
- The assessment have been made on the basis of the facts and circumstances that existed at the date of initial application in respect of the determination of the business model within which a financial asset is held.

For additional information about the Group's accounting policies relating to financial instruments, see Note 4.10



## VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts as at  
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### b) Standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Consolidated Annual Accounts.

#### IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated annual accounts, as described below.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessor continues to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

#### *Leases in which the Group is a lessee*

The Group will recognize new assets and liabilities for its operating leases of office, car rental and work shed. The nature of expenses related to those leases will now change because the Group will recognize a depreciation charge for right-of-use asset and interest expense on lease liabilities.

No significant impact is expected for the Group's finance leases.

As at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to Euros 2,046 thousand, on an undiscounted basis (see Note 24.8).

Based on the information currently available, the Group estimates that it will be recognize lease liabilities of Euros 1,637 thousand as at 1 January 2019.

#### *Leases in which the Group is a lessor*

No significant impact is expected for leases in which the Group is a lessor.

#### *Transition to IFRS 16*

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

### C) Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the Consolidated Annual Accounts of the Group.

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### Notes to the Consolidated Annual Accounts as at 31 December 2018

#### Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated annual accounts.

- a. IFRIC 23 Uncertainty over Tax Treatments.
- b. Long-term Interest in Associates and Joint Ventures (Amendments to IAS 28).
- c. Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- d. Annual Improvements to IFRS Standards 2015-2017 Cycle – various standards.
- e. IFRS 17 Insurance Contracts.

#### **2.2 Comparative information**

According to current corporate legislation, the consolidated annual accounts referring to the financial year ending 31 December 2018 are presented, for comparative purposes, with the information from the financial year ending 31 December 2017.

#### **2.3 Basis of measurement**

These 2018 consolidated annual accounts have been prepared on the historical cost basis except for the following exceptions, when applicable:

- Assets, liabilities and contingent liabilities acquired in business combinations, which are recognised at fair value.
- Derivative financial instruments, which are recognised at fair value.

#### **2.4 Relevant accounting estimates, assumptions and judgements used when applying accounting principles**

The information contained in these 2018 Consolidated Annual Accounts is the responsibility of the Board of Directors of the Parent Company.

These 2018 consolidated annual accounts have certain relevant accounting estimates, judgements and assumptions that must be made when applying the Group's accounting policies. In this regard, the areas requiring a greater degree of judgement or which are more complex, and the areas in which the assumptions and estimates made are significant considering the 2018 consolidated annual accounts as a whole, are summarised below:

- Significant estimates and assumptions
  - Business combinations: determination of fair values and related goodwill (see Note 7).
  - Impairment of inventories: assumptions used to calculate recoverable amounts. The comparative method of valuation (of finished products) and static and dynamic residual methods (for land and developments in progress) were used to calculate inventories' fair value. Key assumptions for determining these values include growth rates of sale prices, constructions costs, discount rates and expected investment returns. The estimates, including the methodology used, may have a significant impact on the values and on impairment. For this reason, the Group uses valuations made by prestigious independent experts for the inventories (see Note 4.12).
  - Recognition and measurement of provisions and contingencies: assumptions used to determine the probability of occurrence and the estimated amounts of outflows of resources (see Note 4.14).
  - Recognition and measurement of deferred tax assets: estimates and assumptions used to assess the recoverability of tax credits (see Notes 4.15 and 22).

- Changes in estimates

These estimates were drawn up on the basis of the best information available as at 31 December 2018. However, future events may require them to be modified (*upwards or downwards*) in subsequent years. Under IAS 8, any changes in accounting estimates are accounted for prospectively, and the impact of the changes in estimates is recognised in the consolidated income statement in the period of the change.

No significant changes have occurred during financial year 2018 to the estimates made at the end of financial year 2017.

## VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

### Notes to the Consolidated Annual Accounts as at 31 December 2018

#### - Determination of fair values

Certain Group accounting policies and details require the measurement of fair values, for both financial and non-financial assets and liabilities.

On a regular basis the valuation of inventories reviews significant unobservable criteria and valuation adjustments.

The fair value of financial assets and liabilities are determined as follows:

- The fair values of interest rate derivatives are determined using a discounted cash flow analysis based on the rates implied on the yield curve according to market conditions. To measure the fair value of the interest rate derivatives (swap or IRS), the Group uses an internal IRS model, employing long-term swaps and Euribor market curves as inputs.

Significant valuation issues are reported to the Board of Directors.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: measurements derived from (unadjusted) quoted prices in active markets for identical assets or liabilities.
- Level 2: measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability can be categorised within different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers among levels of the fair value hierarchy at the end of the reporting period in which the change has taken place.

The following notes contain more information on the assumptions used in determining fair values:

Note 7: Business combinations;

Notes 15 and 19: Financial assets and Current and non-current liabilities and trade-payable;

Note 11: Non-current assets held for sale.

## 2.5 Going concern

The Board of Directors has prepared the 2018 consolidated annual accounts in accordance with the going concern principle, on the assumption that the Group's future business perspectives will generate income and positive cash-flow.

The Group shows a negative operating cash flow, however, the operating result for the year ended 31 December 2018 shows profit of Euros 5,937 thousand (loss of Euros 132,624 thousand for the year ended 31 December 2017), shows a positive equity of Euros 458,542 thousand (Euros 299,051 thousand in 2017), and a positive working capital of Euros 367,812 thousand (Euros 259,644 thousand in 2017).

The Group 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 Group 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 the Notes 1 and 28, before preparing the present consolidated annual accounts, the Parent Company carried out the purchase of certain companies with similar activity (mainly real estate development), once the conditions precedent established in the agreements signed between the parties have been fulfilled. The operation was executed in a public deed on 4 and 9 January, was presented for registration on 9 January 2019 and was registered at the Madrid Business Registry on 15 March 2019.

Within the framework of the operation described in the preceding paragraphs, on 2 January 2019 the parent company legalized a syndicated financing contract as the borrower, for an amount of Euros 223,000 thousand. The agreement appointed the Parent Company, Via Celere, S.L.U., Maywood Invest, S.L.U. and Udralar, S.L.U., as the original

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### Notes to the Consolidated Annual Accounts as at 31 December 2018

guarantors, J.P. Morgan Securities PLC and Credit Suisse International, as coordinators, and a number of financial institutions as original lenders, and Credit Suisse International, as agent and as guarantee agent. 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.

The Directors believe that the situation described above will allow the Group to obtain profit and positive cash flows accomplish short term obligations.

#### 2.6 Functional and presentation currency

These consolidated annual accounts are presented in thousands of Euros, Euro is the functional currency of the main economic area in which the Group operates.

#### 2.7 Companies included in the consolidation perimeter

##### a) Subsidiaries

The companies included in the consolidated perimeter are as follows:

Name	Audit firm	Registered Office	Activity	Thousands of Euros Cost of ownership interest (*)	Percentage of ownership interest
Copaga, S.A.	Unaudited	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	-	100%
Udralar, S.L.U.	KPMG Spain	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	-	100%
Torok Investment 2015, S.L.U.	Unaudited	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	7	100%
Udrasur Inmobiliaria, S.L.U.	Unaudited	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	-	100%
Douro Atlántico, S.A.	KPMG Portugal	Avda- Da Boavista 1837 1º Sala 1.1, Oporto	Real estate development	4.755	100%
Parquesoles Inversiones Inmobiliarias Y Proyectos S.A	KPMG Portugal	Avda. D. João III Lote 1,03,2,1, 7º Edif. Mendiano, Lisboa	Real estate development	9.541	100%
Maywood Invest, S.L.U.	KPMG Spain	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	12.110	100%
Via Célere, S.L.U.	KPMG Spain	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	31.914	100%
Via Célere 1, S.L.U.	Unaudited	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	-	100%
Via Célere 2, S.L.U.	KPMG Spain	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	7.336	100%
Via Célere Catalunya S.L.U.	KPMG Spain	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	16.181	100%
Via Célere Gestión de Proyectos, S.L.U.	KPMG Spain	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Building contractor	381	100%
Conspace, S.L.U.	Unaudited	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Building contractor	-	100%

(\*) Cost of the ownership interest of the Parent Company in each investee as at 31 December 2018.

On 14 March 2018, Copaga, S.A. changed its registered address to Calle Carlos y Guillermo Fernández Shaw nº 1, Madrid.

During 2018, there were no changes in the consolidation perimeter.

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The changes in the consolidation perimeter in 2017 were as follows:

Name	Date	Registered Office	Activity	Percentage of ownership interest
<b>New acquisitions</b>				
Maywood Invest, S.L.U. (Note 7.1)	24/02/2017	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	100%
Vía Célere, S.L.U. (Note 7.1)	29/03/2017	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	100%
Vía Célere 1, S.L.U. (Note 7.1)	29/03/2017	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	100%
Vía Célere 2, S.L.U. (Note 7.1)	29/03/2017	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	100%
Vía Célere Catalunya S.L.U. (Note 7.1)	29/03/2017	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	100%
Vía Célere Gestión de Proyectos, S.L.U. (Note 7.1)	29/03/2017	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Building contractor	100%
Conspace, S.L.U. (Note 7.1)	29/03/2017	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Building contractor	100%
<b>Disposals</b>				
Hotel Rey Pelayo, S.A.	29/12/2017	Paseo de la Castellana nº 79 Planta 6, Madrid	Property leasing and management	100%
Udrasol Inmobiliaria S.L.U.	29/12/2017	Paseo de la Castellana nº 79 Planta 6, Madrid	Real estate development	100%
Udramar Inmobiliaria S.L.U.	29/12/2017	Paseo de la Castellana nº 79 Planta 6, Madrid	Real estate development	100%
Douro Atlántico S.L.U.	29/12/2017	Paseo de la Castellana nº 79 Planta 6, Madrid	Real estate development	100%
Sofia Hoteles, S.L.U.	29/12/2017	Paseo de la Castellana nº 79 Planta 6, Madrid	Property leasing and management	100%
Green Inmuebles, S.L.	29/12/2017	Paseo de la Castellana nº 79 Planta 6, Madrid	Property rental	83%
Inmoprado Laguna, S.L.U.	29/12/2017	Paseo de la Castellana nº 79 Planta 6, Madrid	Real estate development	100%
Lardea, S.L.U.	29/12/2017	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	100%
Otoño, S.L.	23/03/2017	C/Mariano de los Cobos nº 1, Valladolid	Dormant	67%
Udra Argentina S.A.	29/12/2017	Ciudad de Buenos Aires (Argentina)	Real estate development	90%
Parquesoles Portugal SGPS, S.A.	29/12/2017	Lisboa (Portugal)	Property rental	100%
Edifício Avenida da Libertade N35 - Investimentos Imobiliários, S.A.	29/12/2017	Lisboa (Portugal)	Property rental	100%
Edifício Duque de Palmeia N11 - Investimentos Imobiliários, S.A.	29/12/2017	Lisboa (Portugal)	Property rental	100%
Edifício Duque de Loule N106 - Investimentos Imobiliários, S.A.	29/12/2017	Lisboa (Portugal)	Property rental	100%
Burgo Fundiários, S.A.	29/12/2017	Oporto (Portugal)	Property rental	100%
<b>Liquidated companies</b>				
Azac, S.A.U.	31/07/2017	Paseo de la Castellana nº 79 Planta 6, Madrid	Dormant	100%
Atiplano Desarrollos Inmobiliarios, S.L.U.	31/07/2017	Paseo de la Castellana nº 79 Planta 6, Madrid	Property rental	100%

b) Associates

The associates included in the consolidation perimeter as at 31 December 2018 are as follows:

Name	Audit firm	Registered Office	Activity	Thousands of Euros Cost of ownership interest (*)	Percentage of ownership interest
Célere Forum Barcelona, S.L.	KPMG Spain	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	13,212	50%

(\*) Cost of the ownership interest recognised in the Parent Company of the investee as at 31 December 2018.

During 2018, there were no changes in the consolidation perimeter.

The changes in the consolidation perimeter in 2017 were as follows:

Name	Date	Registered Office	Activity	Percentage of ownership interest
<b>New acquisitions</b>				
Célere Fórum Barcelona, S.L.	29/03/2017	C/Carlos y Guillermo Fernández Shaw nº 1, Madrid	Real estate development	50%
<b>Disposal</b>				
Desarrollos Inmobiliarios Makalu, S.L.	29/12/2017	Avenida del Talgo nº 155, Madrid	Real estate development	50%
Antigua Rehabilitaia, S.A.	29/12/2017	Paseo de la Castellana 95, Edificio Torre Europa, Madrid	Development and sale	40%

3. Distribution of the result of the Parent's Company profits

The Parent Company's profits for the 2018 financial year amounted to Euros 90,963 thousand, 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 Euros 81,867 thousand and the provision of the legal reserve amounting to 9,096 thousand euros.

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The proposed distribution of profits of the Parent Company for the year ended 31 December 2017 approved by the General Shareholders' Meeting on 6 June 2018, being the offsetting of "Negative results from previous years" amounting to Euros 144,476 thousand.

The amount of restricted reserves is limited to the balance of the legal reserve, which amounted to Euros 20,814 thousand as at both 31 December 2018 (Euros 20,814 thousand in 2017).

Furthermore, the share premium and other reserves cannot be distributed in an amount sufficient to cover the losses of prior years unless ensuring that such distribution does not reduce equity to below half of share capital.

#### **4. Accounting policies**

The following accounting policies have been consistently applied in the consolidated annual accounts.

##### **4.1. Basis of consolidation**

###### ***I. Subsidiaries***

Subsidiaries, including structured entities, are companies controlled directly by the Parent Company or indirectly through its subsidiaries. The Parent Company controls a subsidiary when it is exposed, or has rights to, variable returns, and when it can use its power in the subsidiary to affect said returns. The Parent Company has power when the voting rights are sufficient to give it the ability to direct significant activities of the investee. The Parent Company is exposed, or has rights to, variable returns from its involvement with the subsidiary when its returns from its involvement may vary because of the subsidiary's performance. (IFRS 10.6, 10 and 15).

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts as from the date of acquisition, which is the date on which the Group effectively obtains control over the subsidiary. Subsidiaries are excluded from consolidation on the date that control is lost.

Transactions with Group companies and unrealised gains or losses thereon, as well as balances held with Group companies, have been eliminated on consolidation. However, the unrealised losses have been considered as an indicator of impairment of the assets transferred.

The accounting policies of subsidiaries have been adapted to the Group's accounting policies for like transactions and events in similar circumstances.

The subsidiaries' annual accounts used in the consolidation process are for the same reporting date and same period as those of the Parent Company.

###### ***II. Business combination***

The Group applies the acquisition method for business combinations. The acquisition date is the date on which control of the acquiree is obtained.

The consideration given for a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

The consideration given excludes any payment that is not part of the exchange for the acquired business. Acquisition costs are recognised as an expense when incurred.

At the acquisition date the Group recognises the assets acquired and liabilities assumed at fair value. Non-controlling interests in the acquiree are recognised at the proportionate interest in the fair value of the net assets acquired. This criterion is applicable only for non-dominant holdings that grant present access to the economic benefits and the right to the proportionate share of the net assets of the acquired entity in the event of liquidation.

Except for lease and insurance contracts, the assets acquired, and liabilities assumed are classified and designated for subsequent measurement based on contractual agreements, economic terms, accounting and operating policies and any other conditions existing at the acquisition date.

The excess between the consideration paid, plus the value assigned to non-controlling interests, and the value of net assets acquired, and liabilities assumed, is recognised as goodwill. Any goodwill that arises is tested annually for impairment. Any shortfall, after evaluating the consideration paid, the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognised in profit or loss.

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### **III. Associates**

Associates are entities over which the Parent Company has significant influence and which are neither a subsidiary nor a joint venture. Generally, this capacity relates to the fact that it holds - directly or indirectly - 20% or more of the voting power of the investee.

The Group's investments in associates are accounted for in the consolidated annual accounts under the equity accounting method, from the date that the significant influence commences until the date that the influence ceases. The gains and losses resulting from transactions with an associate are eliminated to the extent of the Group's interest in the associate, less any impairment on the individual holdings.

When the cost of acquisition is higher than the share of the fair value of the identifiable net assets of the associate attributable to the Group at the acquisition date, the difference is recognised as goodwill which is included in the carrying amount of the investment. When the cost of acquisition is lower than the share in fair value of the identifiable net assets of the associate held by the Group at the acquisition date, the difference is taken to the income statement in the acquisition period.

If, as a result of losses incurred by an associate, the associate has an equity deficit, the investment should be presented in the Group's consolidated statement of financial position with a zero value, unless the Group is obliged to give it financial support.

Note 2.7.b of these 2018 consolidated annual accounts details the associates included in the consolidation perimeter, as well as related company information.

### **IV. Impairment**

The Group applies the criteria for impairment described in the accounting policy for financial instruments to determine whether additional impairment losses to those already recognised on the net investment in the associate, or on any other financial asset held as a result of applying the equity method, should be recognised.

The Group applies the criteria indicated in the accounting policy for financial instruments, including valuation adjustments for impairment to other financial instruments to which the equity method is not applied, including those that form part of the net investment in the associated entity.

Impairment is calculated by comparing the carrying amount of the net investment in the associate with its recoverable amount. The recoverable amount is the higher of value in use and fair value less costs to sell. Accordingly, value in use is calculated to the extent of the Group's interest in the present value of estimated cash flows from ordinary transactions and the income generated on final disposal of the associate.

Impairment losses are not allocated to goodwill or other assets implicit in the investment in associates arising from the application of the acquisition method. In subsequent years, value reversals of investments are recognised in results, insofar as there is an increase in recoverable value. Impairment losses are presented separately from the Group's share in the results of the associates.

### **V. Joint ventures**

Investments in joint ventures are accounted for using the equity method. This method involves incorporating the value of net assets and any goodwill corresponding to the interest in the joint venture under equity-accounted investees in the consolidated statement of financial position. The net profit/loss obtained each year corresponding to the percentage interest in joint ventures is reflected in the consolidated statement of profit and loss as share in profit/(loss) for the year of equity-accounted investees.

The distribution of dividends of joint ventures is recorded as a decrease in the value of the investments. Losses of joint ventures attributable to the Group are limited to the extent of its net investment, except where the Group has legal or constructive obligations or when payments have been made on behalf of the joint ventures.

### **VI. Non- controlling interests**

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### **VII. Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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### **VIII. Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **4.2 Foreign currency transactions, balances and flows**

Transactions in foreign currency are translated to the functional currency by applying the spot exchange rates between the functional currency and the foreign currency at the date on which the transaction is carried out.

Monetary assets and liabilities in foreign currencies have been translated to Euros by applying the exchange rate at the reporting date, while non-monetary assets and liabilities measured at historical cost are translated by applying the exchange rate used at the date on which the transaction occurred. Lastly, the translation to Euros of non-monetary assets at fair value was carried out by applying the exchange rate of the date on which asset was recognised.

In the consolidated statement of cash flow, flows from transactions in foreign currencies are translated to Euros by applying the exchange rate of the date on which the flows occurred.

Differences arising in the settlement of transactions in foreign currency and the translation to Euros of monetary assets and liabilities are recognised in the income statement. However, exchange differences arising in monetary items forming part of the net investment in foreign transactions are recognised as translation differences in other comprehensive income.

As at 31 December 2018 and 2017, there is no foreign currency transactions.

#### **4.3 Finance income and finance costs**

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the net gain or loss on financial assets at FVTPL;

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

#### **4.4 Borrowing costs**

The Group includes in the cost of intangible assets, property, plant and equipment, investment property and inventories that require a period of time in excess of one year to be ready for use, operation or sale, any finance costs related to specific or generic financing directly attributable to the acquisition, construction or production.

In so far as the specific financing obtained, the amount of interest to be capitalised is determined depending on the associated finance costs incurred during the year, less the returns obtained from the temporary investments made with funds. In those cases, in which the financing is temporarily not used to finance the assets under construction, the finance costs relating thereto are not capitalised. The amount of interest to be capitalised corresponding to the general non-trade financing is determined by applying an average weighted interest rate to the investment in progress, less the specifically financed part, with a limit of the total finance expenses accrued in the income statement.

The capitalisation of interest begins when interest is incurred in the costs relating to inventories and the necessary activities to prepare the assets or part thereof for their intended use or their sale is being carried out and ends when



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all or practically all the activities necessary to prepare the assets or part thereof for their intended use or sale have been completed. However, the capitalisation of interest is suspended during periods in which activities are interrupted, if such are significantly prolonged, except when the delay is necessary in order to ensure the asset is in suitable condition for operation or sale.

The capitalisation of interest is recognised through "Finance cost – on payables to third parties" in the income statement.

### 4.5 Intangible assets

As a general rule, intangible assets are initially carried at their acquisition price or production cost, and subsequently at cost less any accumulated amortisation and any accumulated impairment losses. These assets are amortised over their estimated useful life.

#### **Goodwill**

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary on the date of acquisition. Goodwill is tested annually for impairment and measured at cost less accumulated impairment. Gains and losses on the sale of an entity include the carrying amount of goodwill related to the entity sold.

#### **Computer software**

Computer software acquired and developed by the Group, including development costs of websites, are recognised to the extent that the conditions set out for development costs are met. Payouts for the development of a website for promotional purposes or to announce the Group's products or services are expensed when incurred. Maintenance costs of computer software are expensed when incurred.

#### **Patents, licenses, brands and similar**

The Group records in this account costs incurred in relation to the new image and brand.

#### **Amortisation**

Computer software and Patents, licenses, brands and similar are amortised on a straight-line basis, depending on their useful life, applying the following amortisation rates:

<b>Description</b>	<b>Years</b>	<b>Rate</b>
Patents, licenses, brands and similar	10	10%
Computer software	4	25%

The Group evaluates and determines the impairment allowances and the reversals of impairment losses of intangible assets in accordance with the criteria detailed in Note 4.8.

### 4.6 Property, plant and equipment

#### i) Initial recognition

Property, plant and equipment are recognised at cost or deemed cost, less accumulated depreciation and any accumulated impairment.

The cost of the assets includes the acquisition cost, less commercial discounts or rebates, any cost directly related to taking the asset to the location necessary for its intended use and establishing the necessary conditions therein for operation in the manner planned by the Directors, the initial estimate of dismantling or removal costs, in addition to restoration of the place where it is located, provided such obligations are incurred as a result of the use of such assets and for purposes other than the production of inventories.

Any gain or loss on the sale of items of property, plant and equipment (the difference between the proceeds and the carrying amount of the item) is recognised in the income statement.

#### ii) Subsequent costs

Subsequent costs are only capitalised when future economic benefits related to the expense are likely to accrue to the Group. Continuous repair and maintenance costs are expensed when incurred.

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#### iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over their useful life. For these purposes, the depreciable amount is the acquisition cost less the residual value.

Items depreciate from the date they are installed and ready for use.

Depreciation of assets is determined as follows:

Description	Rate
Buildings	2%
Plant and machinery	10%-33%
Other property, plant and equipment	20%-25%

The Group reviews the residual value, useful life and depreciation method of property, plant and equipment at the end of each reporting period. Any amendments to the initial criteria are recognised as a change in estimate.

The Group evaluates and determines losses and reversals of impairment of non-financial assets in accordance with the criteria described in Note 4.8.

#### 4.7 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation or both (including property under construction for such purposes) rather than for use in the production or supply of goods or services, or for administrative purposes or for sale in the ordinary course of business. Investment property is initially recognised at cost, including any transaction costs.

Rental income is recognised as detailed in Note 4.16.

Interest and other finance costs incurred during the construction period of rental property and accrued due to the specific financing received for such purpose is considered capitalized of the corresponding properties. During 2018 and 2017 no amount was recognised in this respect.

Investment property is subject to the same criteria of valuation, depreciation, estimation of respective useful lives and recognition of possible impairment losses that are applicable to Property, plant and equipment, as indicated in Note 4.8.

The Group reclassifies investment property to Property, plant and equipment when it begins to use the property in the production or supply of goods or services, or for administrative purposes.

The Group reclassifies investment property to inventories when it begins work to substantially change the property with the intention of selling it.

The Group reclassifies Property, plant and equipment to investment property when it ceases to use the property in the production or supply of goods or services, or for administrative purposes, and it is used to earn rent or capital gains, or both.

The Group reclassifies inventory to investment property when the property becomes part of an operating lease agreement.

#### 4.8 Impairment of non-financial assets

The Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indicator exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

Impairment losses are recognised in the income statement.

The recoverable amount is calculated for each individual asset or cash generating unit (CGU), unless the asset does not generate cash inflows that are largely independent of those of other assets or asset groups.

At the end of each reporting period, the Group determines whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses relating to goodwill are not reversible. Impairment losses on other assets are reversed only if there is a change in the estimates used to determine the recoverable amount of the asset.

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The reversal of an impairment loss is credited to the consolidated income statement. Nevertheless, the reversal of a loss may not increase the carrying amount of the asset above the carrying amount that it would have had, net of amortisation/depreciation, had the impairment not been recognised.

Once the valuation adjustment for impairment or reversal thereof has been recognised, amortisation/depreciation charges for the subsequent years are adjusted in accordance with the new carrying amount.

Nevertheless, if the specific circumstances of the assets make clear that there is an irreversible loss, it is recognised directly in the income statement, under losses on non-current assets.

### 4.9 Leases

#### (i) Lessor accounting

The Group has assigned the usage rights of properties as part of lease agreements.

Leases are classified as finance leases whenever the Group substantially transfers the risks and rewards incidental to ownership of the assets to a third party. All other leases are classified as operating leases.

#### *Operating leases*

Assets leased to third parties under operating leases are presented according to their nature after the application of the accounting principles detailed in Note 4.6 and 4.7 above (Property, plant and equipment and Investment property).

Income from operating lease payments, net of incentives granted, are recognised as revenue on a straight-line basis during the term of the lease, except where another systematic basis is more representative of the time pattern of the benefit from the use of the leased asset.

The incentives included in the operating leases, as well as the grace periods, must be recognised as a reduction of revenue throughout the lease period, distributed on a straight-line basis without prejudice to the amount resulting from applying the incentive. In any case, this shall begin to accrue when the Group hands over control of the asset, a circumstance which happens when the corresponding contracts are signed.

The initial direct costs of the lease include the carrying amount of the leased asset and are recognised as an expense throughout the period of the lease through the application of the same criteria as that used for the recognition of revenue.

#### (ii) Lessee accounting

The Group has been assigned the usage rights for specific assets as part of lease agreements.

Leases are classified as finance leases whenever all the risks and rewards incidental to ownership of the assets are transferred to the Group; otherwise, they are classified as operating leases.

#### *Operating leases*

Operating lease payments, net of incentives received, are recognised as an expense on a straight-line basis, except where another systematic basis is more representative of the time pattern of the benefits received from the leased asset.

### 4.10 Financial instruments

#### (i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (ii) Financial assets. Classification and subsequent measurement (policy applicable from 1 January 2018)

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Assessment whether contractual cash flows are solely payments of principal and interest: For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument.

Subsequent measurement and gain and losses policy from 1 January 2018:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) *Financial assets. Classification and subsequent measurement (policy applicable before 1 January 2018)*

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and

Loans and receivables comprise trade receivables and non-trade receivables with fixed or determinable payments that are not traded on an active market different to those classified in other categories of financial asset categories. These assets are initially recognised at their fair value including the transaction costs incurred and are subsequently recognised at amortised cost using the effective interest rate method.

Interest income and expenses are recognised using the effective interest rate method.

Dividend income from investments in equity instruments is recognised when the Group's right to receive the dividend arises. Distributed dividends are recognised as a reduction in the carrying amount of the investment when they are clearly derived from profits generated prior to the acquisition date as amounts higher than the profits generated by the investee since acquisition have been distributed.

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Subsequent measurement and gain and losses policy before 1 January 2018:

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

(iv) Financial liabilities. Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(v) Basis of offsetting

A financial asset and a financial liability are only off-set when the Group has a legally enforceable right to offset the recognised amounts and has the intention of liquidating the net amount or of realising the asset and settling the liability simultaneously.

(vi) Derecognition

Financial assets are derecognised when the rights to receive the related cash flows have expired or have been transferred, and the Group has substantially transferred the risks and rewards incidental to their ownership.

Full derecognition of a financial asset involves recognition of a gain/loss arising from the difference between its carrying amount and the total consideration received, net of transaction costs, including assets obtained or liabilities accepted, and any deferred gain or loss in recognised income and expense under equity.

A financial liability, or part of it, is derecognised when the Group either discharges the liability or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The Group recognises the difference between the carrying amount of the financial liability, or part thereof, cancelled or transferred to a third party and the consideration paid, including any asset transferred different to the cash or liability assumed, charged or credited to the income statement.

(vii) Impairment of financial assets

The Group recognizes in the income statements a value adjustment due to expected credit losses of the financial assets valued at amortized cost, fair value with changes in other comprehensive income, accounts receivable for financial leases, assets by agreement, loan commitments and financial guarantees.

For the financial assets appraised at fair value with changes in other comprehensive income, the expected credit loss is recognised in other comprehensive income and the fair value of the assets is not reduced.

The Group appraises at the end of each reporting period the value adjustment for an amount equal to the expected credit loss in the following twelve months, for the financial assets so that the credit risk has not significantly increased from the initial recognition or when it considers that the credit risk of a financial asset has significantly increased.

At the end of each reporting period, the Group appraises if the credit risk of an individually considered instrument or a group of instruments considered collectively has significantly increased since the initial recognition.

Under IAS 39, a financial asset or group of financial assets is impaired, and an impairment loss has occurred if objective evidence exists of impairment resulting from one or more events occurring after initial recognition of the asset, and if such 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.

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The Group recognises impairment losses on loans and receivables and debt instruments when a reduction or delay occurs in estimated future cash flows due to the insolvency of the debtor.

In the case of equity instruments, impairment exists when there is a lack of recoverability of the carrying value of the asset due to a prolonged or significant decline 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 measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows, excluding any future credit losses discounted at the asset's original effective interest rate. For variable rate financial assets, the effective interest rate for the valuation date is used in accordance with the contractual conditions.

Impairment losses are charged to the income statement and can be reversed in subsequent years if the decrease can be objectively related to an event subsequent to recognition. However, reversal of the loss is limited to the assets' amortised cost, if any, if the impairment loss had not been recognised.

#### (viii) Financial liabilities

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

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

#### (ix) Security deposits

Security deposits received as a result of the operating leases are measured using the same criteria as detailed for financial liabilities. The difference between the amount received and its fair value is recognised as a collection in advance which is taken to the income statement during the term of the lease.

Pursuant to legislation of the autonomous communities where the Group operates, the Group deposits rental bonds and securities deposits with those governmental offices which request such bonds/deposits to reasonably guarantee the return, where applicable, of the guarantees received from the lessees of the investment properties owned by the Group. These guarantees are measured according to the criteria for financial assets. The difference between the amount delivered and the fair value is recognised as an advanced collection which it is taken to the income statement during the term of the lease (during the period in which the service is rendered).

The advances to be applied over the long term are subject to discounting at the close of each financial period depending on the market interest rate at the time of its initial recognition. In the case of short-term guarantees, cash flows are not discounted if their effect is not significant.

#### 4.11 Shareholders distribution and common control transactions

A combination of entities or businesses under common control does not fall under the scope of IFRS 3 "Business combinations", as stated in paragraph 2 of the standard.

IFRIC 17 "Distribution of Non-cash Assets to Owners" does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution.

Additionally, as stated in paragraph 3 of IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", the company shall not apply this Interpretation to transactions in situations where the creditor is also a direct or indirect shareholder and is acting in its capacity as a direct or indirect existing shareholder.

Paragraph 10 of IAS 8, "Accounting policies, changes in accounting estimates and errors", states that "in the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgment in developing and applying an accounting policy".

Therefore, the Company's Directors have analyzed these transactions and conclude the following from an accounting perspective:

- In the accounting of acquisitions of subsidiaries among entities under common control, in case of consideration transferred in a monetary form, the Group applies fair value accounting based on the methodology of IFRS 3 as the acquirer is a separate entity in its own right and should not be confused with the economic group as a whole.
- Dividends, whether in cash or in kind, are recognized as a reduction in net worth at the time of approval at the General Shareholders' Meeting. The liability is recognized at the time of the dividends approval, valued

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at the fair value of the assets to be delivered. On the settlement date, the difference between the book value of the assets delivered at which they are recognized in the consolidated annual accounts under IFRS-EU at the transaction date, and the amount of the liability is recognized within reserves in the consolidated statement of changes in equity.

- In the accounting of demerger transactions, including distributions in kind, whether in the form of non-monetary assets, businesses or investments in other entities or groups that are made between entities under common control, the Group applies book value accounting.
- Capitalization of loans which shareholders granted to the Company through equity instruments is outside of IFRIC 19. Therefore, the Group selected as an accounting policy choice the derecognizing of the debt at book value, registering the equity instrument to be handed over at fair value and recognizing the difference between these amounts as a gain or loss in the income statement. The equity instruments issued should first be recognized and valued on the date in which the liability occurs. When valuing the newly issued equity instruments, the IFRS 13 "Fair value measurement" has been applied.

The acquisitions and disposals that do not give rise to a change of control shall be entered as equity operations in Other reserves, recognising neither loss nor gain in the income statement and not re-appraising the goodwill initially recognised. The difference between the compensation submitted or received and the decrease or increase in the Minority interests (non-controlling shares), respectively, is recognised in reserves.

Likewise, when control of a controlled company is lost, the assets, liabilities and minority interests (non-controlling interests) and other entries that may be recognised in Other accumulated comprehensive income of said company are cancelled from the consolidated statement of financial position, recording the fair value of the compensation received, and any remaining investment. The difference between these amounts is recognised in the consolidated income statement.

#### 4.12 Inventories

This heading of the statement of financial position includes the assets that the Group:

- Holds for sale in the ordinary course of business;
- Is in the process of construction or development for sale;
- Is expected to consume in the production process or in the rendering of services.

Consequently, Inventories include land and other property held for sale or for inclusion in a property development in the ordinary course of the business of the Group, and not for their appreciation or rental.

The Group uses the following criteria for measuring their inventories:

- Land and building lots acquired for disposal or for development are recognised at their acquisition price, which includes costs directly related to the purchase (registration costs, fees, costs of technical studies and designs prior to the acquisition of lots, etc.).
- The Group does not capitalise as an increase in the value of land and building lots any finance costs accrued on loans obtained to finance such purchases during the period between the acquisition date and the date the building licence is requested.
- Costs incurred in assets under development are recorded as "Property developments in progress". Such costs for each development include amounts corresponding to the building lot's acquisition price, urban development and construction costs, in addition to cost directly related to the development (studies and designs, licences, etc.) and finance costs accrued on specific financing obtained during construction.

Likewise, "Property development in progress of short cycle" are considered the accumulated costs of those developments for which the expected date of completion of the construction does not exceed 12 months.

Upon completion of each rental business, the Group transfers the cost of properties not yet sold from "Property developments in progress" to "Completed developments".

The Group recognises the appropriate write-downs and records them as an expense in the consolidated income statement when the net realisable value of inventories is lower than their acquisition cost (or production cost). Such net realisable value is based on valuations by an independent expert (see Note 16.6). In order to calculate the values of the different properties of the Group portfolio the valuation methods employed were the Discounted Cash Flow Method (DCF), the Comparison Method and the Dynamic Residual Method. Such studies were performed by "Savills Consultores Inmobiliarios" as of 31 December 2018 and 31 December 2017. Valuations were made based on the fair value in accordance with the definition adopted by the International Valuation Standards (IVS) and the Royal Institution of Chartered Surveyors (RICS).

Write-downs to net realisable value are recognised or reversed in the consolidated income statement. The Group records the impairment loss associated to land and plots in "Raw material and other consumables used" and the

impairment loss associated to completed developments and property developments in progress in "Changes in inventories of finished goods and work in progress".

Given the uncertainty associated with the hypothesis and in the future expectations used in the estimates of the recoverable values of the inventory, differences may arise between the projected and actual results, which may give rise their modification in the coming financial years, recording the accounting impact in prospective manner in the profit and loss account.

#### 4.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand and in demand deposits at banks. This also includes other short-term, highly liquid investments provided they can readily be converted to specific cash amounts and where the risk of change in value is insignificant.

Likewise, this heading includes the cash and banks received as customer advances and deposited in a special account separate from the rest of the Company funds which is allocated to covering the costs arising from the corresponding development.

#### 4.14 Provisions and contingencies

In preparing the consolidated annual accounts, the Directors of the Parent Company made a distinction between:

- a) Provisions: creditor balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources will be required to settle the obligation, which is uncertain as to its amount and/or timing.
- b) Contingent liabilities: possible obligations arising from past events, the materialisation of which will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the control of the Group.

The consolidated annual accounts include all the provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated annual accounts, but rather are disclosed in the notes, unless the possibility of an outflow is considered remote.

The amounts recognised in the consolidated statement of financial position for provisions are a best estimate at the reporting date of the payouts necessary to settle the current obligation, having taken account of the risks and uncertainties related to the provision and, when significant, the financial effect of the discount, provided the payouts to be made in each period can be reliably estimated. The discount rate is determined before tax, reflecting the time value of money and the specific risks not taken account of in future flows related to the provision at each reporting date.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Group is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

Provisions are reversed in the consolidated income statement when a cash outflow to settle the obligation is not probable.

#### Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

#### 4.15 Income taxes

Income tax benefit/(expense) includes the current tax payable and deferred tax liability.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that are in force or approved and pending publication at the reporting date.

Current and deferred tax is recognised as income or expense and included in the consolidated income statement, except to the extent that the tax arises from a transaction or event recognised, in the same or a different year, directly in equity, or from a business combination.



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Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

As at 31 December 2018, all Group companies less Celere Forum Barcelona S.L., Douro Atlántico, S.A. and Parquesoles Inversiones Inmobiliarias y Proyectos S.A. belong to a tax group and thus, the Parent Company files the relevant consolidated income tax return.

The income tax expense of companies filing a consolidated income tax return is determined on the basis of the following, in addition to the parameters to be considered for individual returns:

- Temporary and permanent differences arising from the elimination of results on intra-group transactions, arising from determining the consolidated tax base.
- Tax relief and tax credits that relate to each company of the tax group under the regime of consolidated tax returns; for these purposes, tax relief and tax credits are recognised by the company that carried out the activity or obtained the income necessary to obtain the right to receive the tax relief and tax credit.

Temporary differences arising from eliminations of results between companies of the tax group are recognised in the company that generated the result and are measured at the tax rate applicable to them.

Intercompany payables and receivables arise between Group companies relating to tax losses of Group companies that are off-set by other companies of the consolidated tax group. If a tax loss cannot be off-set by other companies in the consolidated tax group, tax credits for losses eligible for off-setting are recognised as deferred tax assets, with the tax group considered to be the taxpayer for purposes of recovery.

The Parent Company recognises the total benefit/(expense) for consolidated income tax with a charge/(credit) to accounts receivable from/(payable to) Group companies and associates.

The amount of the receivable/(payable) relating to subsidiaries is recorded with a credit/(charge) to accounts receivable from (payable to) Group companies and associates.

#### *(i) Recognition of deferred tax liabilities*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

#### *(ii) Recognition of deferred tax assets*

Each company recognises deferred tax assets, provided it is probable that sufficient future taxable profit will be available to off-set these assets or when the tax legislation contemplates the possibility of the future conversion of deferred tax assets into receivables from public administrations, except:

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Unless demonstrated otherwise, it is not considered probable that any of the companies shall have sufficient future taxable profit when it is expected that its future recovery shall occur within a period exceeding 10 years counted from the close of the current financial period, regardless of the nature of the deferred tax asset or in the case of credits deriving from deductions or other unused tax benefits due to insufficient taxable profit after performance of the activity or obtaining of the profit or loss giving entitlement to them, there is reasonable doubt regarding the fulfilment of the requirements to make them effective.

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Each company only recognises the deferred tax assets deriving from tax loss carryforwards, insofar as it is probable that there will be sufficient future taxable profit so that they may be off-set within a period not exceeding that established by the applicable tax legislation, with a maximum limit of 10 years, unless demonstrated that its recovery is probable within a longer period, when the tax legislation allows these to be off-set within a longer period or does not establish time limits for them to be off-set.

However, it is considered probable that each company has sufficient taxable profit to recover deferred tax assets, provided there are sufficient taxable temporary differences related to the same tax authority and the same taxpayer, the reversal of which is expected in the fiscal year in which deductible temporary differences are expected to reverse, or in years in which a tax loss arising from a deductible temporary difference may be off-set by prior or subsequent gains.

For the purposes of determining the future taxable profit, each company takes into account their tax planning opportunities, provided that it intends to avail itself of them or is likely to do so.

#### *(iii) Measurement of deferred tax assets and liabilities*

Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been substantially enacted and having reflected the tax consequences that would follow from the manner in which each company expects to recover or settle the carrying amount of its assets and liabilities. For such purposes, the Group considers the deduction for reversal of the temporary measures implemented in transitional provision thirty-seven of Income Tax Law 27/2014 of 27 November as an adjustment to the tax rate applicable to the deductible timing difference associated with the non-deductibility of the amortisation/depreciation charges made in 2013 and 2014.

The Group reviews the book value of deferred tax assets at the end of the year, in order to reduce said value to the extent that it is not probable that there will be sufficient future positive tax bases to offset them.

Deferred tax assets that do not meet the above conditions are not recognised in the consolidated statement of financial position. The Group reconsiders at the end of the year, if the conditions for recognising deferred tax assets that had previously not been recognized are met.

#### *(iv) Off-setting and classification*

The Group only off-sets deferred corporate income tax assets and liabilities where it has a legal right to do so and such assets and liabilities correspond to the same tax authority and to the same taxpayer, or to different taxpayers that intend to settle or realize current tax assets and liabilities for their net amount or to simultaneously realize the assets and settle the liabilities, in each of the future years in which significant deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax assets and liabilities are recognised in the statement of financial position under non-current assets or liabilities, irrespective of the expected date of realisation or settlement.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

#### **4.16 Revenue from contracts with customers**

Revenue from contracts with customers is recognised at the fair value of the consideration received or receivable. Discounts for early payment, volume or for other reasons, and interest included in the nominal amount of loans are recognised as a reduction of the revenues.

Nevertheless, the Group includes interest added to trade receivables falling due within one year and which do not have a contractual interest rate when the effect of not discounting the cash flows is not material.

The Group recognises property development sales and the related costs upon execution of the deed of sale, that is, when the properties have been handed over and the control thereto has been transferred.

However, the Group does not recognise income when there is a continued commitment of the same in sold properties, or when there are contingent clauses beyond the control of the Group, or when the terms determining payment do not provide sufficient evidence of the buyer's commitment to pay in full the amounts owed, which may indicate a failure to control.

The Group primarily promotes and sells residential homes. Income is recognised when the control of the homes is transferred. The homes generally do not have alternative uses for the Group, but there is no unconditional right of collection until the home is delivered to the customer, which infers that income is only recognised when the homes are delivered, which is when the property is legally transferred.

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With respect to customer advances, in application of IFRS 15, the Group considers that there is a significant financial component in these advances, so that the amount received is considered as the discounted price of the operation that takes into account the significant financial component. (see Note 2.1.a).

Before the adoption of IFRS 15, the Group presented these advances as customer advances in the consolidated statement of financial position and no interest was accrued on advances received in the short term.

#### **4.17 Non-current assets held for sale and discontinued operations**

##### *Non-current assets held for sale*

Non-current assets or disposal groups are classified as non-current assets held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. Non-current assets or disposal groups are classified as held for sale provided that they are available for sale in their present condition, subject to terms that are usual and customary for sales of such assets and that the transaction is highly probable.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less the costs of disposal and are not depreciated.

Impairment losses on initial classification and subsequent remeasurement of assets classified as held-for-sale are recognised under profit or loss from continuing operations in the consolidated income statement (consolidated statement of comprehensive income), unless it is a discontinued operation. Impairment losses on a cash generating unit (CGU) are allocated first to reduce the carrying amount of goodwill and then to reduce pro rata the carrying amounts of other assets in the unit.

A gain on increases in the fair value less costs of disposal (either due to remeasurement of fair value less costs of disposal or to impairment losses that occurred before classification of the asset as held-for-sale) is recognised in the income statement to the extent that it reverses any impairment of the asset.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

A non-current asset or disposal group, including subsidiaries and all or part of investments in associates and joint ventures acquired exclusively for resale or swap, is classified at the date of acquisition as held-for-sale if the transaction is expected to be realised within twelve months after the reporting date and the sale is considered highly probable within a short period after acquisition. On initial classification as held-for-sale, non-current assets are recognised at the lower of the carrying amount of the asset had it not been classified as held-for-sale and fair value less costs of disposal.

The Group measures a non-current asset that ceases to be classified as held-for-sale or to form part of a disposal group at the lower of the carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held-for-sale, and its recoverable amount at the date of reclassification. Any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held-for-sale is included in profit or loss from continuing operations or other comprehensive income.

##### *Discontinued operations*

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held-for-sale, and:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or part of a co-ordinated single plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The Group discloses the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement at fair value less disposal or distribution costs or on the disposal of the assets or disposal groups constituting the discontinued operation on the face of the consolidated income statement.

If the Group ceases to classify a component as a discontinued operation, the results previously disclosed as discontinued operations are reclassified to continuing operations for all years presented.

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The consolidated annual accounts for periods prior to the classification of a subsidiary, associate or joint venture as a discontinued operation are restated as if they had never been classified as such. As a result, the assets and liabilities of subsidiaries are presented according to their nature, and any amortisation, depreciation or revaluations that would have been recognised had they not been classified as disposal groups held for sale is recognised.

#### 4.18 Current remuneration to employees and termination benefits

The Group recognises the expected cost of current remuneration in the form of rights to remunerated leave that is accumulated over time as employees render services that entitle them to such leave. If leave is not cumulative, the expense is recognised when leave is taken.

Companies are obligated to compensate employees when terminating their employment, except in fair dismissals.

In the absence of foreseeable need for abnormal termination of employment and given that employees who retire or voluntarily terminate employment do not receive termination benefits, termination payments are expensed when approved in a formal plan to dismiss certain employees by Group management, and a valid expectation is caused in relation to the employees concerned that the employment relationship is going to be terminated.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be reliably estimated.

In the case of transactions that are settled with equity instruments, the services rendered as well as the increase in net equity will be valued at the fair value of the assigned instruments, referred to the date of the agreement. If, on the other side, they are settled in cash, the goods and services received and the corresponding liability are recognised at the fair value of the latter, referring to the date on which the requirements for recognition are met.

On 29 March 2017, the remuneration policy for the CEO and an incentive plan for the Group's Senior Management was approved. However, on 9 February 2018 the General Meeting of Company Shareholders approved a new remuneration policy for the Company on the basis of the dispositions of Article 249.4 *in fine* of the Capital Companies Act and rescinded that passed in 2017. Said remuneration policy regulated the remuneration of the Managing Director by reason of his position, likewise a bonus remuneration for the CEO and the Board of Directors.

As of the date of the contract, the incentive retribution was associated to the increase in value of the Group according to specific profitability targets and the following milestones: (i) a liquidity event or (ii) termination of Senior Management contracts after the established stay period.

The incentive retribution will be calculated with the initial value of the Group as of the date of the contract, and it will be determined by an independent expert when one of the milestones and certain specific profitability targets included in the contract are fulfilled. As of 31 December 2018 and 2017, the profitability targets and the milestones have not been reached.

As it was not executed before 31 December 2018, the plan is null and void. The new incentive plan is under discussion as at the date of preparation of these consolidated annual accounts, none of which were in force as at 31 December 2018.

#### 4.19 Classification of assets and liabilities as current and non-current

The Group distinguishes between current and non-current assets and liabilities in its consolidated statement of financial position. For these purposes, current assets and liabilities are those that meet the following criteria:

- Assets are classified as current when they are expected to be realised in, or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of being traded, they are expected to be realised within twelve months of the end of the reporting period or when they involve cash or cash equivalents, unless they are restricted from being exchanged or used to settle a liability for at least 12 months after the end of the reporting period.
- Liabilities are classified as current when they are expected to be settled within the Group's normal operating cycle, when they are held primarily for the purposes of being traded, they are due to be settled within twelve months of the end of the reporting period, or the Group does not have an unconditional right to defer settlement of the liability within 12 months following the end of the reporting period.
- Financial liabilities are classified as current when they are expected to be settled within twelve months of the end of the reporting period, even if the original term is for a period longer than 12 months, or in the event of a

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long-term refinancing or payment restructuring agreement that has expired following the reporting date and prior to the authorisation for issue of the annual accounts.

### Exchanges of property, plant and equipment and/or inventories (Barter)

An item of property, plant and equipment and/or inventories is considered to be acquired through an exchange when the item is received in exchange for non-monetary assets or a combination of non-monetary assets and monetary assets.

In exchange transactions with commercial substance, the item of property, plant and equipment and/or inventories received shall be measured at the fair value of the asset given up plus any monetary consideration given in exchange, unless clearer evidence of the fair value of the asset received is available, up to the limit of this value. Any measurement differences arising on derecognition of the item given in exchange shall be taken to the income statement.

An exchange is considered to have commercial substance when:

- The risk, timing and amount of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred; or
- The present value of the post-tax cash flows from the activities of the companies involved in the exchange changes as a result of the transaction.

In exchange transactions with no commercial substance, or where the fair value of the exchanged items can not be measured reliably, the property, plant and equipment and/or inventories received shall be measured at the carrying amount of the asset given up plus any monetary consideration given in exchange, up to the limit of the fair value, where available, of the asset received, if this were lower.

These criteria are equally applied to exchanges of buildable land for completed dwellings, measured at the fair value of the completed dwellings to be delivered in the future.

### 4.20 Cash flow statement

The following terms are used in the consolidated cash flow statement, which was prepared using the indirect method, with the meanings specified:

1. Cash flows: inflows and outflows of cash and cash equivalents; defined as highly liquid, short-term investments with low risk of experiencing significant fluctuations in their value.
2. Operating activities: the main revenue-producing activities of the Group that are not investing or financing activities.
3. Investing activities: the acquisition, disposal or holding 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 equity and borrowings and that are not operating activities.

### 4.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see Note 6).

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## 5. Earnings per share

### Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Parent Company shareholders (after tax and non-controlling interests) by the weighted average number of ordinary shares in circulation during the year, excluding the number of treasury shares held during the same period. Accordingly:

	2018		Total
	Continued operations	Discontinued operations	
Profit for the year attributable to Parent Company shareholders (thousands of Euros)	84,786	-	84,786
Weighted average ordinary shares in circulation (thousands of shares)	33,134	-	33,134
Basic earnings per share (Euros)	<u>2.56</u>	<u>-</u>	<u>2.56</u>

	2017		Total
	Continued operations	Discontinued operations	
Loss for the year attributable to Parent Company shareholders (thousands of Euros)	(134,893)	(526)	(135,419)
Weighted average ordinary shares in circulation (thousands of shares)	21,705	21,705	21,705
Basic earnings per share (Euros)	<u>(6.21)</u>	<u>(0.03)</u>	<u>(6.24)</u>

Weighted-average number of ordinary shares is calculated as follows:

<i>In thousands of shares</i>	2018	2017
Shares outstanding at 1 January	28,239	20,209
Effect of shares issued	4,895	1,496
Weighted average number of ordinary shares outstanding at 31 December	<u>33,134</u>	<u>21,705</u>

### Diluted earnings per share

Diluted earnings per share are established on a similar basis to basic earnings per share. However, the weighted average number of shares outstanding is increased by the number of shares outstanding for all the inherent diluting effects of potential ordinary shares.

## 6. Segment reporting

At the date of preparation of these consolidated annual accounts, there is only one segment, which is the residential development business.

The Parent Company does not make decisions or prepare discrete financial information separately for each branch of activity (development and legacy) and therefore there is only one operating segment.

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**7. Changes in the consolidation perimeter**

**7.1. Additions to the consolidation perimeter**

In 2018 the Group did not present any changes in the scope of consolidation.

Details of the net assets acquired, and goodwill recognised on business combinations during 2017 were as follows:

		In thousands of Euros			
Country	Consideration in cash	Deferred payment at fair value	Total purchase price	Fair value of identifiable net assets	
Via Celere	Spain	76,824	15,001	91,825	91,825
Maywood Invest, S.L.	Spain	12,110	-	12,110	12,110
		<b>88,934</b>	<b>15,001</b>	<b>103,935</b>	<b>103,935</b>

The Group recognised in the caption Other expenses in the consolidated income statement, Euros 950 thousand corresponding to transaction costs related to these acquisitions.

The cash outflow incurred to purchase these businesses, net of cash acquired, was as follows:

		In thousands of Euros		
Country	Consideration in cash	Cash and cash equivalents acquired	Outflow of cash on acquisition	
Via Celere	Spain	76,824	24,766	52,058
Maywood Invest, S.L.	Spain	12,110	31	12,079
		<b>88,934</b>	<b>24,797</b>	<b>64,137</b>

**7.1.1. Acquisition of Maywood Invest, S.L.**

On 24 February 2017, the Group, through the Parent Company, acquired 100% of the shares of Maywood Invest, S.L.U., a Spanish company specialised in residential development from a related party, Luxembourg company BPLP S.á.r.l. The acquisition was carried out between entities under common control, as these companies share the same controlling shareholder (Värde Partners).

Between the acquisition date and the reporting date, the acquired business generated consolidated losses for the Group of Euros 1,199 thousand.

If the acquisition had taken place on 1 January 2017, Group consolidated results for the twelve-month period ended as of 31 December 2017 would have decreased by Euros 100 thousand, and there would have been no effect on revenues for the year.

The total transaction price was Euros 12,110 thousand, fully paid in cash.

Details of the cost of the business combination, the fair value of the net assets acquired and goodwill on consolidation are as follows:

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	In thousands of Euros		
	Carrying amount of acquiree	Fair value adjustments	Fair value
Inventories (Note 16)	35,007	6,607	41,614
Trade and other receivables	4	-	4
Cash and cash equivalents	31	-	31
Deferred tax assets	-	312	312
<b>Assets</b>	<b>35,042</b>	<b>6,919</b>	<b>41,961</b>
Short term debt with financial institutions	(52)	-	(52)
Trade and other payables	(337)	-	(337)
Deferred tax liabilities (Note 22.2)	-	(2,221)	(2,221)
Long term debt with financial institutions	(28,266)	1,025	(27,241)
<b>Liabilities</b>	<b>(28,655)</b>	<b>(1,196)</b>	<b>(29,851)</b>
Identifiable net assets acquired	<b>6,387</b>	<b>5,723</b>	<b>12,110</b>
Cost of the business combination			12,110
Goodwill			-

The acquisition of the subsidiary Maywood Invest, S.L. had as an objective the incorporation to the portfolio of 14 urban land plots in different geographical locations in Spain (Barcelona, Seville, Pamplona, Malaga, Leon, Valencia, Tenerife, La Coruña and Zaragoza), with a total land area of 87,252 square meters and residential buildable area of 108,629 square meters.

The fair value of the main assets and liabilities at the date when control was taken was calculated as follows:

- Land bank: the fair value of these inventories was calculated by applying an income approach using discounted cash flow (DCF) methodology. All cash flows have been discounted at a weighted average cost of capital of 8.4% on a monthly basis. Every land plot has been analysed individually based on market criteria taking into account the potential income of the proposed development, the cost of completion, development and other related expenses.
- Long-term debt with financial institutions: projected cash flows have been discounted at 3.4% (2% spread as per loan terms and an additional spread of 1.4% based on the differential observed in bond issues of comparable companies).
- Deferred tax assets and deferred tax liabilities have been calculated on the negative and positive adjustments to assets' net book value and from negative adjustments to liabilities' net book value applying the corporate tax rate of 25%.

**7.1.2. Acquisition of Via Celere S.L.U., Via Celere 1, S.L.U., Via Celere 2, S.L.U., Via Celere Catalunya, S.L.U., Conspace S.L.U., Via Celere Gestión de Proyectos, S.L.U., Celere Forum Barcelona, S.L.U. and certain assets and liabilities of Via Agora, S.L.U. (hereinafter, the "Business combination Via Celere")**

On 29 March 2017, the Group, through the Parent Company, acquired certain assets and liabilities of Via Agora, S.L.U., including the 100% stakes in Via Celere, S.L.U., Via Celere 1, S.L.U., Via Celere 2, S.L.U., Via Celere Catalunya, S.L.U., Conspace, S.L.U., Via Celere Gestión de Proyectos, S.L.U. and a 50% share in Celere Forum Barcelona, S.L.U., representing jointly the totality of the residential developments business in Spain of the group headed by the company Via Agora, S.L.U., which after the acquisition is considered a related party.

Between the acquisition date and the reporting date, the acquired business generated revenues and profit for the Group of Euros 47,664 thousand and Euros 3,662 thousand.

If the acquisitions had taken place on 1 January 2017, Group consolidated revenues for the twelve-month period ended 31 December 2017 would have increased by Euros 16,717 thousand and the consolidated loss would have decreased by Euros 3,168 thousand (Euros 3,046 thousand for companies globally consolidated and Euros 122 thousand for those entities accounted for under the equity method).



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The purchase price was Euros 91,825 thousand and consisted of the following:

- A cash payment of Euros 76,824 thousand.
- A deferred payment of Euros 15,001 thousand payable to Via Agora S.L.U. by non-negotiable promissory notes no later than 15 December 2018 (see Notes 19 and 25).

Details of the cost of the business combination, the fair value of the net assets acquired and goodwill on consolidation were as follows:

	In thousands of Euros		
	Carrying amount of acquiree	Fair value adjustments	Fair value
Property, plant and equipment (Note 9)	3,184	-	3,184
Equity investments in associates (Note 15.1.a)	8,395	7,806	16,201
Other non-current assets	342	-	342
Inventories (Note 16)	147,920	20,937	168,857
Trade and other receivables	22,411	-	22,411
Other current assets	913	-	913
Deferred tax assets	11	19	30
Cash and cash equivalents	24,766	-	24,766
<b>Assets</b>	<b>207,942</b>	<b>28,762</b>	<b>236,704</b>
Loans and borrowings	(85,038)	-	(85,038)
Deferred tax liabilities (Note 22.2)	-	(7,444)	(7,444)
Provisions (Note 18)	(828)	-	(828)
Trade and other payables	(51,569)	-	(51,569)
<b>Liabilities</b>	<b>(137,435)</b>	<b>(7,444)</b>	<b>(144,879)</b>
Identifiable net assets acquired	<b>70,507</b>	<b>21,318</b>	<b>91,825</b>
Cost of the business combination, net of cash received			91,825
Goodwill			-

With this acquisition the Group expected to launch new developments, as well as to expand their portfolio of projects.

The fair value of the main assets and liabilities at the date control was taken was calculated by an independent expert as follows:

- Inventories: the fair value of residential assets recognised as inventories was calculated by applying different methods for different type of assets:
  - Land and plots: for the fair value of land the DCF method, the Sales Comparison method and the Residual Static method were employed.
  - Developments in progress: for the fair value of ongoing development projects the DCF method and the Sales Comparison method were applied.
  - Completed developments: for the fair value of the finished products the Sales Comparison method and the DCF method were employed.
- Equity-accounted investee: the fair value adjustment on the equity-accounted investee was calculated using the same methods as mentioned above for inventories as it relates to the residential asset belonging to Celere Forum Barcelona, S.L.U.
- Deferred tax assets and deferred tax liabilities have been calculated applying a tax rate of 25% to the residential assets' net book values adjustments (see Note 22.2).

The historical financial information of the acquired entities for the period from 1 January 2017 to each acquisition date were as follows

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01.01.2017 - 28.03.2017

01.01.2017 - 24.02.2017

	Thousands of Euros										
	Via Célere, S.L.U.	Via Célere 1, S.L.U.	Via Célere 2, S.L.U.	Via Célere Catalunya, S.L.U.	Via Célere Gestión de Proyectos, S.L.U.	Conspace, S.L.U.	AGGREGATE Via Célere	Inter-company elimination adjustments	Total Via Célere	MAYWOOD, S.L.	Total
Revenue	1,225	1	31	15,460	4,228	348	21,293	(4,576)	16,717	-	16,717
Sales	1,225	-	30	15,460	-	348	17,063	(348)	16,715	-	16,715
Services rendered	-	1	1	-	4,228	-	4,230	(4,228)	2	-	2
Other operating income	21	-	-	-	-	-	21	-	21	-	21
Changes in inventories of finished goods and work in progress	33,198	-	430	(10,434)	-	-	23,194	-	23,194	-	23,194
Raw materials and other consumables used	(33,947)	-	(232)	(3,610)	(3,610)	(206)	(37,995)	4,576	(33,419)	-	(33,419)
Raw materials and other consumables used	(29,222)	-	-	-	-	-	(29,222)	-	(29,222)	-	(29,222)
Work performed by other companies	(4,725)	-	(232)	-	(3,610)	(143)	(8,710)	4,576	(4,134)	-	(4,134)
Changes in warehouse inventory	-	-	-	-	-	(63)	(63)	-	(63)	-	(63)
Personnel expenses	-	-	-	-	(660)	(181)	(761)	-	(761)	-	(761)
Wages, salaries and similar	-	-	-	-	(430)	(131)	(561)	-	(561)	-	(561)
Employee benefits expense	-	-	-	-	(150)	(50)	(200)	-	(200)	-	(200)
Other operating costs	(346)	(2)	(364)	(193)	(49)	(68)	(1,022)	-	(1,022)	(46)	(1,068)
Depreciation and amortisation charge	(9)	-	(7)	(3)	(7)	(16)	(35)	-	(35)	-	(35)
OPERATING PROFIT/(LOSS)	142	(1)	(135)	4,830	(18)	(123)	4,695	-	4,695	(46)	4,649
Finance cost	(414)	(2)	(2)	(21)	-	-	(439)	-	(439)	(87)	(526)
On payables to third parties	(414)	(2)	(2)	(21)	-	-	(439)	-	(439)	(87)	(526)
Capitalisation of financial interests in assets	256	-	-	-	-	-	256	-	256	-	256
FINANCE INCOME	(158)	(2)	(2)	(21)	-	-	(183)	-	(183)	(87)	(270)
PROFIT/(LOSS) BEFORE TAX	(16)	(3)	(137)	4,809	(18)	(123)	4,512	-	4,512	(133)	4,379
Income tax	(215)	1	34	(1,202)	(168)	84	(1,466)	-	(1,466)	33	(1,433)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(231)	(2)	(103)	3,607	(186)	(39)	3,046	-	3,046	(100)	2,946
PROFIT/(LOSS) FOR THE PERIOD	(231)	(2)	(103)	3,607	(186)	(39)	3,046	-	3,046	(100)	2,946

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### 7.2. Disposals

On 28 December 2017, the Company's shareholders approved the distribution of the shares in Dospuntos Asset Management, S.L. one of the Group's wholly-owned subsidiaries. Dospuntos Asset Management, S.L.'s transactions represented the entire rental business of the Group (see Note 1). Management committed to a plan to distribute this business to its shareholders following a strategic decision to restructure its activities and place greater focus on the Group's key competencies, the residential business, according to methodology of IFRS 3 in the accounting of acquisition of subsidiaries among entities under common control (see Note 4). The distribution occurred on 29 December 2017.

The rental business was mainly comprised of rental assets with certain characteristics:

- Assets with a commercial and industrial nature for the purpose of rental; and
- Land and buildings under construction for the development of buildings with a commercial and industrial nature for the purpose of rental.

Its assets and liabilities were in Spain, Portugal and Argentina.

The corporate reorganization was carried out among entities under common control in several steps:

- Spin-off of the rental business to a newly-incorporated company, Dospuntos Asset Management, S.L., a wholly owned subsidiary of Via Celere Desarrollos Inmobiliarios, S.A. The spin-off was formalised by a public deed on 27 November 2017. It was formed by the segregated branch, assets and liabilities of Via Celere Desarrollos Inmobiliarios, S.A. and investment in the following subsidiaries: Inmoprado Laguna, S.L.U., Sofia 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., this last company including 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. with a net book value at the consolidation level at the date of the restructuring of Euros 158,621 thousand.
- On 22 December 2017, Via Celere Desarrollos Inmobiliarios, S.A. made a non-monetary contribution to Dospuntos Asset Management, S.L. of their wholly-owned stake in the following companies: Lardea, S.L.U., Udramar Inmobiliaria, S.L.U. and its associate "Antigua Rehabitalia, S.A.", Udrasol Inmobiliaria, S.L.U. and Douro Atlántico, S.L.U. A net carrying amount at the consolidation level of the assets and liabilities contributed at the date of the contribution amounted to Euros 10,058 thousand.
- On 22 December 2017, the Parent Company acquired from its subsidiary Parquesoles SGPS, S.A. the shares in Parquesoles Inmobiliaria y Proyectos – Investimentos Imobiliários, S.A. with a net book value at consolidation level at the acquisition date of Euros 20,577 thousand. At the same time, Parquesoles SGPS, S.A. acquired from Douro-Atlantico – Sociedade Imobiliária, S.A. its stake in Burgo Fundiários, S.A. with a net book value at the consolidation level at the acquisition date of Euros 14,611 thousand.

On 29 December 2017 (the settlement date) Via Celere Desarrollos Inmobiliarios, S.A. distributed to its shareholders as a share premium, the shares in Dospuntos Asset Management, S.L. At the date of transfer, the disposal group comprised assets and liabilities with a net carrying amount at the consolidation level of Euros 159,265 thousand (see table below). The fair value of the shares in Dospuntos Asset Management, S.L. was estimated based on an independent expert's appraisal report at Euros 173,031 thousand. The fair value was estimated using a valuation technique by applying income approach using the DCF methodology. All cash flows have been discounted at a weighted average cost of capital of 8.6%. The difference between the estimated fair value of the assets distributed and their carrying amount at the consolidation level of Euros 14,410 thousand was recognised in Retained earnings in the consolidated statement of changes in equity. The rental business was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss, consolidated income statement has been restated to show the discontinued operation separately from continuing operations.

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Results for the year from discontinued operations

	<u>Thousands of Euros</u>
Revenue	14,974
Changes in inventories of finished goods and work in progress	51,067
Raw materials and other consumables used	(51,166)
Raw materials and other consumables used	(51,103)
Work performed by other companies	(63)
Personnel expenses	(1,005)
Other expenses	(15,252)
Depreciation and amortisation charge (Note 8,9,10)	(5,409)
Impairment losses and gains on disposal of non-current assets (Note 10)	8,186
<b>OPERATING PROFIT</b>	<b>1,395</b>
Finance cost	(7,365)
Exchange differences	320
Impairment losses and gains/(losses) on disposal of financial instruments	4,521
<b>NET FINANCE COST</b>	<b>(2,524)</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>(1,129)</b>
Income tax	603
<b>PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS</b>	<b>(526)</b>
	<b>(30)</b>
Profit/(loss) attributable to non-controlling interests	(30)
Profit/(loss) attributable to Parent Company shareholders	(496)

Effect of distribution on the financial position of the Group

	<u>Thousands of Euros</u>
	<u>29.12.2017</u>
<b>Assets</b>	
Intangible assets (Note 8)	229
Property, plant and equipment (Note 9)	402
Investment property (Note 10)	258,244
Non-current investments in associates (see Note 15.1)	614
Non-current financial assets	1,024
Deferred tax assets	810
<b>Total non-current assets</b>	<b>261,323</b>
Inventories (Note 16)	89,638
Trade and other receivables	7,653
Current loans in associates	6,284
Current financial assets	395
Prepayments and accrued income	127
Cash and cash equivalents	9,524
<b>Total current assets</b>	<b>113,621</b>
<b>Total assets</b>	<b>374,944</b>
	2,553
Non-current provisions (see Note 18)	205,037
Non-current payables	121
Non-current payables to associates	395
Deferred tax liabilities	395
<b>Total non-current liabilities</b>	<b>208,106</b>
Current payables	5,867
Trade and other payables	1,403
Accrued expenses and deferred income	303
<b>Total current liabilities</b>	<b>7,573</b>
<b>Total liabilities</b>	<b>215,679</b>
<b>Net assets</b>	<b>159,265</b>

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**Cash flow from discontinued operations**

	Thousands of Euros
Net cash from / (used in) operating activities	8,748
Net cash from investing activities	45,978
Net cash (used in) / from financing activities	(46,738)
<b>Net cash flows for the year</b>	<b>7,988</b>

**7.3. Other Societary transactions**

In 2018 the Group did not present any changes in the scope of consolidation.

In 2017, two idle Group subsidiaries with no residential assets, Azac, S.A.U. and Altiplano Desarrollos Inmobiliarios, S.L.U., were liquidated. They were 100% owned by Via Celere Desarrollos Inmobiliarios, S.A. The capital gain resulting from the liquidation of the subsidiaries amounted to Euros 11,880 thousand and Euros 860 thousand, respectively. This amount was contributed to Dospuntos Asset Management, S.L. in the spin-off explained in Note 7.2. Additionally, on 23 March 2017, the Parent Company sold its ownership interest in Otoño, S.L. to the other shareholder (1,050 shares for Euros 100 thousand).

**8. Intangible assets**

Changes in intangible assets in 2018 and 2017 were as follows:

	Thousands of Euros				Total
	Transfert rights	Computer software	Patents, licenses, trademarks and similar	Goodwill	
<b>Cost</b>					
1 January 2017	68	712	312	5	1,097
Additions	-	70	-	-	70
Disposals	(68)	(274)	(114)	-	(456)
Disposals by change in consolidation perimeter (Note 7.2)	-	(350)	(129)	-	(479)
Transfers from property, plant and equipment (Note 9)	-	1	51	-	52
31 December 2017	-	159	120	5	284
1 January 2018	-	159	120	5	284
Additions	-	85	-	-	85
31 December 2018	-	244	120	5	369
<b>Amortisation</b>					
Accumulated at 1 January 2017	(68)	(521)	(185)	-	(774)
Amortisation charge	-	(94)	(25)	-	(119)
Amortisation charge spin-off companies	-	(6)	-	-	(6)
Disposals	68	268	114	-	450
Disposals by change in consolidation perimeter (Note 7.2)	-	247	3	-	250
Accumulated at 31 December 2017	-	(106)	(93)	-	(199)
Accumulated at 1 January 2018	-	(106)	(93)	-	(199)
Amortisation charge	-	(48)	-	-	(48)
Accumulated at 31 December 2018	-	(154)	(93)	-	(247)
<b>Net carrying amount at 31 December 2017</b>	-	53	27	5	85
<b>Net carrying amount at 31 December 2018</b>	-	90	27	5	122

The cost of fully amortised assets as at 31 December 2018 is Euros 33 thousand (Euros 8 thousand for 2017). During 2017, the Group derecognised most of the assets that were fully amortised.

Additions to Computer software relate entirely to the acquisition of new accounting and administrative software.

As at 31 December 2018 and 2017, there were no impairment indicators regarding the book value of the intangible assets.

For information on Goodwill, see Note 13.

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**9. Property, plant and equipment**

Changes in property, plant and equipment during 2018 and 2017 were as follows:

	Thousands of Euros				
	Land and Buildings	Plant and machinery	Other property plant and equipment	Work in progress	Total
<b>Cost</b>					
1 January 2017	329	1,254	2,117	-	3,700
Additions	-	25	310	-	335
Disposals	(73)	(123)	(791)	-	(987)
Additios by change in consolidation perimeter (Note 7.1.2)	2,978	206	-	-	3,184
Disposals by change in consolidation perimeter (Note 7.2)	(370)	(814)	(1,023)	-	(2,207)
Transfers	(28)	(49)	77	-	-
Transfers to intangible assets (Note 8)	-	(52)	-	-	(52)
31 December 2017	<u>2,836</u>	<u>447</u>	<u>690</u>	<u>-</u>	<u>3,973</u>
1 January 2018	2,836	447	690	-	3,973
Additions	-	6	269	217	492
Disposals	-	-	(13)	-	(13)
31 December 2018	<u>2,836</u>	<u>453</u>	<u>946</u>	<u>217</u>	<u>4,452</u>
<b>Amortisation</b>					
Accumulated at 1 January 2017	(26)	(1,066)	(2,029)	-	(3,121)
Depreciation charge for the year	(145)	(54)	(28)	-	(227)
Depreciation charge spin-off companies	-	(11)	-	-	(11)
Disposals	61	123	790	-	974
Disposals by change in consolidation perimeter (Note 7.2)	59	735	1,011	-	1,805
Transfers	28	49	(77)	-	-
Accumulated at 31 December 2017	<u>(23)</u>	<u>(224)</u>	<u>(333)</u>	<u>-</u>	<u>(580)</u>
Accumulated at 1 January 2018	(23)	(224)	(333)	-	(580)
Depreciation charge	(30)	(57)	(188)	-	(275)
Disposals	-	-	3	-	3
Accumulated at 31 December 2018	<u>(53)</u>	<u>(281)</u>	<u>(518)</u>	<u>-</u>	<u>(852)</u>
<b>Impairment</b>					
Accumulated at 1 January 2018	-	-	-	-	-
Impairment losses for the period	(54)	-	-	-	(54)
Accumulated at 31 December 2018	<u>(54)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54)</u>
<b>Net carrying amount at 31 December 2017</b>	<u>2,813</u>	<u>223</u>	<u>357</u>	<u>-</u>	<u>3,393</u>
<b>Net carrying amount at 31 December 2018</b>	<u>2,729</u>	<u>172</u>	<u>428</u>	<u>217</u>	<u>3,546</u>

The main additions for the year 2018 correspond to the construction in progress of various worksite huts necessary for the Group's different developments in progress for an amount of Euros 217 thousand, and the model units in the sales developments thereof for an amount of Euros 258 thousand. The main additions for the year 2017 corresponded to the headquarters of the Group located on Calle Carlos and Guillermo Fernandez Shaw in Madrid.

At 2018 year-end, Property, plant and equipment were derecognised for a net book value of Euros 10 thousand, giving rise to a gain of Euros 26 thousand (see Note 24.11).

The cost of the fully depreciated assets as at 31 December 2018 and 2017, was Euros 260 thousand and Euros 151 thousand, respectively. During 2017, the Group derecognised most of the assets that were fully amortised.

The Group has taken out insurance policies to cover the risks to which its Property, plant and equipment are exposed. Coverage under these policies is considered sufficient.

The Group has evaluated the existence of indications that could reveal the potential impairment of the assets composing the Property, plant and equipment at 31 December 2018, determining an impairment of Euros 54 thousand in land and buildings.

As at 31 December 2017 there were no impairment indicators regarding the book value of the Property, plant and equipment assets.

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## 10. Investment property

The changes in this heading in the consolidated statement of financial position in 2018 and 2017 were as follows:

	Thousands of Euros					Total
	Land	Buildings	Investment property in progress	Plant and real estate assets	Other investment property	
<b>Cost</b>						
1 January 2017	31	415,049	44,781	13,982	3,491	477,334
Disposals	-	(43,669)	-	(1,536)	(220)	(45,425)
Additions by chance in consolidation perimeter (Note 7.1)	-	116	-	-	-	116
Disposals by chance in consolidation perimeter (Note 7.2)	(31)	(370,356)	(44,781)	(12,446)	(3,271)	(430,885)
Translation differences disposals	-	93	-	-	-	93
Transfer to Held-for-sale (Note 11)	-	(1,117)	-	-	-	(1,117)
31 December 2017	-	116	-	-	-	116
1 January 2018	-	116	-	-	-	116
31 December 2018	-	116	-	-	-	116
<b>Depreciation</b>						
Accumulated at 1 January 2017	-	(57,807)	-	(12,318)	(3,426)	(73,551)
Depreciation charge	-	(40)	-	-	-	(40)
Depreciation charge spin-off companies	-	(5,392)	-	-	-	(5,392)
Reversals	-	7,136	-	1,247	168	8,551
Disposals by chance in consolidation perimeter (Note 7.2)	-	56,002	-	11,071	3,258	70,331
Translation differences disposals	-	(32)	-	-	-	(32)
Transfer to Held-for-sale (Note 11)	-	133	-	-	-	133
Accumulated at 31 December 2017	-	-	-	-	-	-
Accumulated at 1 January 2018	-	-	-	-	-	-
Depreciation charge	-	(2)	-	-	-	(2)
Accumulated at 31 December 2018	-	(2)	-	-	-	(2)
<b>Impairment</b>						
Accumulated at 1 January 2017	-	(70,181)	(32,129)	-	-	(102,310)
Disposals by chance in consolidation perimeter (Note 7.2)	-	70,181	32,129	-	-	102,310
Accumulated at 31 December 2017	-	-	-	-	-	-
<b>Net carrying amount at 31 December 2017</b>	-	116	-	-	-	116
<b>Net carrying amount at 31 December 2018</b>	-	114	-	-	-	114

As at 31 December 2018 and 2017, the investment property is a commercial place in Valdemoro amounting to Euros 114 thousand and Euros 116 thousand, respectively.

The main disposals for the year 2017 correspond to the contribution to Dospuntos Asset Management, S.L explained in Note 7.2.

## 11. Non-Current assets held for sale

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

At 31 December 2017, Euros 16,642 thousand were classified under the heading Non-Current Assets Held for Sale:

- Option to sell land located in Cortijo Norte for Euros 12,991 thousand. This option was exercised on 10 April 2018, giving rise to a loss of Euros 57 thousand (see Note 24.11).
- Euros 2,667 thousand from inventories due to the sale of "Edificio Paque das Nações" (Meridiano) (see Note 16) and Euro 984 thousand from one building and parking (see Note 10). This agreement has been settled in January 2018 without impact on the consolidated income statement for the year ended 2018.

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**12. Leases**

As at 31 December 2018 and 2017, according to the contract leases in force, the Group, as lessor, had agreed the following minimum lease payments, without factoring in service charges, future increases in the CPI or future contractual lease payment revisions:

	Thousands of Euros	
	2018	2017
Up to a year	1	16
Between 1-5 years	-	82
More than five years	-	144
	<u>1</u>	<u>242</u>

As at 31 December 2017, the main leased asset was Edificio Paque das Nações" (Meridiano), which was sold on January 2018 (see Note 11).

**13. Goodwill**

As at 31 December 2018 and 2017, Goodwill included goodwill derived from the Torok Investment, S.L. business combination for Euro 5 thousand.

**14. Equity-accounted investees**

Details of movements in equity-accounted investees in 2018 and 2017 are as follows:

	Thousands of Euros
	<u>Celere Forum Barcelona, S.L.</u>
<b>Balance at 31 December 2016</b>	-
Loss for 2017	(480)
Changes in the consolidation perimeter (Note 7.1.2)	16,202
<b>Balance at 31 December 2017</b>	<u>15,722</u>
Loss for 2018	(640)
Share premium refund AREO, S.A.R.	(1,600)
Share premium refund	(800)
<b>Balance at 31 December 2018</b>	<u>12,682</u>

Celere Forum Barcelona, S.L. is the only shareholding of the Group in associated companies.

As at 31 December 2018 and 2017, an equity-accounted investee Celere Forum Barcelona, S.L. (hereinafter, "Celere Forum") has been recognised derived from a joint venture (see Note 4.1). Celere Forum was acquired within the Via Celere business combination (see Note 7.1.2).

Celere Forum is a joint venture with AREO S.A.R. for the development of the project "Forum" in which the Group has joint control and a 50% ownership interest. This joint venture is structured as a separate vehicle and the Group has a residual interest in the net assets of Celere Forum.

In 2018 Celere Forum paid dividends charged to the share premium of Euros 800 thousand to the Parent Company, reducing the cost of the investment in the consolidated annual accounts. This amount corresponds to the contribution made by the shareholder to its investee to finance the acquisition of the property to be developed by the investee and, as agreed by the parties, it would be returned once 40% of the execution of the financed work has been reached and the presentation of 35% of the private contracts for the purchase and sale of the real estate units to be developed has been reached; a milestone which was reached before 31 December 2018..

In addition, Celere Forum paid dividends charged to the share premium of Euros 3,200 thousand to the other parent AREO S.A.R., generating a negative impact on the equity-accounted investee of the Group consolidated annual accounts amounting to Euros 1,600 thousand..



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Financial information as at 31 December 2018, is as follows:

Description	Thousands of Euros
	Célere Fórum Barcelona, S.L.
<b>Balance sheet information</b>	
Non-current assets	240
Current assets	63,240
Current liabilities	(53,728)
<b>Total net assets</b>	<b>9,752</b>
Percentage of participation	50%
Participation in net assets	4,876
Fair value adjustment (Note 7.1.2)	7,806
<b>Carrying value of the participation</b>	<b>12,682</b>
<b>Profit and Loss account information</b>	
Loss from continuing operations (100%)	(1,279)
<b>Total comprehensive income (50%)</b>	<b>(640)</b>

As at 31 December 2017, is as follows:

Description	Thousands of Euros
	Célere Fórum Barcelona, S.L.
<b>Balance sheet information</b>	
Non-current assets	251
Current assets	39,824
Non-current liabilities	(13,950)
Current liabilities	(10,293)
<b>Total net assets</b>	<b>15,832</b>
Percentage of participation	50%
Participation in net assets	7,916
Fair value adjustment	7,806
<b>Carrying value of the participation</b>	<b>15,722</b>
<b>Profit and Loss account information</b>	
Loss from continuing operations (100%)	(960)
<b>Total comprehensive income (50%)</b>	<b>(480)</b>

## 15. Financial assets

### Classification of financial assets by category

	Thousands of Euros			
	Non-current		Current	
	2018	2017	2018	2017
<b>Amortized Cost</b>				
Loans to associates (Note 25)	-	-	365	681
Financial assets	27,323	38,531	419	828
Trade receivables for sales and services	-	-	3,438	2,759
Receivables from Group companies and associates (Note 25)	-	-	121	-
Other accounts receivable	-	-	3,483	2,111
<b>Fair Value with change in Profit and Loss</b>				
Derivatives (Note 19.1.4)	26	99	-	-
	<b>27,349</b>	<b>38,630</b>	<b>7,826</b>	<b>6,379</b>

At both 31 December 2018 and 2017, the Board of Directors considered that the difference between the amortised cost and the fair value of these financial assets is not material.

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**15.1 Financial assets**

The detail of "Financial assets" as at 31 December 2018 and 2017 is as follows:

	Thousands of Euros			
	Non-current		Current	
	2018	2017	2018	2017
Loans to third parties	26,688	38,188	-	-
Deposits and guarantees	635	343	419	828
	<b>27,323</b>	<b>38,531</b>	<b>419</b>	<b>828</b>

"Loans to third parties" includes the purchase of non-performing loans secured by land. In the event of enforcement, the Group would acquire such security-backed lands. As of December 2018, the Group has three non-performing loans secured by land which were assigned to us by certain financial institutions under the terms described below.

1. On 21 March 2016, the Group entered into an assignment agreement with Bank of America Merrill Lynch Ltd., by means of which the Group was assigned a non-performing loan. This non-performing loan, which was acquired for approximately Euros 7,250 thousand (this loan represents an unpaid amount of Euros 21,675 thousand), was the result of a mortgage credit facility agreement entered into between Caufec, S.L. and Bank of America Merrill Lynch Ltd. Such loan is secured by a mortgage over a plot of land located in Espluges de Llobregat (Barcelona).
2. In addition, on 31 March 2016, the Group entered into an assignment agreement with Banco Popular Español, S.A., by means of which the Group was assigned a non-performing loan. This non-performing loan, which was acquired for approximately Euros 11,000 thousand (this loan represents an unpaid amount of Euros 23,108 thousand), was the result of a mortgage credit facility agreement entered into between Caufec, S.L. and Banco Popular Español, S.A. on 29 November 2001. Such loan is secured by a mortgage over a plot of land located in Espluges de Llobregat (Barcelona).
3. Lastly, on 13 December 2016, the Group entered into an assignment agreement with Caixabank, S.A. by means of which the Group was assigned two non-performing loans. One non-performing loan was the result of a mortgage loan agreement entered into between Caufec, S.L., and Caixabank, S.A. on 29 November 2001, and the other non-performing loan was the result of a mortgage loan agreement entered into between Sacresa Terrenos Promoción, S.L. and Barclays Bank, S.A. (now, Caixabank, S.A.), on 18 August 2008. Both non-performing loans were acquired for a total of approximately Euros 8,000 thousand (this loan represents an unpaid amount of Euros 11,867 thousand). Such loans are currently secured by mortgages over plots of land located in Espluges de Llobregat (Barcelona) and Alcorcón (Madrid), respectively.

As at 31 December 2018 the total value of all the land guaranteeing the abovementioned loans is higher than the total carrying amount.

On 14 December 2016, the Group entered into an assignment agreement with Royal Bank of Scotland PLC, by means of which the Group was assigned a non-performing loan. This non-performing loan was acquired for approximately Euros 11,500 thousand (as at 31 December 2017 this loan represented an unpaid amount of Euros 330,218 thousand) and was the result of a mortgage loan agreement entered into between Sacresa Terrenos Promoción, S.L. and Royal Bank of Scotland PLC on 27 March 2007. Such loan was secured by a mortgage over a plot of land located in Los Cerros (Madrid). On October 2018, the Parent Company executed the purchase of the asset indicated as a consequence of the extrajudicial mortgage foreclosure for a total amount of Euros 11,500 thousand (Note 16.1).

As at 31 December 2018 and 2017, "Deposits and guarantees" mainly relates to security deposits deposited by the Group with public institutions under rental contracts, where the repayment period was greater than twelve months.

**15.2 Trade and other receivables**

This heading in the consolidated statement of financial position includes the present value of the uncollected amounts of revenue arising from the Group's various activities and which are the basis of the operating profit.

The breakdown of "Trade and other receivables" is as follows:

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	Thousands of Euros	
	2018	2017
<b>Associates</b>		
Trade receivables (Note 25)	121	-
<b>Non-related parties</b>		
Customers	3,594	4,794
Other accounts receivable	3,483	2,111
Bad debt provision (Note 18)	(156)	(2,035)
	<u>7,042</u>	<u>4,870</u>

As at 31 December 2018, other accounts receivable include Euros 3,285 thousand pending receipt related to the sale of the land Cortijo Norte (see Note 11). As at February 2019, the Group has collected Euros 2,100 thousand in relation to this transaction. As at 31 December 2017, other accounts receivable included Euros 2,111 thousand pending receipt related to the convertible loans for a total of Euros 41,327 thousand (see Note 17.7). This amount has been collected in January 2018.

The Group considers that the carrying amount of trade and other receivables approximates their fair value.

The Group does not have a significant concentration of credit risk, with exposure spread over many counterparties and customers.

### 15.3 Cash and cash equivalents

"Cash and cash equivalents" includes the Group's cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is similar to their fair value.

The detail of this balance as at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Available cash	9,387	55,969
Restricted cash	46,849	44,077
	<u>56,236</u>	<u>100,046</u>

There were no restrictions on the use of the cash as at 31 December 2018 except for the fact that, as required under Spanish law 20/2015, down payment received in connection with residential developments must be deposited in a special account separate from the rest of the Group funds and may only be used to cover expenses deriving from the construction of the respective developments.

As at 31 December 2018, restricted cash includes pre-sales amounting to Euros 46,849 thousand. As at 31 December 2017, restricted cash includes pre-sales amounting to Euros 26,491 thousand and the cash received from a barter for an amount of Euros 17,586 thousand corresponding to a pledged account.

As at 31 December 2018, the available cash of subsidiaries integrated through equity method accounting is Euros 3,686 thousand (Euros 2,455 thousand as at 31 December 2017).

### 15.4 Use of derivative financial instruments

Virtually all transactions are performed in Euros, therefore, the financial risk to which the Group companies may be exposed is considered to be insignificant in the measurement of its assets, liabilities, and profit/(loss) for the year (see Note 19).

## 16. Inventories

The detail of the balances under this heading of the consolidated statements of financial position as at 31 December 2018 and 2017 is as follows:

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	Thousands of Euros	
	2018	2017
Raw Material	1,180	-
Land and plots	679,594	709,076
Property developments in progress	481,934	426,149
Completed developments	6,298	43,068
Advances to suppliers	9,315	13,146
Impairment	(502,697)	(574,491)
	<b>675,624</b>	<b>616,948</b>

As at 31 December 2018, the detail of the net book value of inventories by geographic area is as follows:

City	Thousands of Euros		
	2018		
	Cost	Impairment	Net Book Value
Madrid	475,238	(200,184)	275,054
Barcelona	24,903	(148)	24,755
Malaga	161,183	(46,969)	114,214
Seville	64,986	(5,005)	59,981
Valladolid	173,935	(111,275)	62,660
La Coruña	76,202	(44,288)	31,914
Balearic Islands	42,825	-	42,825
Portugal	43,343	(6,865)	36,478
Other	105,211	(86,747)	18,464
	<b>1,167,826</b>	<b>(501,481)</b>	<b>666,345</b>

*Note: The previous detail does not include advances to suppliers.*

As at 31 December 2017, the detail of the net book value of inventories by geographic area is as follows:

City	Thousands of Euros		
	2017		
	Cost	Impairment	Net Book Value
Madrid	412,628	(202,549)	210,079
Barcelona	69,988	(323)	69,665
Malaga	145,812	(60,852)	84,960
Seville	63,964	(8,092)	55,872
Valladolid	178,500	(119,558)	58,942
La Coruña	116,546	(69,705)	46,841
Balearic Islands	12,682	-	12,682
Portugal	50,255	(18,980)	31,275
Other	127,918	(93,216)	34,702
	<b>1,178,293</b>	<b>(573,275)</b>	<b>605,018</b>

*Note: The previous detail does not include advances to suppliers.*

The changes in inventories during 2018 and 2017 are as follows:

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Thousand of Euros						
	Inventories for resale	Raw material	Lands and plots	Completed developments	Property Developments in suppliers	Total
<b>Cost as at 1 January 2017</b>	4	-	773,997	64,236	190,271	1,054,987
Additions	-	-	97,977	1,067	91,753	202,135
Disposals	-	-	(1,783)	(70,743)	-	(97,213)
Additions by change in consolidation perimeter (Note 7.1)	-	-	43,332	6,108	161,015	210,471
Disposals by change in consolidation perimeter (Note 7.2)	(4)	-	(163,147)	(132)	-	(163,283)
Transfers	-	-	(28,309)	45,199	(16,890)	-
Transfers to held-for-sale (Note 11)	-	-	(12,991)	(2,667)	-	(15,658)
<b>Cost as at 31 December 2017</b>	-	-	709,076	43,068	426,149	1,191,439
IFRS 15 adjustment (Note 2.1.a)	-	-	-	-	1,468	1,468
<b>Adjustment cost as at 31 December 2017</b>	-	-	709,076	43,068	427,617	1,192,907
<b>Cost as at 1 January 2018</b>	-	-	709,076	43,068	427,617	1,192,907
Additions	-	1,180	53,765	-	122,648	181,705
Disposals	-	-	(13,281)	(175,067)	-	(196,291)
Transfers	-	-	(69,966)	138,297	(68,331)	-
<b>Cost as at 31 December 2018</b>	-	1,180	679,594	6,298	481,934	1,178,321
<b>Impairment losses</b>						
<b>as at 1 January 2017</b>	-	-	(433,228)	(9,198)	(110,879)	(579,208)
Charges	-	-	(118,563)	(25,045)	(27,436)	(171,044)
Reversals	-	-	34,356	15,923	27,150	102,116
Disposals by change in consolidation perimeter (Note 7.2)	-	-	73,601	44	-	73,645
Transfers	-	-	8,846	(3,610)	(5,236)	-
<b>Impairment losses</b>						
<b>as at 31 December 2017</b>	-	-	(434,988)	(21,886)	(116,401)	(574,491)
<b>Impairment losses</b>						
<b>as at 1 January 2018</b>	-	-	(434,988)	(21,886)	(116,401)	(574,491)
Charges	-	-	(12,061)	(321)	(2,192)	(14,574)
Reversals	-	-	26,724	45,439	14,205	86,368
Transfers	-	-	11,960	(24,729)	12,769	-
<b>Impairment losses</b>						
<b>as at 31 December 2018</b>	-	-	(408,365)	(1,497)	(91,619)	(502,697)
<b>Net carrying amount at 31 December 2017</b>	-	-	274,088	21,182	309,748	616,948
<b>Net carrying amount at 31 December 2018</b>	-	1,180	271,229	4,801	390,315	675,624

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The Group recognises short-cycle and long-cycle property developments in progress in "Developments in progress". In the same way, for "Short-cycle developments in progress" the accumulated costs of the developments are considered, for which the expected completion date of the construction does not exceed 12 months.

As at 31 December 2018 and 2017, the net book value of inventories divided by short-cycle and long-cycle, is as follows:

	Thousands of Euros	
	2018	2017
Short-cycle	210,286	82,994
Long-cycle	456,059	522,024
<b>Total current assets</b>	<b>746,624</b>	<b>744,835</b>
Debt related to stock financing (Long-cycle)	54,471	107,975
<b>Total current liabilities</b>	<b>378,812</b>	<b>485,191</b>

As at 31 December 2018, short-cycle corresponds, mainly, to the developments of Méndez Álvaro (Madrid), Franco Rodríguez (Madrid), Casa Forestier (Seville), Casa Banderas (Malaga and Residencial Barama (Malaga).

The Group capitalises the finance costs incurred in financing for the development of property inventories provided these are related to inventories which have a production cycle longer than one year. In 2018, finance costs of Euros 7,110 thousand were capitalised (Euros 2,048 as at 31 December 2017) (see Note 24.10). Additionally, in 2018, 3,702 thousand euros and 417 thousand euros corresponding to personnel expenses and external service expenses, respectively, were recorded as the highest value of developments in progress (see Note 24.2).

Reversals of impairment losses of developments during the year 2018 includes an amount of 4,224 thousand euros that has been recorded against other reserves.

On 9 January 2019, the Parent Company completed the acquisition and merger of the net assets of some components of Aelca Group (see Note 28). It should be noted that the assets acquired involve Euros 383,067 thousand relating to land and plots; Euros 193,097 thousand relating to Developments in progress; Euros 6,592 thousand euros relating to Developments completed; and Euros 353 thousand relating to Advances to suppliers.

### 16.1 Land and plots

The balance of this account corresponds to the acquisition price of land and plots which, as at 31 December 2018 and 2017 were classified as land being prepared for development or at the planning stage.

As at 31 December 2018 and 2017 the buildable surface area above ground of the Group's portfolio of land totalled 1,368,026 square meters and 869,654 square meters, respectively, with approximately 70% of the land classified as "fully permitted" development in both reporting periods.

The details of the Group's land by geographic area is as follows:

City	Total m2	
	2018	2017
Madrid	581,220	199,496
Malaga	140,671	103,397
Seville	187,699	185,661
Valladolid	105,847	104,170
Portugal	78,368	89,825
Others	274,221	187,105
	<b>1,368,026</b>	<b>869,654</b>

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The main items included under this heading are:

- Plots in Pozuelo de Alarcón, Guadarrama, Boadilla, Las Rozas, Getafe, Fuente El Saz and Solagua, Madrid;
- Plots in Aznalfarache, Dos Hermanas, Airport, Seville;
- Plot in Condomina, Murcia;
- Plot in Churriana, Jardinana, Malaga;
- Plots in Laderas Sur, Valladolid;
- Plot in Lastra, Leon;
- Land in Rua do Grijó and Quinta dos Moinhos, Porto, Portugal;
- Land in Oerias, Lisbon, Portugal;
- Land in Finestrelles, Barcelona;

The main movements that have been taking place in 2018 are:

- The acquisition of a plot in Campomanes (Las Rozas in Madrid) for Euros 1,900 thousand.
- The acquisition of a plot in Ibiza UA 14 for Euros 26,900 thousand.
- The execution of a purchase option of a plot maintained in Los Cerros (Madrid) for Euros 11,500 thousand (see Note 15.1)..
- Disposal relates to land sales for a net carrying amount of Euros 12,943 thousand. The most significant were the sale of Sevilla Este for Euros 5.167 thousand and Sevilla Aeropuerto for Euros 3,320 thousand.

The main movements that have been taking place in 2017 are:

- The additions amounted to Euros 97,977 thousand, mainly related to:
  - The acquisition of a commercial plot located in Barcelona (22@) in October. The acquisition price amounted to Euros 51,000 thousand. This plot was transferred to Dospuntos Asset Management, S.L. in November as part of the spin-off transaction.
  - The acquisition of a plot in Ibiza for Euros 12,322 thousand.
  - The acquisition of a plot in Seville Este for Euros 26,526 thousand.
- The additions corresponding to the integration of new companies (see Note 7.1) with a total cost amounting of Euros 43,332 thousand.
- Change in the consolidation perimeter due to the spin-off with a total to cost and an impairment amounting of Euros 163,147 and Euros 73,601 thousand, respectively.

As at 31 December 2018 and 2017, there are certain assets under "Land and plots" with a net cost of Euros 39,732 thousand and Euros 97,812 thousand, respectively, mortgaged to secure repayment of a number of bilateral bank loans, of which Euros 34,308 thousand and Euros 84,391 thousand, respectively, have been drawn down (see Note 19.1.3).

As at 31 December 2018 and 2017, no land or plots had been pledged to secure the syndicated loan.

### **16.2 Commitments to acquire lands and plots**

As at 31 December 2018 and 2017, the Group had signed purchase commitments or options on land and plots totalling Euros 44,135 thousand and Euros 71,100 thousand, respectively, having made prepayments of Euros 5,242 thousand and Euros 7,942 thousand, respectively. During 2017, "Advances to suppliers" that were totally provisioned have been written off as it was unlikely to recover the advances paid out.

In addition, during 2018 an advance to suppliers for an amount of Euros 2,857 thousand (Euros 3,396 thousand during 2017), has been registered relating to provisions delivered to notaries for land purchases.

As at 31 December 2018 and 2017, the main commitments to acquire lands and plots are:

- On 14 February 2017, the Group entered into a purchase option agreement with Iberia Líneas Aéreas de España, Sociedad Anónima Operadora, over several plots of land located on Carretera Camino de la Fuente, Madrid.

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- On 6 April 2017, the Group entered into a purchase option agreement with Resto HG, S.L. over several plots of land all part of UZ 2.4-03 "ARPO". Under this purchase agreement the Group was granted two purchase options.

#### 16.3 Completed developments

The cost of the unsold part of the following developments is recognised under the heading "Completed developments".

As at 31 December 2018, the geographical distribution of the main completed developments is as follows:

- **Madrid** (Adelfas development; Villaverde development; Rivas development; Valdebebas Gil development, Fernández Shaw development, Tres Cantos)
- **Barcelona** (Magoria residential development)
- **A Coruña** (Casa Vega residential development)
- **Valladolid** (La Joya 108 development; La Joya 109 development; Juan de Austria building; Paseo Jalón residential development)
- **Other provinces** (Viñadelmar residential development in Murcia)

As at 31 December 2017, the geographical distribution of the main completed developments is as follows:

- **Madrid** (Adelfas development; Nebulosas development; Rivas development; Arcones Gil development)
- **Malaga** (Babaco in Churriana residential development)
- **Valladolid** (La Joya 108 development; La Joya 109 development; Parquesur development, phase 1 and 2; Panama development, phase 2; Jardines de Jalon development; Jardines de Zorrilla development; Cuzco building; Corona building; Juan de Austria building; Alfonso X building; Paseo Jalon residential development)
- **Other provinces** (Arago, Barcelona; La Salle (San Pedro, Tarragona); Guadamarina I, San Roque, Sotogrande; Plaza de Compostela, Vigo, Pontevedra)

In 2018 disposals were recognised under "Completed developments" amounting to Euros 175,067 thousand (Euros 70,743 thousand in 2017), corresponding to the cost of the inventories delivered during the reporting period.

The main disposals in 2018 relate to the following developments: Magoria in Barcelona, Villaverde in Madrid and Casa Vega in La Coruña.

The main disposals in 2017 relate to the following developments: Arago in Barcelona, Adelfas and Rivas in Madrid. Additionally, the amount of Euros 12,991 thousand has been transferred to assets held for sale (see Note 11).

As at 31 December 2018 and 2017, there are certain residential assets recognised under "Completed developments" of the consolidated statement of financial position for a net cost of Euros 1,553 thousand and Euros 15,150 thousand, respectively, which are mortgaged to secure repayment of a number of bank loans with a drawn down balance as at said dates of Euros 2,270 thousand and Euros 21,629 thousand (see Note 19.1.3).

#### 16.4 Property developments in progress

The balance of this account as at 31 December 2018 and 2017 corresponds to the total costs incurred in the execution of the residential developments in progress, including the purchase cost of the land, up until said date.

As at 31 December 2018, the main items included under this heading are:

- Residential developments located at Las Rosas, Mostoles, Mendez Alvaro, Embajadores and Francos Rodriguez owned by the Group company "Via Celere, S.L.U."
- Residential developments located at the Antigua Fábrica de Tabacos in La Coruña M2 and M4, owned by the Group company "Udralar, S.L.U."
- Promociones Residencial Barama and Casa Banderas in Malaga, Casa de la Cierva in Getafe, Casa Ponce Leon and Ariza in Valladolid, Cortijo Norte, Solagua and Perales del Rio in Madrid, Casa Forestier in Seville and Ibiza UA14 owned by "Via Celere Desarrollos Inmobiliarios, S.A"

As at 31 December 2017, the main items included under this heading are:

- Residential developments located at Magoria in Barcelona; and Villaverde, Mostoles, Mendez Alvaro and Francos Rodriguez owned by the Group company "Via Celere, S.L.U."
- Residential developments located at the Antigua Fábrica de Tabacos in La Coruña M2 and M4 an M1, owned by the Group company "Udralar, S.L.U."



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- Promociones Residencial Barama and Casa Banderas, Malaga, Casa Ventura, Retamar Fase I and Casa Ponce Leon owned by "Via Celere Desarrollos Inmobiliarios, S.A"

Of the residential developments in progress as at 31 December 2018 and 2017, a number of them, recognised on said dates for a net cost of Euros 197,425 thousand and Euros 226,367 thousand respectively, are mortgaged to secure the repayment of the bilateral loans, the balances drawn down on said dates amounted to Euros 80,450 thousand and Euros 92,288 thousand (see Note 19.1.3).

#### **16.5 Commitments to sell residential developments in progress and constructed buildings**

The Group recognises the advanced amount under "Trade and other payables", in cash or in bills of exchange receivable, received from customers with whom said sale commitments have been formalised.

As at 31 December 2018 and 2017, the Group had signed contracts for the sale of residential developments in progress at said date, or constructed buildings, for the total amount of Euros 580,444 thousand and Euros 335,329 thousand, respectively. Of the total sale commitments as at 31 December 2018 and 2017 the Group had received advances paid on account for a total of Euros 92,909 thousand and Euros 57,777 thousand, respectively (see Note 19.2). As at 31 December 2017, within the balance of customer advances (Euros 57,777 thousand) two barter were collected for an amount of Euros 19,294 thousand (Euros 17,586 thousand corresponding to the land purchase of Magoria and Euros 1,708 thousand corresponding to the land purchase of Mostoles).

As is normal practice, virtually all the sales contracts are subject to indemnity clauses for the non-delivery of the homes, mostly the legal interest on the amounts delivered between the projected delivery date in the contract and the effective delivery date. The Group makes no estimate of the impact on these consolidated annual accounts due to their experience over recent years, as well as the fact that the projected delivery date in the contracts includes a margin of safety. In addition, presales generally include indemnities payable to the Group in the event of cancellation by the customer, although no amounts for this item are recognised until they are collected..

#### **16.6 Impairment of inventories**

The Group annually commissions studies from independent experts to determine the fair value of its inventories at year end. Such studies were performed by "Savills Consultores Inmobiliarios" as of 31 December 2018 and 31 December 2017. Valuations were made based on the fair value in accordance with the definition adopted by the International Valuation Standards (IVS) and the Royal Institution of Chartered Surveyors (RICS).

In order to calculate the values of the different properties of the Group portfolio the valuation methods employed were the Discounted Cash Flow Method (DCF), the Comparison Method and the Dynamic Residual Method.

The DCF, as defined by Savills, comprises analysing the development and its disposal upon completion, taking into account all the necessary costs to take the project to fruition (construction, architecture, urban planning and disposal cost) and recognising income as the sales are completed. This will result in a cash-flow that will be discounted as at the valuation date using the IRR, which reflects the level of risk the developer is willing to accept and the return that expects to obtain.

During 2018, the Group recognised an impairment loss of Euros 14,573 thousand (Euros 171,044 thousand in 2017) and the reversal of impairment of Euros 86,368 thousand (Euros 102,116 thousand in 2017), of which Euros 43,682 (Euros 3,516 thousand in 2017) related to units delivered in the year. The amounts were recognised to adjust the carrying amount of inventories to estimated realisable value not to exceed cost, determined based on valuations by Savills.

In turn, during the year 2017 a provision for impairment of advances to suppliers of 24,687 thousand euros was used.

Due to the spin-off of the rental business in 2017, inventories were removed from the consolidated statement of financial position which included an impairment of Euros 73,645 thousand.

As at 31 December 2018 and 2017, the overall fair value of the Group's inventories detailed in the above-mentioned studies amounted to Euros 905,041 thousand and Euros 764,140 thousand, respectively.

Main hypotheses included by Savills in the valuation are as follows:

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Sell price (€/m <sup>2</sup> )	Margin	Internal Rate of Return
957 - 6,571	1% - 49%	6% - 25%

Additionally, for 2018 the Group's Directors have performed several sensitivity analyses of the valuations:

- In the case of the discount rate, a sensitivity of +/- 100 basis points based on the different economic scenarios foreseen for the short and medium term has been set, as well as consideration of the rate of return which other property developers, with different characteristics than those of the Group, would demand.
- In the case of the sale price, sensitivity analyses of +/- 1%, +/-5% and +/- 10% were performed, although the Directors believe that increases or decreases of 10% on the valuation are unlikely.

This sensitivity exercise was performed assuming all other variables as constant.

Variations and the net book value of the stock would be affected as follows if variation of the key hypothesis is considered:

Assumption	Thousands of Euros	
	Discount rate	
	Increase/(decrease)	
	1%	(1%)
Market Value	881,607	929,940
Net Book Value	660,015	671,935

Assumption	Thousands of Euros					
	Sell price					
	Increase / (Decrease)					
	1%	(1%)	5%	(5%)	10%	(10%)
Market Value	921,274	888,026	985,786	820,154	1,066,114	736,969
Net Book Value	672,022	662,918	688,851	643,941	707,707	619,281

The impact that these sensitivities would have on the valuations conducted by the independent expert are as follows:

- A reduction of 100 basis points in the discount rate would lead to an increase in the valuation of Euros 24,899 thousand and an increase of 100 basis points would lead to a decrease in the valuation of Euros 23,434 thousand.
- A 1% reduction in the sale price would lead to a reduction in the valuation of Euros 17,015 thousand and an increase of 1% basis points would lead to an increase in the valuation of Euros 16,232 thousand.
- A 5% reduction in the sale price would lead to a reduction in the valuation of Euros 84,888 thousand and an increase of 5% basis points would lead to an increase in the valuation of Euros 80,745 thousand.
- A 10% reduction in the sale price would lead to a reduction in the valuation of Euros 168,073 thousand and an increase of 10% basis points would lead to an increase in the valuation of Euros 161,072 thousand.

Likewise, the discount rate associated to each project has been calculated through a sensitivity analysis of the same based on the status of each of the developments at that time. The discount rates applied shall vary depending on the development stage of the asset (land not yet developed, under construction, pre-sales or finished), ranging between 6% and 25% with a weighted average of 12.9%.

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

	Discount rate (%)
<b>TIR (%)</b>	<b>31.12.2018</b>
Work in progress	9.50%
Fully permitted	12.50%
Strategic land	15.50%
<b>TOTAL</b>	<b>12.9%</b>

#### **16.7 Inventories in litigation**

"Inventories" as at 31 December 2018 includes the amount of Euros 1,195 thousand (Euros 1,085 thousand as at 31 December 2017) relating to claims of customers based on eventual breaches of contractual obligations.

The Board of Directors and legal counsel of the Group consider that the resolution of the above-mentioned legal proceedings will not result in any material losses for the Group in addition to those already recognised in these consolidated annual accounts.

#### **16.8 Insurance policy**

The Group's policy is to arrange insurance policies to cover any possible risks to which virtually all of its inventories are exposed. The Board of Directors considers that the coverage of these policies is sufficient.

## **17. Equity**

### **17.1 Share capital**

On 29 March 2017, at the Company's General Shareholders' Meeting it was resolved to increase share capital by Euros 11,297 thousand, through the creation of 1,882,832 new shares with the same rights as the current shares at that date. The capital increase was carried out by means of a monetary capital increase executed in a public deed dated 22 June 2017 which was filed with the Madrid Companies Register.

On 28 December 2017, the Company's General Shareholders' Meeting resolved to increase share capital by Euros 36,882 thousand, through the creation of 6,147,042 new shares with the same rights as the current shares at that date. The capital increase was carried out with a debt-to-equity swap, the Convertible Loan Agreement equitized executed on 24 July 2017 was contributed by several of its shareholders and third parties that assigned its financial claims on this Convertible Loan Agreement to Bank of America Merrill Lynch International Limited. This capital increase was executed in a public deed on 29 December 2017 and registered on 1 February 2018.

On 23 February 2018, the Company's Annual General Meeting resolved to increase its share capital by Euros 22,158 thousand through the issue of 3,692,956 new shares with a par value of Euros 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 Euros 98,839 thousand. The increase in share capital was recognised at the fair value of the loans capitalised at that date (Euros 73,020 thousand) and the difference of Euros 25,819 thousand was recognised as a contribution from shareholders and is recognised as finance income in the income statement (see Note 19 and 24.13). 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 Meeting of Shareholders of the Company, it was resolved to increase its share capital by Euros 56 thousand through the issue of 9,280 new shares, each with a par value of Euros 6, 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 Annual General Meeting approved an increase in share capital by Euros 12,540 thousand 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.

As at 31 December 2018, the Parent's share capital of Euros 204,187,122 (Euros 169,432,986 as at 31 December 2017) was comprised of registered shares with a nominal value of Euros 6 each, fully subscribed and paid, each one authorised, subscribed and paid in, and not listed on any stock exchange, all with the same dividend and voting rights.

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After 31 December 2018 and before the date of preparing these consolidated annual accounts, as an integral part of the merger described in notes 1 and 28, the Parent's share capital has been increased by the issue of 31,746,987 new shares with the same nominal value.

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

Company	2018		2017	
	Number of shares	Percentage of ownership interest	Number of shares	Percentage of ownership interest
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 Aktiengesellschaft	97,877	0.29%	-	0.00%
JP Morgan Securities PLC	86,552	0.25%	70,921	0.25%
	<b>34,031,187</b>	<b>100.00%</b>	<b>28,238,831</b>	<b>100.00%</b>

At the General Shareholders Meeting of the Company held on 28 December 2017, it was unanimously agreed to distribute the share premium reserve in kind, which had the nature of a freely distributable reserve, for an amount of Euros 173,031 thousand, through the transfer of the shares of its wholly owned subsidiary Dospuntos Asset Management, S.L., and this was distributed among the Shareholders proportionally to their stake in the share capital of the Company (see Note 1).

The expenses incurred in the capitalizations are not significant and were recorded in the income statement.

The movement of the number of shares during the year was as follows:

Company	Number of shares at 31.12.2017	Capital increase (23.02.2018)	Capital increase (02.03.2018)	Transfer	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 Aktiengesellschaft	-	97,877	-	-	97,877
JP Morgan Securities PLC	70,921	9,280	6,351	-	86,552
Arvo Investimenti Holdings S.á.r.l.	-	1,329,464	-	(1,329,464)	-
	<b>28,238,831</b>	<b>3,702,236</b>	<b>2,090,120</b>	<b>-</b>	<b>34,031,187</b>

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Company	Number of shares at 31.12.2016	Transfer	Capital increase (29.03.2017)	Capital increase (28.12.2017)	Number of shares at 31.12.2017
Greencoat B.V	3,837,612	(1,045,390)	309,059	1,009,013	4,110,294
Maplesville Invest, S.L.U	10,356,309	471,690	1,019,010	3,296,433	15,143,442
Bank of America Merrill Lynch International	151,804	(165,947)	14,143	307,351	307,351
Merrill Lynch International	2,020,657	(996,067)	79,998	-	1,104,588
Barclays Bank PLC	299,135	743,634	27,870	121,406	1,192,045
JP Morgan Securities PLC	50,754	-	4,729	15,438	70,921
MELF B.V.	1,010,449	-	94,142	307,352	1,411,943
Trinity Investment Ltd.	2,482,237	992,080	333,881	1,090,049	4,898,247
	<b>20,208,957</b>	<b>-</b>	<b>1,882,832</b>	<b>6,147,042</b>	<b>28,238,831</b>

### 17.2 Share premium

The Spanish Corporations Law 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.

### 17.3 Legal reserve

Under the Spanish Companies Act 10% of profit for each year must be transferred to a 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 an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to off-set losses.

### 17.4 Restrictions on the distribution of dividends

As at 31 December 2018 and 2017, there is no restriction on the distribution of dividends except that the amount of total equity remaining following distribution of any dividend cannot be less than the amount of the share capital.

On the date of preparing these consolidated annual accounts, the Parent Company signed a senior syndicated finance agreement (see Note 28) which contains limitations to the distribution of dividends.

### 17.5 Translation differences

As at 31 December 2018 and 2017, there is no translation differences.

### 17.6 Treasury shares

As at 31 December 2018 and 2017, the Group did not hold any treasury shares, nor had it performed any treasury share transactions during the reporting periods.

### 17.7 Other equity instruments

On 24 July 2017, the Company entered into a profit participating loan amounting to Euros 150,000 thousand with its shareholders and Värde Investment Partners, L.P. The loan established a maturity date before 24 December 2017 and a mandatory conversion into capital clause to be fulfilled by the parties. The Company has converted the entire principal of the loan into ordinary Company shares (see Note 17.1).

On 21 December 2017, the Company entered into a loan agreement amounting to Euros 41,327 thousand with several of its shareholders (Maplesville Invest, S.L.U., Greencoat B.V, MELF, B.V, and Barclays Banck Plc.) and Värde Investment Partners, L.P. The disbursement of the Loan occurred on 29 December 2017, establishing as expiry date of the Loan that which should occur first, between (i) the date the borrower sends the conversion communication stipulated in section 3.1 of the loan agreement; or (ii) the first working day following the third month

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expired since the Loan agreement signing date, i.e. 28 February 2018. As indicated in section 13.1, on 2 March 2018, said Loan was converted into ordinary shares.

As at 31 December 2018, there is no other equity instruments.

On the date of preparing these annual accounts, a series of contributions of shareholders converted into share capital has occurred as an integral part of the merger process with the objective of being able to carry out said operation (See Note 28).

### 17.8 Capital management

The Group's capital management policies are designed to obtain a financial structure that optimises the cost of capital while maintaining a solid financial position. This policy enables the creation of value for shareholders while tapping into the financial markets on competitive terms to cover both debt financing and investment funding needs not met through internally generated cash flow.

## 18. Provisions and contingencies

The composition of the balance of these headings of the statement of financial position at the close of 2018 and 2017 is as follows:

	Thousands of Euros					Closing balance at 31 December 2018
	31 December 2017	Additions	Applications	Reversals	2018	
<b>Non-current provisions</b>						
Provisions for contingencies and charges	10,093	59	(621)	(708)		8,823
<b>Current provisions</b>						
Provision for bad debts (Note 15)	2,035	156	(2,035)	-		156
Operating provisions	3,812	300	(3,456)	(235)		421
	<b>15,940</b>	<b>515</b>	<b>(6,112)</b>	<b>(943)</b>		<b>9,400</b>

	Thousands of Euros						
	31 December 2016	Additions	Applications	Reversals	Disposals by change in consolidation perimeter (Note 7.2)	Additions by change in consolidation perimeter (Note 7.1)	Closing balance at 31 December 2017
<b>Non-current provisions</b>							
Provisions for contingencies and charges	5,951	7,900	(13)	(1,192)	(2,553)	-	10,093
<b>Current provisions</b>							
Provision for bad debts (Note 15)	4,351	-	(136)	-	(2,180)	-	2,035
Operating provisions	1	3,401	(418)	-	-	828	3,812
	<b>10,303</b>	<b>11,301</b>	<b>(567)</b>	<b>(1,192)</b>	<b>(4,733)</b>	<b>828</b>	<b>15,940</b>

As at 31 December 2018 and 2017, the provision for contingencies and charges corresponds mainly to contingencies that probably will arise from legal proceedings relating to the ordinary business of the Group. The outcome of these related contingencies depends on court proceedings.

Additionally, the Parent Company had granted two comfort letters to Antigua Rehabitalia S.A., a subsidiary of the Company until 29 December 2017, covering all of the two mortgage loans between Antigua Rehabitalia, S.A. and SAREB amounting to Euros 12,400 thousand secured by two plots owned by Antigua Rehabitalia, S.A. located in the Conil de la Frontera sector (Cadiz). At 31 December 2017, Antigua Rehabitalia, S.A. was in bankruptcy, therefore the Group recognised a provision of Euros 7,900 thousand relating to the difference between the guarantees provided and the estimated realisable value of the land. This provision has been maintained to date since there have been no updates on the matter.

In 2017 the Parent Company recognised a provision in respect of the accrual of municipal capital gains tax in relation to the following transactions:

- Sales for the month of December amounting to Euros 74 thousand; and
- Segregation of the branch of activity amounting to Euros 3,327 thousand.

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In the first half of 2018, the Company paid the settlements of the tax on the increase in value of urban land amounting to Euros 3,209 thousand arising from segregation, for which the related provision of Euros 3,209 thousand was applied.

As it has been described in Note 7.2 related to the structure and background of the consolidated management report of the Company, in December, Via Celere Desarrollos Inmobiliarios S.A. sole shareholder of Dospuntos Asset Management, S.L. approved the contribution to Dospuntos Asset Management, S.L.'s own resources the Company stake on Lardea, S.L.U., Douro Atlántico, S.L.U., Udramar Inmobiliaria, S.L.U. and Udrasol Inmobiliaria, S.L.U. and the Company transfer to Dospuntos Asset Management, S.L. the borrower or lender position on every credit with the referred subsidiaries.

Prior to this credits transfer, the Parent Company and Udramar Inmobiliaria, S.L. formalized a netting of the balance position between both companies. However, a certain amount of these balances were not liquid, due and payable at the date of the netting agreement, and the netting could potentially penalize third party rights. In this regard, in 2018 both companies agreed to cancel the related netting and transfer the balances separately to Dospuntos Asset Management, S.L. This transfer has no effect on Via Celere's consolidated annual accounts.

As additional information, the Apolo Arbitration dissolved the obligation of San Jose Desarrollos Inmobiliarios, S.A. (currently Via Celere Desarrollos Inmobiliarios, S.A.) to bear any cost of certain maintenance and repair works in Hotel Apolo Barcelona; this resolution was ratified and declared enforced by the court of first instance number 101 of Madrid. On January 2019, the court of first instance number 101 of Madrid has issued an attachment order for the amount claimed by Melia Hotels International, S.A. in such judicial proceeding. However, Dospuntos Asset Management, S.L., in accordance with the aforementioned commitment assumed by Dospuntos Asset Management, S.L., is managing the return in favour of Via Celere Desarrollos Inmobiliarios, S.A. of the amount seized in compliance with the said enforcement order; a return which took place on 21 March 2019.

### 19. Current and non-current liabilities and trade payables

Classification of financial liabilities by category is as follows:

	Thousands of Euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Bank borrowings	1,309	237,648	1,460	363,255
Payables to related parties and associates	-	142	-	15,001
Payable to employees	-	1,442	-	1,066
Payables to suppliers	-	41,196	-	38,712
Customer advances	-	92,909	-	57,777
Other financial liabilities	188	536	260	222
	<b>1,497</b>	<b>373,873</b>	<b>1,720</b>	<b>476,033</b>

On 29 March 2017, the Parent Company deferred a payment for the acquisition of Via Celere of Euros 15,001 thousand payable not later than 15 December 2018. (Note 7.1.2) and the payment was made on the agreed date.

As at December 2017, payable to suppliers included Euros 15,821 thousand as deferred land payment (Euros 7,500 thousand of Cortijo Norte and Euros 8,321 thousand of UA-San Francesc Ibiza). As at December 2018, there is no deferred land payments.

Borrowings are classified as "current" if they finance goods or assets also classified as "current" in the consolidated statement of financial position, irrespective of the date of effective repayment.

Additionally, the reconciliation of movements of liabilities to cash flows arising from financing activities, is as follows:

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	Thousands of Euros	
	Bank borrowings current and non current	Associates companies
Balance at 31 December 2017	364,715	15,001
<b>Changes from financing activities</b>		
Proceeds from related parties	-	(15,001)
Proceeds from bank borrowings	50,377	-
Repayment of bank borrowings	(76,508)	-
<b>Total changes from financing cash flows</b>	<b>(26,131)</b>	<b>(15,001)</b>
<b>Other changes</b>		
Interest expense	12,997	142
Interest paid	(12,997)	-
Change in fair value of financial instruments	(25,743)	-
Capitalisation of bilateral loans	(73,020)	-
Other changes	(864)	-
<b>Balance at 31 December 2018</b>	<b>238,957</b>	<b>142</b>

**19.1 Non-current and current payables**

**19.1.1 Bank borrowings**

The detail, in thousands of Euros, by maturity of the items include under current and non-current bank borrowings is as follows:

Instrument	Limit	Dispose short term		Dispose long term	Total drawn down	Maturity					Total
		Long cycle	Short cycle			2019	2020	2021	2022	2023 and rest	
Mortgage loans secured by inventories (see Note 19.1.3)	430,549	54,471	62,557	-	117,028	72,564	27,036	16,131	46	1,251	117,028
Credit lines	123,428	-	114,092	-	114,092	11,409	11,409	91,274	-	-	114,092
Accrued interests (Note 19.1.3)	-	509	369	-	878	878	-	-	-	-	878
Other loans	6,960	5,499	151	1,309	6,959	5,664	154	157	160	824	6,959
<b>Borrowing at 31/12/2018</b>	<b>560,937</b>	<b>60,479</b>	<b>177,169</b>	<b>1,309</b>	<b>238,957</b>	<b>90,515</b>	<b>38,599</b>	<b>107,562</b>	<b>206</b>	<b>2,075</b>	<b>238,957</b>

Instrument	Limit	Dispose short term		Dispose long term	Total drawn down	Maturity					Total
		Long cycle	Short cycle			2018	2019	2020	2021	2022 and rest	
Mortgage loans secured by inventories (see Note 19.1.3)	403,555	107,975	90,333	-	198,308	138,924	34,533	2,316	21,098	1,437	198,308
Credit lines	148,408	-	142,061	-	142,061	24,340	11,651	11,651	94,419	-	142,061
Accrued interests (Note 19.1.3)	-	4,225	4,880	-	9,105	9,105	-	-	-	-	9,105
Other loans	18,619	13,781	-	1,460	15,241	13,781	151	154	157	998	15,241
<b>Borrowing at 31/12/2017</b>	<b>570,582</b>	<b>125,981</b>	<b>237,274</b>	<b>1,460</b>	<b>364,715</b>	<b>186,150</b>	<b>46,335</b>	<b>14,121</b>	<b>115,674</b>	<b>2,435</b>	<b>364,715</b>

The total drawn down in 2018 and 2017 includes reducing this arrangement fees (commissions) figure by Euros 9,983 thousand and Euros 11,628 thousand, respectively, and increasing the interest by Euros 878 thousand and Euros 9,105 thousand, respectively.

See appendix 1 for more details of bank borrowings.

All of these loans have an interest rate based on Euribor plus a spread in line with market conditions.

As at December 2017, certain loans related to the companies acquired in the business combination described in Note 7.1.2, established the following clauses:

- (i) Reporting obligations to the lenders;
- (ii) acceleration of the loan triggered by, among other things, breach of payment obligations, false representation, insolvency, litigation and/or cross defaults; and
- (iii) limitations on use of the funds beyond the agreed purpose and activities, the creation of security over their assets, disposal in any manner of their assets or the initiation of any action related to insolvency proceedings. Notwithstanding the above, payment of dividends is not restricted under any of the loan agreements.

Under the loan agreement entered into between Caixabank, S.A. and our subsidiary, Via Celere, S.L.U. for an amount of Euros 48,500 thousand, the following events would trigger early repayment:

- (i) Transfer of our shares or the shares of our subsidiaries by any of our shareholders,
- (ii) a change of control regarding our management body; and



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- (iii) third parties acquire control, by means of a contract or other ways, over the management and the policies of the management body.

The events described under (i) and (ii) shall not accelerate maturity as long as they are previously notified to Caixabank, S.A., and on 20 February 2017, the Group received a waiver from Caixabank, S.A. acknowledging receipt of our notification and its approval.

Similarly, under the loan agreement entered into by Via Celere, S.L.U. and Bankinter on 24 January 2017 for an amount of Euros 13,700 thousand, a significant change in the corporate structure would constitute an early repayment event. On 21 February 2017, the Group received a waiver from Bankinter.

During 2018 given or due to for the merger operation and the financing agreement described in Note 28, the Parent Company and certain subsidiaries had requested waivers from the following financial and insurance entities: 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 agreements.

Considering these waivers, as of the date of these consolidated annual accounts, the Group complies with all covenants under the loan agreements.

During 2018, a 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 Euros 98,839 thousand (Note 17.1).

As at 31 December 2018 and 2017 the balance of credit lines comprises mainly a credit line for the purchase of land with a limit of 121 million euros, which was fully drawn down.

Additionally, debt of associates integrated by the equity method amounts to Euros 18,450 thousand as at 31 December 2018 and Euros 6,975 thousand as at 31 December 2017.

### 19.1.2 Mortgage loans secured by investment property

As at 31 December 2018 and 2017, the Group does not have any mortgage secured by investment property.

### 19.1.3 Mortgage loans secured by inventories

The “developer loans” amounting to Euros 82,710 thousand and “loan for land purchase” amounting to Euros 34,308 thousand as at 31 December 2018, are defined as mortgage loans secured by inventories for a total amount of Euros 117,028 thousand (see Note 16).

The entire amount of the financial debt liability related to “Inventories” is stated as part of current liabilities of the accompanying consolidated statement of financial position irrespective of the effective repayment date.

The breakdown of mortgage loans secured by inventories as at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
<b>Mortgage loans secured by property developments in progress</b>	<b>80,450</b>	<b>92,288</b>
Of the Parent (see Note 16.4)	28,316	25,059
Of the subsidiaries (see Note 16.4)	52,134	67,229
<b>Mortgage loans secured by completed developments</b>	<b>2,270</b>	<b>21,629</b>
Of the Parent (see Note 16.3)	-	19,971
Of the subsidiaries (see Note 16.3)	2,270	1,658
<b>Mortgage loans secured by land and plots</b>	<b>34,308</b>	<b>84,391</b>
Of the Parent	12,384	14,022
Of the subsidiaries	21,924	70,369
	<b>117,028</b>	<b>198,308</b>

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The main changes that took place in 2018 and 2017 in mortgage loans secured by inventories are related to the discharge of mortgage loans by the delivery of assets to secure loans in the amount of Euros 56,613 thousand (Euros 11,378 thousand in 2017), which results in financial income for the Group of Euros 621 thousand (Euros 5,859 thousand in 2017) (see Note 24.12).

Some development loan contracts state that the interest accrued shall be capitalized to the principal amount at each interest payment date. The cost of the fully paid assets as at 31 December 2018 and 2017 was Euros 2,405 thousand and Euros 8,159 thousand, respectively.

These mortgage loans accrue variable annual interest rates. In 2018, these rates fluctuated between 1.75% and 2.50% (0.15% and 4% in 2017)

#### 19.1.4 Derivative financial instruments

The Group has arranged over-the-counter (OTC) derivative financial instruments with Spanish and international banks with high credit ratings.

As a result of the transaction described in note 7.1.2 Business combination Via Celere, the Group has been subrogated to an interest rate cap (CAP) entered into by Via Agora on 22 April 2016. This CAP has the following features:

Financial Instruments	Maturity	Notional	Variable reference rate	CAP rate	Thousands of Euros
					Value at 31 December 2018 (Note 15)
CAP	22/04/2021	9,000,000	Euribor 12M	0%	26

This instrument entitles the holder to receive a positive settlement if the 12M Euribor established at the start of the quarterly calculation period is above the related CAP rate. Settlement is quarterly as the difference between the 12M Euribor and the CAP rate on the nominal amount of the transaction.

#### 19.2 Trade and other payables

"Trade and other payables" includes mainly the amounts outstanding for trade purchases and related costs.

The details of this heading are:

	Thousands of Euros	
	2018	2017
Current payables to suppliers	41,196	38,712
Payable to employees	1,442	1,066
Customer advances (Note 16.5)	92,909	57,777
	<b>135,547</b>	<b>97,555</b>

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**20. Average Supplier Payment Period. "Reporting Requirement", Third Additional Provision of Law 15/2010 of 5 July 2010"**

Details of payments to suppliers by Spanish consolidated companies are as follows:

	<b>Payments made and outstanding at the reporting date</b>	<b>Payments made and outstanding at the reporting date</b>
	<b>2018</b>	<b>2017</b>
	<b>Days</b>	<b>Days</b>
Average period of payment to suppliers	55	67
Ratio of paid transactions	58	59
Ratio of transactions pending payment	43	112
	<b>Amount</b>	<b>Amount</b>
	<b>(Euros)</b>	<b>(Euros)</b>
Total payments made	99,121,313	48,649,441
Total payments pending	32,486,260	15,107,285

In accordance with the Institution of Accounting and Auditing (ICAC) Resolution, the calculation of the average supplier payment period considered commercial transactions relating to the delivery of goods or the provision of services accrued since the entry into force of Law 31/2014, of 3 December.

Suppliers are defined, for the exclusive purposes of providing information set out in this Resolution as trade payables for debts with suppliers of goods or services, included in the line item of suppliers and other payables of the current liabilities on the consolidated statement of financial position.

The average period for payments to suppliers has been calculated, as stated in the ICAC Resolution of 29 January 2016, using the weighted average of the two ratios explained below:

- Ratio of paid transactions: Average payment period of transactions paid in 2018 weighted by the amount of each transaction.
- Ratio of transactions pending: Average payment period between the invoice end of the year weighted by the amount of each transaction.

**21. Financial risk management and fair value**

**21.1 Financial risk management**

**Risk management framework**

The Group's activities are exposed to credit risk, interest rate risk and liquidity risk. The Group's global risk management programme aims to reduce these risks through a variety of methods, including the use of financial instruments.

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

**21.2 Credit risk exposure**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group receivables from customers and investments in debt securities.

The Group is not exposed to significant credit risk since its customers and the institutions with which cash is deposited and derivatives arranged are highly solvent entities, for which the counterparty risk is not material.

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The Group's main financial assets are cash balances, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in respect of its financial assets, without considering any guarantees in place or other credit enhancements.

The Group's credit risk is mainly attributable to its trade receivables. Amounts are shown in the accompanying consolidated statement of financial position net of provisions for bad debts, estimated by Group's management on the basis of prior years' experience and their assessment of the prevailing economic situation. The Group has formal procedures for detecting objective evidence of impairment of trade receivables. Impairment of trade receivables as at 31 December 2018 amounts to Euros 156 thousand (Euros 2,035 thousand in 2017) (see Note 15.2). Trade receivables balances with no credit risk are not included in this provision at the end of 2018 and 2017.

The credit risk associated with liquid funds and financial derivatives is low as counterparties are banks which have been highly rated by international credit rating agencies.

The Group's credit risk is not significantly concentrated. Risk exposure is spread over a large number of customers.

The Group monitors and has specific procedures in place for the management of loans, establishing conditions for accepting orders, and performing periodic monitoring of the same.

#### 21.3 Interest rate risk exposure

This risk exposure is due to the variability of the future cash flows for debt arranged at variable interest rates (or with a short-term maturity) due to fluctuations in market interest rates.

The objective of the process to manage this risk is to mitigate the impact on borrowing costs of fluctuations in interest rates.

The Group analyses its interest rate risk exposure dynamically. In 2018 and 2017 all of the financial liabilities at variable interest rates were denominated in Euros.

The Group has carried out a sensitivity analysis in relation to possible fluctuations in the interest rates that may occur in the markets in which it operates, based on these requirements. Through the sensitivity analysis, taking as a reference the current amount of that financing with variable interest, we estimate the increase in interest that would exist in the event of a rise in reference interest rates.

- In case that the interest rates rise by 0.25%, the financial expense would increase in Euros 600 thousand.
- In case that the interest rates rise by 0.5%, the financial expense would increase in Euros 1,201 thousand.
- In case that the interest rates rise by 1%, the financial expense would increase in Euros 2,402 thousand.

#### 21.4 Exchange risk exposure

The Group has not carried out significant transactions in foreign currencies, and therefore is not exposed to exchange risk.

In 2018 and 2017 the Group did not perform any transactions hedging exchange rate risks.

#### 21.5 Liquidity risk exposure

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

Liquidity position for 2018 and 2017 is based on the following:

- Cash and cash equivalents of Euros 56,234 thousand as at 31 December 2018 (Euros 100,046 thousand in 2017).
- Undrawn credit facilities of Euros 2,398 thousand as at 31 December 2018 (Euros 1,223 thousand in 2017).
- Cash flows used in operating activities of continuing operations in 2018 amounting to Euros (20,277) thousand (cash flows from operating activities of continuing operations of Euros (158,146) thousand in 2017).

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The Group 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 Group 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.

**22. Tax matters**

Since 1 January 2016, the Company has been taxed on a consolidated basis for corporate income tax purposes as the head of the (Group 0258/16). The subsidiaries in the tax group are all the 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 subsidiaries, which were acquired by the Company in 2017 (see Note 2.7), have been included in the consolidation group.

As at 31 December 2018, fiscal consolidation group is as follows:

Tax Group	
2018	2017
<b>Parent</b> Vía Célere Desarrollos Inmobiliarios, S.A.	<b>Parent</b> Vía Célere Desarrollos Inmobiliarios, S.A.
<b>Subsidiaries</b> Copaga, S.A. Udralar, S.L.U. Udrasur Inmobiliaria, 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.	<b>Subsidiaries</b> Copaga, S.A. Udralar, S.L.U. Udrasur Inmobiliaria, S.L.U. Torok Investment 2015, S.L.U.

**22.1 Tax receivables and payables**

Details of tax receivables are as follows:

	Thousands of Euros	
	2018	2017
<b><u>Deferred tax assets</u></b>		
Deductible temporary differences	45,385	8,694
Credits in respect of loss carryforwards	25,704	360
	<b>71,089</b>	<b>9,054</b>
<b><u>Current:</u></b>		
VAT recoverable	2,952	3,568
Withholdings and payments on account	-	53
Current tax receivable	96	85
	<b>3,048</b>	<b>3,706</b>
<b>Total</b>	<b>74,137</b>	<b>12,760</b>

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Details of tax payables are as follows:

	Thousands of Euros	
	2018	2017
<b>Non-current:</b>		
Deferred tax liabilities	13,852	15,780
	<b>13,852</b>	<b>15,780</b>
<b>Current:</b>		
Income tax payable (VAT)	2,515	1,047
Income tax payable (CIT)	1,061	3,684
Social security payable	365	193
Other taxes payable	574	422
	<b>4,515</b>	<b>5,346</b>
<b>Total</b>	<b>18,367</b>	<b>21,126</b>

**22.2 Deferred tax assets and liabilities**

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

	Thousands of Euros			Balance at 31/12/2018
	Balance at 31/12/2017	Addition	Disposal	
Assets with tax value different from the accounting value	6,778		(1,264)	5,514
Reversal of 30% accounting depreciation costs	962	-	(101)	861
Non deductible finance costs	326	38,174	-	38,500
NOLs	359	25,345	-	25,704
Tax deductions	20	-	(20)	-
Others	223	-	-	223
Consolidation adjustments	386	-	(99)	287
<b>Total</b>	<b>9,054</b>	<b>63,519</b>	<b>(1,484)</b>	<b>71,089</b>

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

	Thousands of Euros			Balance at 31/12/2018
	Balance at 31/12/2017	Addition perimeter	Disposal (residential business)	
Revaluation of assets from prior reorganizations	9,197	234	(402)	9,029
Exemption for reinvestment tax credits	-	1,643	(52)	1,591
Consolidation adjustments	6,583	59	(3,410)	3,232
<b>Total</b>	<b>15,780</b>	<b>1,936</b>	<b>(3,864)</b>	<b>13,852</b>

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The deferred tax assets /liabilities of the group are related to the following concepts:

- **Non-deductible finance costs.** According to article 16 of the CIT Law, net finance costs are deductible up to 30% of the operating profit of the period and, in any event, net finance costs of Euros 1 million are deductible. This year, the Parent company has decided to recognize accounting a deferred tax asset corresponding to the finance cost not deductible in the previous years amounting to Euros 38,174 thousand, the Directors of the Company understand that at the end of 2018 it is reasonably assured that future tax benefits will be obtained that will allow deductibility of financial expenses not deducted in previous years.
- **Credits for loss carryforwards.** In the 2018 financial year, the Group 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 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 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 considering also the positive result obtained in 2018, the Group has made an estimate of the tax benefits that it expects to obtain in the next six years (period for which it considers that the estimates have sufficient reliability) according to the business plan prepared by the Directors of the Company for the period 2018-2023, recognizing deferred tax assets for the tax bases that it estimates it can set-off during these six years.

**Limitation of the accounting depreciation.** In 2013 and 2014, it only was tax deductible the 70% of the accounting depreciation expense and the other 30% of the expense was registered as a tax credit (deferred tax asset) that will reverse on straight-line basis over 10 years

To evaluate the recoverability of the deferred tax assets, the Group has also considered the valuation of the inventories at the end of 2018 made by Savills, which reflects a Gross Asset Value of same amounting to 905,041 thousand euros (see Note 16).

### 22.3 Reconciliation of accounting profit to taxable profit

The Corporate Income Tax basis is as follows:

	Thousands of Euros		
	2018		
	P&L statement	Reserves	Total
Consolidated profit of the current year	84,786	-	84,786
Corporate Income Tax	60,823	-	60,823
Profit before tax	23,963	-	23,963
Permanent differences	(26,350)	-	(26,350)
Temporary differences	6,776	-	6,776
Offset of negative tax bases	(4,209)	-	(4,209)
Consolidation adjustments	7,348	-	7,348
<b>CIT base</b>	<b>7,528</b>	<b>-</b>	<b>7,528</b>

	Thousands of Euros		
	2017		
	P&L statement	Reserves	Total
Consolidated loss of the current year	(135,449)	(639)	(135,449)
Corporate Income Tax	(11,437)	(213)	(11,437)
Continuing operations	(10,834)	(213)	(10,834)
Non-continuing operations	(603)	-	(603)
Profit before tax non - continuing operations (Note 7)	1,129	-	1,129
Loss before tax (continuing operations)	(145,757)	(852)	(145,757)
Permanent differences	82,479	-	82,479
Temporary differences	49,564	-	49,564
Proforma Adjustments Acquisitions IFRS-EU (Note 7)	4,379	-	4,379
<b>CIT base</b>	<b>(9,335)</b>	<b>-</b>	<b>(9,335)</b>

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In 2018, the principal permanent tax differences to the consolidated accounting result correspond to bilateral capitalisation (negative non-accounting sheet adjustment of Euros 25,819 thousand, see Note 13.1). According to article 17.2 LIS, "operations to increase capital or shareholders' 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 2017, the principal permanent tax differences to the consolidated accounting result correspond to non-deductible tax losses upon the spin-off of Dospuntos Asset Management, S.L. amounting to Euros 47,707 thousand, impairment of equity investments amounting to Euros 30,229 thousand, and impairment of the participating loans and ordinary loans of Via Celere Desarrollos Inmobiliarios, S.A. amounting to Euros 9,190.

In 2018, the principal timing tax differences to the consolidated accounting result are the following:

- Depreciation of certain elements of inventory which have an accounting value different from the tax value (Euros 1,610 thousand).
- Positive adjustment of Euros 5,807 thousand arising from the limitation on the deductibility of financial expenses, in accordance with Article 16 of the Corporate Income Tax Law.

The reconciliation of accounting profit to taxable profit for income tax purposes is as follows:

	Thousands of Euros		
	2018		
	P&L statement	Reserves	Total
Profit (loss) before tax	23,963	-	23,963
CIT at 25%	5,991	-	5,991
Permanent differences	(8,544)	-	(8,544)
Tax credits not recognized in previous years	(36,721)	-	(36,721)
Deferred tax assets not recognised in previous years	(25,344)	-	(25,344)
Tax credits used this year not recognized in previous years	(1,052)	-	(1,052)
Exemption due to the reinvestment of previous years' profits	1,644	-	1,644
Adjustments from previous years	379	-	379
Others	(17)	-	(17)
Assets with a fiscal value other than book value	1,008	-	1,008
Revaluation of assets from previous reorganizations	243	-	243
Deductions and credits relating to the current year	(247)	-	(247)
Consolidated adjustments	1,837	-	1,837
<b>Total consolidated income tax expense / (income)</b>	<b>(60,823)</b>	<b>-</b>	<b>(60,823)</b>



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	Thousands of Euros		
	2017		
	Cuenta de resultados	Reserves	Total
<b>Profit (loss) before tax (continuing operations)</b>	<b>(145,757)</b>	<b>(852)</b>	<b>(145,757)</b>
Proforma Adjustments Acquisitions IFRS-EU (Note 7)	4,379	-	4,379
Profit (loss) before tax non - continuing operations (Note 7)	(1,129)	-	(1,129)
<b>Profit (loss) before tax</b>	<b>(142,507)</b>	<b>(852)</b>	<b>(142,507)</b>
<b>CIT at 25%</b>	<b>(35,626)</b>	<b>(213)</b>	<b>(36,439)</b>
Permanent differences	23,656	-	23,656
Tax credits of the current year	(20)	-	(20)
Unregistered tax credits of the current year	8,321	-	8,321
Non-continuing operations CIT	(603)	-	(603)
Consolidated CIT	(7,447)	-	(7,447)
CIT quota of discontinued operations	282	-	282
<b>Total consolidated income tax expense / (income)</b>	<b>(11,437)</b>	<b>(213)</b>	<b>(11,650)</b>
Continuing operations	(10,834)	(213)	(11,047)
Non- continuing operations	(603)	-	(603)

The breakdown of "current and deferred CIT" as at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
<b>Current Tax</b>		
Current Tax of the year	3.138	(4.121)
Consolidation Adjustments	(3.503)	<b>2.716</b>
Adjustments from prior years	418	<b>642</b>
	<b>53</b>	<b>(763)</b>
<b>Deferred Tax</b>		
Origin and reversal timing differences	(60.533)	12.413
	<b>(60.533)</b>	<b>12.413</b>
<b>Continuing operations</b>	(60.480)	11.047
<b>Non-continuing operations</b>	-	603

#### 22.4 Tax deductions pending application

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 deductions pending application and applied in the year are as follows:

Year	Thousands of Euros	Description
2017	60	I+D deduction
2017	65	Donation deduction
2017	20	Reinvestment deduction
	<b>145</b>	

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Amount of tax credits generated and applied during 2018 is as follows:

Year	Thousands of Euros	Description
2018	82	Donation deduction
2018	20	Reinvestment deduction
	<b>102</b>	

At December 31, 2018 the Company has applied both the tax credits carry forward and the tax credits generated during the fiscal year 2018.

**22.5 Unused tax loss carryforwards**

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

(i) The Individual NOLs are the following:

Years	Thousands of euros									
	Via Célere Desarrollos Inmobiliarios S.A.	Copaga, S.L.U.	Udralar, S.L.U.	Udrasur Inmobiliaria, S.L.U.	Torok Investment 2015, S.L.U.	Maywood Invest, S.L.U.	Via Celere, S.L.	Via Celere 1, S.L.	Conspace, S.L.	Total
2003	-	-	-	1	-	-	-	-	-	1
2004	-	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-	-
2006	-	35	-	-	-	-	-	-	-	35
2007	-	1	-	-	-	-	-	-	-	1
2008	-	62	9,228	1	-	-	-	-	-	9,291
2009	1,848	23	1,813	1	-	-	-	-	-	3,685
2010	27,374	55	1,815	-	-	-	-	-	-	29,244
2011	44,313	111	2,014	-	-	-	-	-	-	46,438
2012	54,446	-	-	-	-	-	-	-	-	54,446
2013	133,580	25	9,613	-	-	1	-	-	-	143,219
2014	-	-	-	-	-	12	-	-	-	12
2015	160,436	-	50,466	13	-	793	-	-	-	211,708
2016	-	-	-	-	1,164	1,379	-	-	-	2,543
2017	-	-	-	-	-	1,765	3,028	72	250	5,115
<b>TOTAL</b>	<b>421,997</b>	<b>312</b>	<b>74,949</b>	<b>15</b>	<b>1,164</b>	<b>3,950</b>	<b>3,028</b>	<b>72</b>	<b>250</b>	<b>505,736</b>

(ii) The Tax group NOLs are the following:

Year	Thousands of Euros									
	Via Celere Desarrollos Inmobiliarios S.A.	Copaga, S.L.U.	Udralar, S.L.U.	Udrasur Inmobiliaria, S.L.U.	Torok Investment 2015, S.L.U.	Maywood Invest, S.L.U.	Via Celere, S.L.	Via Celere 2, S.L.	Via Celere Catalunya S.L.	Total
2017	24,836	1,299	-	332	337	-	-	-	-	26,804
<b>TOTAL</b>	<b>24,836</b>	<b>1,299</b>	<b>-</b>	<b>332</b>	<b>337</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,804</b>

The tax loss carryforwards of the Parent and its subsidiaries may be used in the future with no time limit, although they are subject to the quantitative limits set out in Royal Decree-Law 3/2016, of 2 December. As mentioned in section 2 of this note, during 2018 the Group proceeded to activate tax losses from previous years amounting to 101,376 thousand euros, considering that its recoverability is reasonably assured for the next six years.

**22.6 Restructuring operations**

From 1 January to 31 December 2018, no restructuring operation took place. However, in 2019 relevant transactions took place, as detailed in Note 28.

**Acquisitions of companies**

On 24 February 2017, Via Celere Desarrollos Inmobiliarios, S.A. acquired 100% of the equity of the Spanish company Maywood Invest, S.L., which owns land in a number of locations throughout Spain.

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On 29 March 2017, Via Celere Desarrollos Inmobiliarios, S.A. bought the real-estate business of the Via Agora group, comprising:

- (i) seven subsidiaries (Via Celere, S.L., Via Celere 1, S.L., Via Celere 2, S.L., Via Celere Gestion de Proyectos, S.L., Conspace, S.L., Via Celere Catalunya, S.L., and Celere Forum Barcelona, S.L.),
- (ii) the head offices (at C/Carlos y Guillermo Fernandez Shaw 1, Madrid).

On 22 December 2017, the Parent Company purchased and acquired from its subsidiary Parquesoles SGPS, S.A. the shares of Parquesoles Inmobiliaria y Proyectos –Inversiones Inmobiliarios, S.A. (see Note 1).

### **Liquidations of companies**

In 2017, two idle Group subsidiaries with no residential assets, Azac, S.A.U. and Altiplano Desarrollos Inmobiliarios, S.L.U (see Note 2.7), were liquidated.

### **Sales of subsidiaries**

On 23 March 2017, Via Celere Desarrollos Inmobiliarios, S.A. sold its ownership interest in Otoño, S.L. to the other shareholder (1,050 shares for Euros 100 thousand). (see Note 2.7).

On 22 December 2017, Parquesoles Portugal SGPS, S.A. purchased and acquired from Douro Atlantico, S.A. its stake in Burgo Fundiarios, S.A, all related companies.

### **Spin-off of the residential management activity of Via Celere Desarrollos Inmobiliarios, S.A.**

On 27 November 2017, the residential management activity of Via Celere Desarrollos Inmobiliarios, S.A. was spun-off to a newly created Spanish company, Dospuntos Asset Management, S.L, which was 100% owned by Via Celere Desarrollos Inmobiliarios, S.A. (see Note 2.7)

Through this spin-off, Dospuntos Asset Management, S.L received all of the assets and liabilities of the residential management activity of Via Celere Desarrollos Inmobiliarios, S.A., constituting an autonomous economic unit for VAT purposes. These assets and liabilities included all of its rental assets and commercial land, and its ownership interests 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 transaction was executed in a public deed on 27 November 2017. The properties, rights, assets and liabilities of this business activity were transferred at their carrying amount in Via Celere Desarrollos Inmobiliarios, S.A.'s statement of financial position.

The spin-off was carried out in accordance with the provisions set forth in the Law on Structural Modifications of corporate enterprises, number 3/2009, but not under the special regime for restructuring transactions established in Chapter VIII of Title VII of the LIS. Therefore, all income generated from this spin-off was subject to tax.

On 28 December 2017, the Parent Company approved the transfer to Dospuntos Asset Management, S.L. the wholly-owned stakes in Lardea, S.L., Douro Atlántico, S.L.U., Udramar Inmobiliaria, S.L. and Udrasol Inmobiliaria, S.L.

Subsequently, on the same date, Via Celere Desarrollos Inmobiliarios, S.A. transferred 100% of its ownership interest in Dospuntos Asset Management, S.L to its shareholders (on a pro rata basis to their percentage ownership interest in Via Celere Desarrollos Inmobiliarios, S.A.) through distribution of a reserve as a premium.

Through this transaction, Dospuntos Asset Management, S.L and its subsidiaries were spun-off from Via Celere Desarrollos Inmobiliarios, S.A. and established as a separate independent group but with the same shareholders.

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### 22.7 Years open to review and tax inspection

Currently, all the Group's resident companies are open to review for the following taxes:

<u>Tax</u>	<u>Years open for review</u>
Corporate Income Tax	2014-2018
Value Added Tax	2015-2018
Personal Income Tax - WHT	2015-2018
Capital Gains	2015-2018
Business Tax	2015-2018
Social Security	2015-2018
Non-Resident Income Tax	2015-2018

On March 8, 2019 Vía Célere Desarrollos Inmobiliarios, S.A., received from the Spanish Tax Authorities, Communication of the start of tax audits proceedings related to the following taxes and periods:

- Corporate Income Tax: 2013 y 2014
- Valued Added Tax :04/2014 to 06/2015.

Corporate income tax year 2018 will not be revisable until the corresponding tax return has been filed (July 2019).

However, the right of the tax authority to verify or review the tax loss carryforwards used, or pending utilization, double taxation deductions and deductions to encourage the performance of certain activities applied or to be applied, expires 10 years after the day following the last day of the period for filing the return or self-assessment for the tax period in which the right to set off or application is generated. After this period, the Group must document tax loss carryforwards or credits, by presenting the tax settlement, or self-assessment and accounting records, and providing proof that these have been filed with the Companies Register within the stipulated period.

The years open to review for other non-resident subsidiaries and companies not part of the tax consolidation group are the maximums established in the legislation of each jurisdiction.

On July 2017, notification was received of the start of inspections for the subsidiaries Via Celere, S.L. and Via Celere 2, S.L. for income tax (2013 and 2014), VAT (07/2013 to 12/2014) and withholdings (07/2013 to 12/2014). As of 31 December 2018, (14 and 13 hearings respectively) were held in which the duty of all taxpayers to cooperate with the tax administration was complied with, providing the documentation and information required.

On 1 September 2017, the Company received notification of the processing of claims and proposal for provisional liquidation, which resulted in a reduction in the tax losses and pending application deductions by the Company in its corporate income tax return for 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. Euros 259,713 thousand of consolidated tax loss reduction.
2. Euros 48 thousand reduction in double taxation tax credits.

Likewise, on 10 April 2018, the Board of Directors requested the Company to clarify the allocation of tax losses that were pending offset 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 consolidated corporate income tax self-assessment (model 220), recognising the rights that are questioned by the Board of Directors in the aforementioned procedure.

On 3 May 2018, the Board of Directors notified the positive resolution of the procedure for tax losses for fiscal year 2016. Therefore, once the tax loss declared by the Company in 2016 have been validated, the tax loss that were questioned in respect of 2015 are tacitly validated.

As a result of this procedure, no sanctioning proceedings 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 the balance sheet.

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### 23. Guarantee commitments to third parties and litigation

The Group has contingent liabilities for bank guarantees and other guarantees related to the normal course of business for an amount of Euros 216,180 thousand (Euros 60,016 thousand in 2017). The Parent's Directors consider that they will not give rise to additional liabilities to the Group.

### 24. Income and expense

#### 24.1 Revenue

The detail of the Group's revenue in 2018 and 2017, by type of product and geographical area is as follows:

	Spain		Portugal		Total	
	2018	2017	2018	2017	2018	2017
Revenue from sale of property developments	156,749	57,787	299	-	157,048	57,787
Revenue from property leases	15	9	-	-	15	9
	<b>156,764</b>	<b>57,796</b>	<b>299</b>	<b>-</b>	<b>157,063</b>	<b>57,796</b>

As stated in Note 6, following the spin-off of Dospuntos Asset Management, S.L. there is only one segment, which is the residential development business, with the results generated by those development assets (Development) and assets forming part of the Company's core business (i.e. finished products before the economic crisis and land plots non-strategic) being considered non-strategic (Legacy).

During 2018 and 2017, revenue corresponds to:

- the sale of property developments amounted to Euros 119,587 thousand (Euros 47,665 thousands as at 31 December 2017).
- the sale of land amounted to Euros 21,893 thousand.
- and sales of legacy assets were Euros 15,568 thousand as at 31 December 2018 (Euros 10,122 thousand as at 31 December 2017)

The remaining legacy assets in the Group as of 31 December 2018 amounts to Euros 1,911 thousand.

#### 24.2 Changes in inventories and procurements

The breakdown of the item "Changes in inventories of finished goods and work in progress" is the following:

	Thousands of Euros	
	2018	2017
Cost of goods sold	<b>(175,067)</b>	<b>(80,833)</b>
Cost of goods sold units delivered	(139,588)	(49,171)
Cost of goods sold legacy assets	(35,479)	(22,256)
Impairment of finished goods and work in progress	<b>52,907</b>	(9,406)
Changes in inventory of land and work in progress	<b>169,303</b>	<b>160,984</b>
Raw material capitalised	165,184	-
Other expenses capitalised	417	-
Personnel expenses capitalised	3,702	-
<b>Total</b>	<b>47,143</b>	<b>80,151</b>

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**24.3 Staff**

The average workforce of the Group in 2018 and 2017, by category, is as follow:

	<u>2018</u>	<u>2017</u>
General Management	5	5
Directors and department heads	59	49
Technicians	75	48
Commercial staff	20	17
Staff	43	31
Other	65	45
	<u>267</u>	<u>195</u>

At the year-end workforce distribution by gender and professional categories of the Group in 2018 and 2017, is as follows:

	<u>2018</u>		<u>2017</u>	
	Women	Men	Women	Men
General Management	3	2	3	2
Directors and department heads	25	44	19	35
Technicians	41	59	21	24
Commercial staff	20	6	15	7
Staff	38	26	22	13
Other	3	99	4	48
	<u>130</u>	<u>236</u>	<u>84</u>	<u>129</u>

The average workforce of the Group with a disability of 33% or more in 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
General Management	-	-
Directors and department heads	-	-
Technicians	1	2
Commercial staff	-	-
Staff	1	-
Other	1	-
	<u>3</u>	<u>2</u>

**24.3 Personal expenses**

The breakdown is as follows:

	<u>Thousands of Euros</u>	
	<u>2018</u>	<u>2017</u>
Wages, salaries and similar	(11,680)	(7,567)
Employee benefits expense	(3,073)	(1,970)
Severance payments/indemnities	(569)	(1,353)
<b>Total</b>	<u>(15,322)</u>	<u>(10,890)</u>

For the year ended 31 December 2018, personnel expenses amounted to Euros 15,322 thousand of which Euros 1,242 thousand relates to internal commercial staff (Euros 879 thousand as at 31 December 2017) (this amount is properly allocated in Contribution Margin).

Personal Expenses capitalised as "Property developments in progress" as of 31 December 2018 amounts Euros 3,702 thousand (see Note 24.2).

**24.4 Audit Fees**

The auditor of the Group's annual accounts invoiced the following fees and expenses for professional services in the years ended on 31 December of 2018 and 2017, respectively:

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	<b>Thousands of Euros</b>	
	<b>2018</b>	<b>2017</b>
Audit services	787	800
Other services	9	86
<b>Total</b>	<b>796</b>	<b>886</b>

The amounts shown in the above table include all fees for services performed in 2018 and 2017, irrespective of the invoice date.

Other firms belonging to KPMG International also invoiced the Group fees for professional services during the years ended 31 December 2018 and 2017, as detailed below:

	<b>Thousands of Euros</b>	
	<b>2018</b>	<b>2017</b>
Audit services	14	14
<b>Total</b>	<b>14</b>	<b>14</b>

### 24.5 Other expenses

The breakdown is as follows:

	<b>Thousands of Euros</b>	
	<b>2018</b>	<b>2017</b>
External services	(15,640)	(10,473)
Tributes	(3,719)	(3,876)
Other	(1,393)	(1,835)
<b>Total</b>	<b>(20,752)</b>	<b>(16,184)</b>

During 2018, the Parent company has incurred in professional services expenses (auditors, legal consultant, legal advisory, etc.) of Euros 7,495 thousand (Euros 7,938 thousand as at 2017). The professional services include Euros 1,200 thousand relating to an Initial Public Offering (Euros 680 thousand as at 2017) and include Euros 1,485 thousand relating to reversal of Initial Public Offering expenses capitalised on the current assets due to the low probability of the success. This amount has been registered in "Other expenses".

Additionally, for the year ended 31 December 2018, external services caption includes Euros 1,256 thousand of sales and marketing expenses (Euros 1,205 thousand as at 31 December 2017).

External service expenses capitalised as "Developments in progress" as of 31 December 2018 amount to 417 thousand euros (see Note 24.2)

### 24.6 Compensation in kind

As at 31 December 2018 and 2017 there were no significant remunerations of this nature.

### 24.7 Leases

#### *Operating leases*

As at 31 December 2018, the Group held leases for the offices in Valladolid, Barcelona and Madrid.

Additionally, external services include Euros 862 thousand as at 31 December 2018 (Euros 690 thousand as at 31 December 2017) corresponding to leases.

The commitments acquired regarding future minimum lease payments for the forthcoming five years amount to Euros 2,046 thousand as at 31 December 2018 (Euros 406 thousand in 2017).

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The breakdown is as follows:

	Thousands of Euros
	<u>2018</u>
Up to a year	409
Between 1-5 years	1,637
More than five years	-
	<u><u>2,046</u></u>

**24.8 Finance income**

The detail of this heading in the consolidated income statement is as follows:

	Thousands of Euros	
	<u>2018</u>	<u>2017</u>
From marketable securities and other financial instruments	386	284
	<u><u>386</u></u>	<u><u>284</u></u>

**24.9 Finance cost**

The breakdown is as follows:

	Thousands of Euros	
	<u>2018</u>	<u>2017</u>
Interest accrued with associates (Note 25)	(56)	(43)
Finance cost capitalised (Note 16)	7,110	2,048
Debt interest	(12,941)	(12,861)
Interest arising from revenue contracts	(2,197)	-
<b>Total</b>	<u><u>(8,084)</u></u>	<u><u>(10,856)</u></u>

**24.10 Impairment losses and gains/(losses) on disposal of non-current assets**

The detail of these gains/(losses) is as follows:

	Thousands of Euros	
	<u>2018</u>	<u>2017</u>
Gains/(losses) on disposal of property, plant and equipment (Note 9)	26	-
Gains/(losses) on disposal of investment property	-	38
Gains/(losses) on disposal of non-current asset held for sale (Note 11)	(57)	-
Impairment losses on property, plant and equipment (Note 9)	(54)	-
	<u><u>(85)</u></u>	<u><u>38</u></u>

**24.11 Impairment losses and gains/(losses) on disposal of financial instruments**

The detail of these gains/(losses) is as follows:

	Thousands of Euros	
	<u>2018</u>	<u>2017</u>
Finance gain/(loss) on disposal of inventory (Note 19.1.3)	621	5,859
Comfort Letter Conil (Note 18)	-	(7,900)
Losses on disposal of financial instruments and other	-	(46)
	<u><u>621</u></u>	<u><u>(2,087)</u></u>



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**24.12 Change in fair value of financial instruments**

The detail of change in fair value of financial instruments is as follows:

	Thousands of Euros	
	2018	2017
Change in fair value of loans capitalised (Notes 17 and 19)	25,819	-
Other	(76)	6
	<b>25,743</b>	<b>6</b>

**25. Transactions and balances with companies accounted for using the equity method and related parties**

**Breakdown of transactions with related parties**

Details of transactions with related parties in 2018 and 2017 are as follows:

	Thousands of euros				
	2018		2017		
	Finance Cost	Service Performance Income	Finance Cost	Service Performance Income	Bank Borrowing (Note 19)
Bank of America Merrill Lynch	-	-	-	-	1,993
Deutsche Bank A.G. (London)	-	-	-	-	143
Maplesville Invest, S.L.U.	56	-	-	-	-
Celere Forum Barcelona, S.L.	-	1,172	-	584	-
Vía Agora S.L.U.	-	-	43	-	-
	<b>56</b>	<b>1,172</b>	<b>43</b>	<b>584</b>	<b>2,136</b>

Revenues from services with the investee Celere Forum Barcelona, S.L. (accounted for using the equity method) relate to the provision of technical, financial, marketing and accounting management services. The amount of services rendered at 31 December 2018 totaled Euros 1,172 thousand (Euros 584 thousand as at 31 December 2017)

On 24 February 2017, the Group, through the Parent Company, acquired 100% of the stakes in Maywood Invest, S.L.U, a Spanish company specialised in residential development, from a related party, the Luxembourg company BPLP S.Á.R.L. The acquisition was made between entities under common control. The total transaction price was Euros 12,110 thousand, paid fully in cash (see Note 7.1.1).

On 28 December 2017, the Parent Company agreed to distribute Share premium in kind, which had the nature of a freely distributable reserve, to its shareholders for an amount of Euros 173,031 thousand, through the transfer of the shares of the wholly-owned subsidiary Dospuntos Asset Management, S.L. (see Note 7.2 and Note 17.1).

**Breakdown of balances with related parties and associates**

The amount of the balances with related companies recognised in the consolidated statement of financial position is as follows:

	2018	
	Thousands of Euros	
	Current (Note 15)	Current payables (Note 19)
Celere Forum Barcelona, S.L.	121	-
Vía Agora S.L.U.	179	142
Dospuntos Asset Management S.L.U.	186	-
	<b>486</b>	<b>142</b>

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	2017		
	Thousands of Euros		
	Current (Note 15)	Current payables (Note 19)	Bank Borrowing (Note 19)
Bank of America Merrill Lynch	-	-	93,874
Deutsche Bank A.G. (London)	-	-	5,993
Vía Agora S.L.U. (Note 7.1.2)	574	15,001	-
Dospuntos Asset Management S.L.U.	107	-	-
	<b>681</b>	<b>15,001</b>	<b>99,867</b>

All transactions and outstanding balances with related parties were carried out on an arm's length basis.

## 26. Remuneration of members of the Board of Directors and Senior Management

### 26.1 Remuneration of Board of Directors and Senior Management

The members of the Board of Directors have not received any remuneration for their position as Members. The remuneration of the Senior Management for the years 2018 and 2017 amounts to 3,193 and Euros 3,513 thousands, respectively. In 2017, with the acquisition of the residential business of Vía Agora, S.L.U., changes were made in the Senior Management entailing exceptional restructuring costs and severance payments. It must be borne in mind that a member of the Board of Directors receives payment for his executive functions.

No advances or credits have been granted to the members of the governing body.

No obligations were undertaken on behalf of the Directors in the form of guarantees in 2018, and some payments were made on premiums for civil liability insurance to cover damage caused by actions or omissions in the performance of their duties amounting to Euros 56 thousand (Euros 23 thousand as at 31 December 2017). In addition, the Group has life insurance commitments with respect to current Senior Management.

There are four members of the Board of Directors (four men) and five members of Senior Management (two men and three women) as at 31 December 2018.

### 26.2 Transactions outside the ordinary course of business or under non-market conditions by the Directors or by the members of the Parent's Control Committee

In relation to the equity stakes of the Board of Directors or persons related thereto, during 2018 and 2017, the Directors and members of the Control Committee did not engage in any transactions outside the ordinary course of business or under non-market conditions with either the Parent Company or Group companies.

### 26.3 Situations of conflict of interest of the Directors

Except as outlined below, the members of the Company's governing body and related parties did not fall within any conflict of interest requiring disclosure under article 229 of the Consolidated Text of the Spanish Limited Liability Companies Act.

Héctor Serrat Sanz and related persons have been involved, in 2018 and up to the date of authorisation for issue of the Company's consolidated annual accounts, in a direct or indirect conflict with the interest of the Company, and in this sense, they have been obligated to abstain from participating in resolutions or decisions relating to such situation of conflict, due to the capacity of Héctor Serrat Sanz as Director of La Finca Global Assets, S.A., Chairman of Dos Puntos Asset Management, S.L., Chairman of Aelca Desarrollos Inmobiliarios, S.L. (until January 3, 2018) and his professional link with Värde Partners, Inc., entity that manages the funds that holds the ownership, direct or indirect, of the majority shareholder/s of the Company. Specifically, Héctor Serrat Sanz had to abstain from the second, third, fourth, fifth and seventh agreements of the meeting of the Board of Directors of the Company dated September 28, 2018; in the first and second agreements of the meeting of the Board of Directors of the Company dated October 30; in the first, second, third, fourth, fifth and sixth agreements of the meeting of the Board of Directors of the Company dated December 10, 2018, and in the first resolution of the meeting of the Board of Directors of the Company dated 21 December, 2018.

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On the date hereof, Héctor Serrat Sanz only holds the position of Director of La Finca Global Assets, S.A. and Director of Dos Puntos Asset Management, S.L.

Francisco Milone and related persons have been involved, in 2018 and up to the date of authorisation for issue of the Company's consolidated annual accounts, in a direct or indirect conflict with the interest of the Company, and in this sense, they have been obligated to abstain from participating in resolutions or decisions relating to such situation of conflict, due to the capacity of Francisco Milone as Director of Aelca Desarrollos Inmobiliarios, S.L. (until January 3, 2018) and his professional link with Värde Partners, Inc., entity that manages the funds that holds the ownership, direct or indirect, of the majority shareholder/s of the Company. Specifically, Francisco Milone had to abstain from the second, third, fourth, fifth and seventh agreements of the meeting of the Board of Directors of the Company dated September 28, 2018; in the first and second agreements of the meeting of the Board of Directors of the Company dated October 30; in the first, second, third, fourth, fifth and sixth agreements of the meeting of the Board of Directors of the Company dated December 10, 2018, and in the first resolution of the meeting of the Board of Directors of the Company dated 21 December 2018.

Jaime Echevarría and related persons have not been involved, during May 11, 2018 and up to the date of authorisation for issue of the Company's consolidated annual accounts, nor a direct neither indirect conflict with the interest of the Company, and in this sense, they have not been obligated to abstain from participating in resolutions or decisions relating to such situation of conflict. However, Jaime Echevarría has the following responsibilities with similar subject that Vía Célere: in his capacity as Director of Dos Puntos Asset Management, S.L.

Juan Antonio Gómez-Pintado Rodríguez de Segovia and related persons have been involved, in 2018 and up to the date of authorisation for issue of the Company's consolidated annual accounts, in a direct or indirect conflict with the interest of the Company, and in this sense, they have been obligated to abstain from participating in resolutions or decisions relating to such situation of conflict, due to the capacity of Juan Antonio Gómez-Pintado Rodríguez de Segovia as sole director of Vía Ágora, S.L.U. and delegated director of the Vía Célere Desarrollos Inmobiliarios, S.A. Specially, Juan Antonio Gómez-Pintado Rodríguez de Segovia had to abstain from the seventh agreement of the meeting of the Board of Directors of the Company dated February 7, 2018; in the first and second agreements of the meeting of the Board of Directors of February 14, 2018, and in the fifth y sixth agreements of the meeting of the Board of Directors dated 30 October, 2018.

Additionally, Juan Antonio Gómez Pintado has the following responsibilities in companies with similar subject that Vía Celere in Spain and foreign countries:

- In his capacity as representative of the Sole Director of Quick Home Residential, S.L.U.
- In his capacity of Sole Director of Agora Sofia 2, EOOD.
- In his capacity of Sole Director of Via Agora Poland, sp zoo.
- In his capacity of Joint Director of Wolzcynska, sp zoo.
- In his capacity as direct/indirect owner of Vía Ágora Brasil Holding, Ltda.
- In his capacity as Shareholder of the 1% of Avantia Rumania Desarrollos Inmobiliarios 4, SL.
- In his capacity as indirect Shareholder of the 100% of SP Premiere Jaguaribe Empreendimentos Imobiliarios, Ltda.
- In his capacity as indirect Shareholder of the 100% of Spe Meu Apê Salvador Norte Empreendimentos Imobiliarios, Ltda
- In his capacity as indirect Shareholder of the 50% SPE Horto Opera, Ltda.
- In his capacity as indirect Shareholder of the 100% Vía Célere Brasil 7 Empreendimentos Imobiliarios, Ltda.
- In his capacity as indirect Shareholder of the 100% of SPE Belvedere Empreendimentos Imobiliarios, Ltda.
- In his capacity as indirect Shareholder of the 100% of Vía Célere Brasil 9 Empreendimentos Imobiliarios, Ltda.
- In his capacity as indirect Shareholder of the 100% of Spe Ville Jardim Empreendimentos Imobiliarios, Ltda.
- In his capacity as indirect Shareholder of the 100% of Vía Ágora Construções Ltda.

### 27. Environmental information

Given the Group's business as a promotional development company, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position and results of its transactions. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated annual accounts.

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### 28. Events after the reporting period

#### *Purchase agreement and merger*

On 28 September 2018, Via Celere Desarrollos Inmobiliarios, S.A. signed certain agreements with Myjoja Inversiones, S.L., (hereinafter "minority shareholder"), with the companies Lewistown Invest, S.L.U.; Glenwock Invest, S.L.U.; Rimbe Spain, S.L.U.; and Windham Spain, S.L.U. (hereinafter "majority shareholders") and with the company controlled by the last ones, Aelca Desarrollos Inmobiliarios, S.L. (hereinafter "Aelca" or "ADI") whereby the parties established the following terms and conditions:

- i. Acquisition by Via Celere Desarrollos Inmobiliarios, S.A. of the minority interests that Myjoja Inversiones, S.L. held (minority interest 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 "parent companies"). Said parent companies own 100% of the share capital of 70 companies whose activity is residential development (hereinafter, the "project companies" (see Appendix II).
- ii. Acquisition by Via Celere Desarrollos Inmobiliarios, S.A. of 100% of the interest held by Aelca in the companies 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 "operating companies from Aelca").
- iii. Merger of Via Celere Desarrollos Inmobiliarios, S.A. (as acquiring company) by takeover, with the parent companies, the project companies of the operating companies Aelca and Ponsnova Inmuebles, S.L.U. (as acquired companies), by simultaneous execution and in a single act, with annulment of all of these and the block transfer of their respective equity to VCDI, which will acquire all their rights and obligations by universal succession. As compensation for the merger operation, the major shareholders will receive shares of the Company to an amount equivalent to 80%-90% of the share capital of the acquired companies by means of a non-monetary contribution (issue and handover of new VCDI shares to said partners).

As a previous step to points, i., ii., and iii., on 2 January 2019, the Parent Company signed a syndicated senior financing agreement for an amount of 223,000 thousand euros 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 Company undertakes to comply with certain covenant financial obligations during the term of the loan and relating to its quarterly Consolidated Annual Accounts. These obligations are as follows:

- Commitment to comply with a ratio known as "LTV", understood as the quotient between *Net indebtedness and Gross Assets Value* ("GAV").  
This ratio must be less than 45% and did not need to be validated until 31 December 2018. The first validation period will be 31 March 2019.
- Commitment to comply with at least 85% of the consolidated EBITDA, the contribution by the companies guaranteeing the senior syndicated loan and at least 5% of aggregate total 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.

## VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts as at  
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The Merger deed was executed on 9 January 2019 and was registered in the Madrid Companies Register on 8 March 2019. The accounting effects of the Merger have been taken into consideration from 1 January 2019 as they are considered to be a transaction under common control.

The objective of the transaction is to increase Via Celere Desarrollos Inmobiliarios volume of assets under development. According to the information provided, the combination of the assets of Via Celere Desarrollos Inmobiliarios and the Aelca perimeter would create a leading pure-play residential housebuilder in Spain with a land bank of approximate value of Euros 2.100 thousand and potential to develop over 23,000 units and a target delivery rate per year of c. 5,000 units which would:

- 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 shareholders' equity and returns.

Therefore, this merger by absorption implies: (i) the dissolution and extinction of the absorbed companies, and (ii) the block transfer of their corporate assets to the Absorbing Company which acquires, by universal succession, all the rights and obligations of the absorbed companies.

The issue of these new shares of Via Celere Desarrollos Inmobiliarios is equivalent to 48.26% of the capital approximately, whilst the remaining shareholders of the Parent Company hold shares approximately equivalent to 51.74% of the merged company.

Based on the stipulations of IFRS 3 "Business Combinations" and in particular, paragraph B1 of the IFRS 3 application guidance on "Business combinations of entities under common control" which states that "A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory", the Parent Company Directors have concluded that said contributions constituted a real estate development business and that it was a transaction under common control and as a consequence, and following that stated in paragraph 10 of IAS 8 on the definition of an accounting policy for transactions not regulated by the IFRS-EU, the Directors have chosen to record said contribution at the book values at which the assets and liabilities received were recorded in the books, instead of at the values at which said contribution has been made. The difference revealed between the values to which the contribution has been made and the book value of the assets and liabilities received has been entered in financial year 2019 against the heading "Voluntary Reserves".

The Parent Company directors have considered the operations and agreements described in this section as an integral part of a single transaction. Said interpretation has been agreed based on the fact that the operations and agreements have been performed in benefit of the merged companies and their calendar has been defined in a single framework of the merger, not generating profit for the previous owners except those they receive as part of the combined entity.

The operation described is included in the special tax regime of mergers, spin-offs, asset contributions, securities swap and change of company address of a European company or European cooperative company from one Member State to another of the European Union regulated in Part VII of Royal Legislative Decree 4/2014, of 27 November, on Corporation Tax.

VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

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The detail of the assets acquired, and liabilities assumed on the date of the business combination is as follow:

	Thousand of euros
Property, plant and equipment	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
<b>Total Assets</b>	<b>687,970</b>
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
<b>Total liabilities</b>	<b>277,691</b>
<b>Net assets</b>	<b>410,279</b>
<b>Payment to minority shareholders</b>	<b>(166,772)</b>
<b>New shares issued</b>	<b>(647,966)</b>
<b>Merger reserves</b>	<b>(404,459)</b>

The outflow of cash produced in the business combination described, net of cash acquired, 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	-

Additionally, the Group's financial information of financial year 2018 together with the real estate development business acquired, if it had occurred on 1 January 2018, would be as follows:

VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts as at  
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**Proforma Consolidated Statement of Financial position as at 31 December (\*)**

Thousand euros	Group Via Celere	Merged entities	Subtotal	Corporate and financing operations	Total
Intangible assets	122	-	122		122
Property, plant and equipment	3,546	296	3,842		3,842
Investment property	114	-	114		114
Investments in associates	12,682	-	12,682		12,682
Non-current investments	27,349	4,539	31,888		31,888
Deferred tax assets	71,089	-	71,089		71,089
Inventories	675,624	575,691	1,251,315		1,251,315
Trade and other receivables	10,090	9,637	19,727		19,727
Current investments in associates	365	23	388		388
Current investments	419	26,078	26,497		26,497
Prepayments and accrued income	3,890	89	3,979		3,979
Cash and cash equivalents	56,236	71,617	127,853	46,690	174,543
<b>Total Assets</b>	<b>861,526</b>	<b>687,970</b>	<b>1,549,496</b>	<b>46,690</b>	<b>1,596,186</b>
<b>Equity</b>	<b>458,542</b>	<b>426,571</b>	<b>885,113</b>	<b>(145,887)</b>	<b>739,226</b>
Non-current provisions	8,823	1,128	9,951		9,951
Non-current payables	1,497	54	1,551	220,138	221,689
Non-current related party payables	-	19	19		19
Deferred tax liabilities	13,852	-	13,852		13,852
Current provisions	421	-	421		421
Current payables	238,184	113,574	351,758		351,758
Current related party payables	142	33,073	33,215	(19,267)	13,948
Trade and other payables	140,062	113,551	253,613	(8,294)	245,319
Accrued expenses and deferred income	3	-	3		3
<b>Total liabilities</b>	<b>402,984</b>	<b>261,399</b>	<b>664,383</b>	<b>192,677</b>	<b>856,960</b>
<b>Total equity and liabilities</b>	<b>861,526</b>	<b>687,970</b>	<b>1,549,496</b>	<b>46,690</b>	<b>1,596,186</b>

(\*) These annual accounts have not been audited at the time of the drafting of the present consolidated annual accounts, however KPMG Auditores, S. L. has been commissioned to audit them and we expect the corresponding 2018 audit reports to be issued in April-May 2019.

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**Proforma Consolidated Income Statement for the year ended 2018 (\*)**

In thousand of Euros	Via Célere Group	Merged entities	Subtotal
Revenue	157,063	62,320	219,383
Other income	2,136	196	2,332
Changes in inventories of finished goods and work in progress	47,143	30,057	77,200
Raw materials and other consumables used	(163,921)	(81,750)	(245,671)
Personnel expenses	(15,322)	-	(15,322)
Other expenses	(20,752)	(9,988)	(30,740)
Depreciation and amortisation charge	(325)	(46)	(371)
Impairment losses and gains/(losses) on disposal of non-current assets	(85)	(1)	(86)
<b>Operating Loss</b>	<b>5,937</b>	<b>788</b>	<b>6,725</b>
Finance Income	386	35	421
Finance Cost	(8,084)	(1,213)	(9,297)
Change in fair value of financial instruments	25,743	-	25,743
Impairment losses and gain/(losses) on disposal of financial instruments	621	-	621
<b>Net Finance Income / (Cost)</b>	<b>18,666</b>	<b>(1,178)</b>	<b>17,488</b>
Share of loss on investments accounted for using the equity method	(640)	-	(640)
<b>Los Before Tax</b>	<b>23,963</b>	<b>(390)</b>	<b>23,573</b>
Income tax	60,823	(2,435)	58,388
<b>Loss for the year from continuing operations</b>	<b>84,786</b>	<b>(2,825)</b>	<b>81,961</b>

(\*) These annual accounts have not been audited at the time of the drafting of the present consolidated annual accounts, however KPMG Auditores, S. L. has been commissioned to audit them and we expect the corresponding 2018 audit reports to be issued in April-May 2019.

**Monetary capital increase**

On 10 December 2018, the Company's General Shareholders' Meeting agreed a capital increase for the amount of Euros 37,177 thousand, by means of the issue of 1,821,490 new shares with the same rights as those existing on that date. Said increase was performed by monetary contributions and was executed in a public deed dated 15 March 2019 and having effect on that date; it is pending inscription at the Madrid Companies Register.

**Capital increases by credit compensation**

On 10 December 2018, the Company's General Shareholders' Meeting agreed a capital increase for the amount of Euros 18,924 thousand, by the issue of 927,189 new shares with the same rights as the ones in existence on that date. The increase was performed by credit compensation and was executed in a public deed on 15 March 2019 having effect on said date; it is pending inscription at the Madrid Companies Register.

**Notification of an inspection**

On March 8, 2019 Via Celere Desarrollos Inmobiliarios, S.A., received from the Spanish Tax Authorities, Communication of the start of tax audits proceedings related to the following taxes and periods:

- Corporate Income Tax: 2013 y 2014
- Valued Added Tax: 04/2014 to 06/2015.



VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

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Appendix I

The details of bank borrowings (see Note 19.1.1) as at 31 December 2018 and 2017 are as follows:

	Miles de euros				
	Saldos a 31 de diciembre de 2018				
	Límite	Pasivos corrientes		No corriente	Total
Vencimiento a largo plazo		Vencimiento a corto plazo	Pasivo		
Crédito hipotecario en existencias	13,071	-	4,359	-	4,359
Crédito hipotecario en existencias	32,468	-	7,749	-	7,749
Crédito hipotecario en existencias	12,274	-	2,300	-	2,300
Crédito hipotecario en existencias	36,519	-	10,240	-	10,240
Crédito hipotecario en existencias	13,564	-	4,173	-	4,173
Crédito hipotecario en existencias	12,550	-	6,304	-	6,304
Crédito hipotecario en existencias	9,314	-	1,701	-	1,701
Crédito hipotecario en existencias	4,292	-	1,445	-	1,445
Crédito hipotecario en existencias	6,564	-	238	-	238
Crédito hipotecario en existencias	50,269	-	14,053	-	14,053
Crédito hipotecario en existencias	39,340	-	5,612	-	5,612
Crédito hipotecario en existencias	7,500	-	107	-	107
Crédito hipotecario en existencias	55,600	13,888	-	-	13,888
Crédito hipotecario en existencias	13,930	2,712	-	-	2,712
Crédito hipotecario en existencias	23,130	3,182	-	-	3,182
Crédito hipotecario en existencias	8,149	(238)	-	-	(238)
Crédito hipotecario en existencias	36,236	2,418	-	-	2,418
Crédito hipotecario en existencias	6,550	258	-	-	258
Crédito hipotecario en existencias	11,499	(57)	-	-	(57)
Crédito hipotecario en existencias	168	-	168	-	168
Crédito hipotecario en existencias	786	-	786	-	786
Crédito hipotecario en existencias	4	-	4	-	4
Crédito hipotecario en existencias	273	-	271	-	271
Crédito hipotecario en existencias	200	-	200	-	200
Crédito hipotecario en existencias	5	-	5	-	5
Crédito hipotecario en existencias	-	-	-	-	-
Crédito hipotecario en existencias	735	-	611	-	611
Crédito hipotecario en existencias	613	-	231	-	231
<b>Total créditos hipotecarios garantizados por promociones en curso y terminadas</b>	<b>395,603</b>	<b>22,163</b>	<b>60,557</b>	-	<b>82,720</b>
Crédito hipotecario en existencias	2,000	-	2,000	-	2,000
Crédito hipotecario en existencias	20,334	19,924	-	-	19,924
Crédito hipotecario en existencias	12,612	12,384	-	-	12,384
<b>Total préstamos con garantía hipotecaria sobre terrenos y solares</b>	<b>34,946</b>	<b>32,308</b>	<b>2,000</b>	-	<b>34,308</b>
Líneas de crédito	123,428	-	114,092	-	114,092
Intereses devengados	-	509	369	-	878
Otros créditos	6,960	5,499	151	1,309	6,959
<b>Total Otros créditos</b>	<b>130,388</b>	<b>6,008</b>	<b>114,612</b>	<b>1,309</b>	<b>121,929</b>
<b>Total</b>	<b>560,937</b>	<b>60,479</b>	<b>177,169</b>	<b>1,309</b>	<b>238,957</b>

This appendix forms an integral part of note 19 to the consolidated annual accounts, in conjunction with which should be read

VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

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	Thousands of Euros				
	Balances at 31 December 2017				
	Limit	Current Liabilities		Non-current Liabilities	Total
Long-term maturity		Short-term maturity			
Mortgage loan on stock	18,080	-	4,694	-	4,694
Mortgage loan on stock	48,500	-	26,705	-	26,705
Mortgage loan on stock	17,585	-	8,020	-	8,020
Mortgage loan on stock	13,071	3,299	-	-	3,299
Mortgage loan on stock	117	-	117	-	117
Mortgage loan on stock	32,468	(771)	-	-	(771)
Mortgage loan on stock	12,274	357	-	-	357
Mortgage loan on stock	36,519	10,063	-	-	10,063
Mortgage loan on stock	13,564	2,570	-	-	2,570
Mortgage loan on stock	12,550	(56)	-	-	(56)
Mortgage loan on stock	9,314	474	-	-	474
Mortgage loan on stock	4,292	118	-	-	118
Mortgage loan on stock	6,564	267	-	-	267
Mortgage loan on stock	50,269	14,387	-	-	14,387
Mortgage loan on stock	1,193	-	1,193	-	1,193
Mortgage loan on stock	4,748	-	4,748	-	4,748
Mortgage loan on stock	1,314	-	1,314	-	1,314
Mortgage loan on stock	9,441	-	9,441	-	9,441
Mortgage loan on stock	988	-	988	-	988
Mortgage loan on stock	530	-	530	-	530
Mortgage loan on stock	795	-	795	-	795
Mortgage loan on stock	10	-	10	-	10
Mortgage loan on stock	953	-	953	-	953
Mortgage loan on stock	172	-	172	-	172
Mortgage loan on stock	835	-	835	-	835
Mortgage loan on stock	4	-	4	-	4
Mortgage loan on stock	324	-	324	-	324
Mortgage loan on stock	207	-	207	-	207
Mortgage loan on stock	115	-	115	-	115
Mortgage loan on stock	13,168	-	13,168	-	13,168
Mortgage loan on stock	3,737	3,737	-	-	3,737
Mortgage loan on stock	1,508	1,508	-	-	1,508
Mortgage loan on stock	3,631	3,631	-	-	3,631
<b>Total developer loan</b>	<b>318,840</b>	<b>39,584</b>	<b>74,333</b>	<b>0</b>	<b>113,917</b>
Mortgage loan on stock	9,886	9,886	-	-	9,886
Mortgage loan on stock	4,136	4,136	-	-	4,136
Mortgage loan on stock	14,000	-	14,000	-	14,000
Mortgage loan on stock	20,000	19,732	-	-	19,732
Mortgage loan on stock	2,000	-	2,000	-	2,000
Mortgage loan on stock	5,993	5,993	-	-	5,993
Mortgage loan on stock	-	0	-	-	0
Mortgage loan on stock	28,700	28,644	-	-	28,644
<b>Total loan for land purchase</b>	<b>84,715</b>	<b>68,391</b>	<b>16,000</b>	<b>0</b>	<b>84,391</b>
Credit lines	148,408	-	142,061	-	142,061
Accrued interest	-	4,225	4,880	-	9,105
Other loans	18,619	13,781	-	1,460	15,241
<b>Total Other loans</b>	<b>167,027</b>	<b>18,006</b>	<b>146,941</b>	<b>1,460</b>	<b>166,407</b>
<b>Total</b>	<b>570,582</b>	<b>125,981</b>	<b>237,274</b>	<b>1,460</b>	<b>364,715</b>

As at 31 December 2018 figures, bank debt stood at Euros 238,957 thousand. It is composed of:

- Bank debt: Euros 238,957 thousand

As at 31 December 2017 figures, bank debt stood at Euros 364,715 thousand. It is composed of:

- Bank debt: Euros 264,848 thousand
- Shareholders debt: Euros 99,867 thousand

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Appendix II

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

(\*) These annual accounts have not been audited at the time of the drafting of the present consolidated annual accounts, however KPMG Auditores, S. L. has been commissioned to audit them and we expect the corresponding 2018 audit reports to be issued in April-May 2019.



VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts as at  
31 December 2018

Appendix III

**Proforma Consolidated Statement of Financial position as at 31 December (\*)**

In thousand of Euros	Promyva Inmuebles Group	Myvain Inmuebles Group	Nalientia Urbana Group	Invaany Urbana Group	Nirbe Inmuebles Group	Nirbe Meseta Group	Nirbe Costa Norte Group	SPV/s	Posnova	Consolidation adjustments	Subtotal
Property, plant and equipment	18	18	10	3	81	40	120	1	5	-	296
Non-current investments	2,072	695	236	253	158	76	12	11	1,026	-	4,539
Inventories	57,006	56,890	15,002	40,385	92,144	96,318	165,636	40,035	12,275	-	575,691
Trade and other receivables	400	493	192	651	1,711	1,359	3,837	490	504	-	9,637
Current investments in associates	4,890	-	3,055	425	7	1	15	-	-	(8,370)	23
Current investments	29	-	256	2,754	2,821	4,951	15,265	2	-	-	26,078
Prepayments and accrued income	16	15	7	10	24	11	6	-	-	-	89
Cash and cash equivalents	29,957	3,562	613	4,871	11,269	4,820	4,109	12,221	195	-	71,617
<b>Total Assets</b>	<b>94,388</b>	<b>61,673</b>	<b>19,371</b>	<b>49,352</b>	<b>108,215</b>	<b>107,576</b>	<b>189,000</b>	<b>52,760</b>	<b>14,005</b>	<b>(8,370)</b>	<b>687,970</b>
<b>Equity</b>	<b>36,939</b>	<b>18,447</b>	<b>12,260</b>	<b>28,612</b>	<b>94,793</b>	<b>98,789</b>	<b>137,528</b>	<b>(783)</b>	<b>(14)</b>	-	<b>426,571</b>
Non-current provisions	195	114	44	57	521	38	-	159	-	-	1,128
Non-current payables	-	-	-	-	-	-	-	54	-	-	54
Non-current related party payables	-	-	-	-	3	-	-	16	-	-	19
Current payables	24,445	14,376	979	7,552	7,028	4,834	23,032	27,358	3,970	-	113,574
Current related party payables	1	7,095	2,701	781	2	19	14,065	8,975	7,804	(8,370)	33,073
Trade and other payables	32,808	21,641	3,387	12,350	5,868	3,896	14,375	16,981	2,245	-	113,551
<b>Total liabilities</b>	<b>57,449</b>	<b>43,228</b>	<b>7,111</b>	<b>20,740</b>	<b>13,422</b>	<b>8,787</b>	<b>51,472</b>	<b>53,543</b>	<b>14,019</b>	<b>(8,370)</b>	<b>261,399</b>
<b>Total equity and liabilities</b>	<b>94,388</b>	<b>61,673</b>	<b>19,371</b>	<b>49,352</b>	<b>108,215</b>	<b>107,576</b>	<b>189,000</b>	<b>52,760</b>	<b>14,005</b>	<b>(8,370)</b>	<b>687,970</b>

(\*) These annual accounts have not been audited at the time of the drafting of the present consolidated annual accounts, however KPMG Auditores, S. L. has been commissioned to audit them and we expect the corresponding 2018 audit reports to be issued in April-May 2019.

**VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES**  
Consolidated Management Report for 2018

**Proforma Consolidated Income Statement for the year ended 2018 (\*)**

	In thousand of Euros	Promya Inmuebles Group	Myvair Inmuebles Group	Kalenita Urbana Group	Ivanyu Urbana Group	Nirbe Inmuebles Group	Nirbe Meseta Group	Nirbe Costa Norte Group	SPVs	Posnova	Total
Revenue		45,001	-	1,900	-	-	-	-	15,419	-	62,320
Other income		41	7	100	7	33	1	-	7	-	196
Changes in inventories of finished goods and work in progress		2,410	15,345	886	3,529	2,729	371	272	3,350	1,165	30,057
Raw materials and other consumables used		(38,801)	(15,345)	(2,270)	(3,529)	(2,729)	(371)	(272)	(17,268)	(1,165)	(81,750)
Personnel expenses		-	-	-	-	-	-	-	-	-	-
Other expenses		(2,105)	(1,729)	(797)	(1,126)	(2,106)	(161)	(798)	(1,153)	(13)	(9,988)
Depreciation and amortisation charge		(2)	(6)	(1)	-	(18)	(5)	(14)	-	-	(46)
Impairment losses and gains/(losses) on disposal of non-current assets		-	-	-	-	-	-	-	-	(1)	(1)
<b>Operating Loss</b>		<b>6,544</b>	<b>(1,728)</b>	<b>(182)</b>	<b>(1,119)</b>	<b>(2,091)</b>	<b>(165)</b>	<b>(812)</b>	<b>355</b>	<b>(14)</b>	<b>788</b>
Finance income		-	3	-	-	-	23	9	-	-	35
Finance Cost		(3)	(220)	(4)	(32)	(24)	(47)	(398)	(485)	-	(1,213)
Change in fair value of financial instruments		-	-	-	-	-	-	-	-	-	-
Impairment losses and gain/(losses) on disposal of financial instruments		-	-	-	-	-	-	-	-	-	-
<b>Net Finance Income / (Cost)</b>		<b>(3)</b>	<b>(217)</b>	<b>(4)</b>	<b>(32)</b>	<b>(24)</b>	<b>(24)</b>	<b>(389)</b>	<b>(485)</b>	<b>-</b>	<b>(1,178)</b>
Share of loss on investments accounted for using the equity method		-	-	-	-	-	-	-	-	-	-
<b>Loss Before Tax</b>		<b>6,541</b>	<b>(1,945)</b>	<b>(186)</b>	<b>(1,151)</b>	<b>(2,115)</b>	<b>(189)</b>	<b>(1,201)</b>	<b>(130)</b>	<b>(14)</b>	<b>(390)</b>
Income tax		(2,075)	-	(36)	-	-	-	-	(324)	-	(2,435)
<b>Loss for the year from continuing operations</b>		<b>4,466</b>	<b>(1,945)</b>	<b>(222)</b>	<b>(1,151)</b>	<b>(2,115)</b>	<b>(189)</b>	<b>(1,201)</b>	<b>(454)</b>	<b>(14)</b>	<b>(2,825)</b>

(\*) These annual accounts have not been audited at the time of the drafting of the present consolidated annual accounts, however KPMG Auditores, S. L. has been commissioned to audit them and we expect the corresponding 2018 audit reports to be issued in April-May 2019.

## MANAGEMENT REPORT

### 1. Structure and background

Via Celere Desarrollos Inmobiliarios, S.A. (hereinafter, "the Parent Company") was incorporated on 16 August 1989, via a deed executed in Pontevedra before the notary public Rafael Sanmartin Losada under protocol number 1503, with the name "Confeciones Udra, S.A.", and changed its name to "Inmobiliaria Udra, S.A." in 1993.

The Parent Company changed its name to "San Jose Desarrollos Inmobiliarios, S.A." pursuant to a decision adopted by the Extraordinary General Shareholders' Meeting of the Parent Company on 20 June 2008 and executed in a public deed dated 30 June 2008.

The Parent Company adopted its present name, "Via Celere Desarrollos Inmobiliarios, S.A.", pursuant to a decision adopted by the Parent Company's Board of Directors and executed in a public deed of 30 June 2017, with the new registered office set at Carlos y Guillermo Fernandez Shaw 1, 28007 Madrid, Spain.

The Parent Company is the head of a group of subsidiaries engaged in the same activities and constitute together with Via Celere Desarrollos Inmobiliarios Group (hereinafter, the "Group").

In 2018 there were no significant changes in the composition and nature of the Group.

As a subsequent event of the financial year and before preparing the present consolidated annual accounts, the Group's parent company, Via Celere Desarrollos Inmobiliarios, S.A. carried out the purchase of certain companies with similar activity (mainly real estate development), and the later takeover merger of the acquired companies, once the conditions precedent established in the agreements signed between the parties have been fulfilled. The operation was placed on public record on 9 January 2019 and is detailed in note 7 of subsequent events.

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

- On 23 February 2018, the Company's Annual General Meeting resolved to increase its share capital by Euros 22,158 thousand through the issue of 3,692,956 new shares with a par value of Euros 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 Euros 98,839 thousand. The increase in share capital was recognised at the fair value of the loans capitalised at that date (Euros 73,020 thousand) and the difference of Euros 25,819 thousand was recognised as a contribution from shareholders and is recognised as finance income in the income statement. 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 Meeting of Shareholders of the Company, it was resolved to increase its share capital by Euros 56 thousand through the issue of 9,280 new shares, each with a par value of Euros 6, 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 Annual General Meeting approved an increase in share capital by Euros 12,540 thousand 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 Group statutory activity consists of providing the following services through Group companies: the development of all types of properties; construction in general, on its own behalf or on behalf of third parties; the sale and purchase of construction equipment, development and gardening material; the execution of public works in general; and the sale and purchase of all types of properties, whether transportable or non-transportable and real estate properties whether rural or urban.

The Via Celere Group's corporate structure as at 31 December 2018 is set out below:

# VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

## Consolidated Management Report for 2018



The Company, whose shareholders are listed below, is controlled by Maplesville Invest, S.L.U., which in turn is controlled by investment funds managed by Värde Partners:

Company	2018	
	Number of shares	Percentage of ownership interest
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 Aktiengesellschaft	97,877	0.29%
JP Morgan Securities PLC	86,552	0.25%
	<b>34,031,187</b>	<b>100.00%</b>



## VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

### Consolidated Management Report for 2018

Via Celere's chief operating decision maker is the Board of Directors, comprising in the following directors:

Name	Date of appointment	Position
Juan Antonio Gómez-Pintado Rodríguez de Segovia	29/03/2017	President and Managing Director
Héctor Serrat Sanz <sup>1</sup>	03/08/2015	Secretary - Director
Francisco Milone <sup>2</sup>	31/07/2015	Director
Jaime Echevarría Aguirre <sup>3</sup>	11/05/2018	Director

In addition, the company has the following internal decision-making bodies or committees:

#### Investment Committee

The Investment Committee is set up as an internal management body. Its composition, responsibilities and operating rules are established in its internal regulations. The Investment Committee is composed of the following members:

Name and surname(s)	Title	Position
Juan Antonio Gómez-Pintado Rodríguez de Segovia	Chairman	Chairman of the Board of Directors and Chief Executive Officer
Rosa María Peña Alonso	Member	Chief Operating Officer
Teresa Marzo Peligero	Member	General Director of Business
José Ignacio Morales Plaza	Member	Chief Financial Officer
Elena Gallo Campos	Member	Corporate General Director
Aurelio José Díez Ramos	Member	Director for Land
Gonzalo Díez de los Ríos Riobó	Member	Investment Manager
Aurora Mata Toboso	Secretary	Corporate Legal Director

#### Executive Committee

The Executive Committee is set up as an internal management body. Its composition, responsibilities and operating rules are established in its internal regulations. The objective of the Executive Committee is to ensure, together with the Board of Directors and senior management, the viability and growth of the Group's businesses. The Executive Committee includes the following members:

Name and surname(s)	Title	Position
Juan Antonio Gómez-Pintado Rodríguez de Segovia	Chairman	Chairman of the Board of Directors and Chief Executive Officer
Rosa María Peña Alonso	Member	Chief Operating Officer
Teresa Marzo Peligero	Member	General Director of Business
José Ignacio Morales Plaza	Member	Chief Financial Officer
Elena Gallo Campos	Member	Corporate General Director
João Miguel Ferreira Pinto	Member	Chief Strategy Officer
Aurora Mata Toboso	Secretary	Corporate Legal Director

<sup>1</sup> Professional link with Maplessville Invest, S.L.U., (Parent Company's majority shareholder).

<sup>2</sup> Professional link with Maplessville Invest, S.L.U., (Parent Company's majority shareholder).

<sup>3</sup> Professional link with Greencoat, B.V. and Melf, B.V., (tParent Company's shareholder).

## VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

### Consolidated Management Report for 2018

## 2. Core business and ancillary activities

The Company has a diversified real estate portfolio comprising land and developments in progress, valued real state asset at Euros 905.041 thousand, the fair value of non-performing loans amount to Euros 82.525 thousands and the fair value of equity instruments amounts to Euros 39.741 thousand at year-end, with a clear focus on the development of land for the sale of homes. In addition, the Group holds an inventory of unsold finished product worth Euros 45.599 thousand, mostly in the form of unsold developments completed before 2014, which are a legacy from the previous owner, San Jose Group.

The assets represent a total buildable area of 1,368,026 square metres distributed geographically as follows:

	<u>Buildable m<sup>2</sup></u>
Madrid	581,220
Malaga	140,671
Seville	187,699
Valladolid	105,847
Portugal	78,368
Otros	274,221
	<u>1,368,026</u>

As of 31 December 2018, the Group had 28 projects under construction. Total buildable area is 313,046 square metres for 2,475 units, of which 38% are scheduled for delivery in 2019, 53% in 2019 and 9% in 2020.

During 2018, the Group bought 4 plots of land (one of which was option to acquire land) for total land purchases of Euros 43,456 thousand. The land provides a buildable area of 256,026 m<sup>2</sup>, supporting an estimated volume of 2,795 housing units. By region, land purchases were distributed as follows: 92% in Madrid and 8% in Ibiza. The purchases were paid at the time of purchase. The buildable area acquired in 2018 makes up 17% of the total portfolio. All land was purchased for the purpose of residential development, which is the Group's core business.

In 2018, the Group sold 7 plots of non-strategic land for total Euros 38,500 thousand.

## 3. Business performance and financial position, key figures and trends.

The Group realised net income of Euros 86,610 thousand in 2018. In terms of financial position, the Group holds total assets of Euros 861,526 thousand, equity of Euros 458,542 thousand and current and non-current liabilities of Euros 405,984 thousand.

### Revenue and EBITDA

Revenue came to Euros 157,048 thousand, of which Euros 119,587 thousand were sales of property developments delivered over the course of the year: 98 units in Madrid (Villaverde), 174 units in Barcelona (Magoria) and 62 units in A Coruña (Casa Vega). Sales of legacy assets were Euros 15,568 thousand and Euros 21,893 thousand from land plots disposals. EBITDA for the group came to Euros 6,262 thousand.

### Adjusted EBITDA

Adjusted EBITDA for 2018 came to Euros (2,732) thousand. The main adjustments can be summarized as follows: elimination of impairment losses by Euros (14,663) thousand, removal of the impact of legacy sales as they are not considered business as usual by Euros (796) thousand, and finally the elimination of higher cost of units delivered as consequence of PPA by Euros 4,873 thousand.

## VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

### Consolidated Management Report for 2018

EBITDA ordinary transactions in 2018 included, Euros 612 thousand related to restructuring transactions and consultancy costs incurred in corporate transactions, Euros 1,200 thousand related to IPO and Euros 368 thousand related to AELCA fusion process, in addition to Euros 533 thousand as redundancies in personnel expenses.

#### Net Result

For the year ended 31 December 2018, the Group incurred net incomes of Euros 84,786 thousand.

#### Adjusted Net Result

Once eliminated impairments losses, legacy stock sales and higher costs of goods sold due to PPA, the result for the period amount to a loss of Euros 75,792 thousand.

#### Financial position

Current and non-current liabilities as at 31 December 2018 stood at Euros 402,984 thousand, a decrease of Euros 109,800 thousand from 31 December 2017.

Borrowings: current and non-current borrowings as at 31 December 2018 amounted to Euros 238,957 thousand, comprising:

Bank Borrowings	Thousands of Euros			Total
	Principal	Interest	Upfront Fee	
Bilats Rental	1,460	-	-	1,460
Bilats Land	27,234	212	(240)	27,206
Developer Loans	99,840	317	(4,308)	95,849
Credit Facilities	121,028	349	(3,717)	117,660
Others	-	-	(3,218)	(3,218)
<b>Total</b>	<b>249,562</b>	<b>878</b>	<b>(11,483)</b>	<b>238,957</b>

(\*) This breakdown is different to shown in Note 19.1 of the annual accounts given that in the schedule beside it is included within credit facility and others an upfront fee of a financing commitment.

#### 4. Environmental matters and human resources

As set out in Note 27 of the consolidated financial statements, given the Group's business, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a material effect on its equity, financial position or results of its operations. The Group is unaffected by matters relating to greenhouse gas emission allowances.

As at 31 December 2018, the average number of employees at companies comprising the Group was 266. Total headcount at year-end 2018 was 366. The gender distribution of staff is:

	2018		2017	
	Women	Men	Women	Men
General Management	3	2	3	2
Directors and department heads	25	44	19	35
Officers	41	59	21	24
Commercials	20	6	15	7
Staff	38	26	22	13
Other staff	3	99	4	48
	<b>130</b>	<b>236</b>	<b>84</b>	<b>129</b>

Average employee distribution by occupational category is as follows:

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	<u>2018</u>
General Management	5
Directors and department heads	59
Technicians	75
Commercial staff	20
Staff	43
Other	65
	<u><u>267</u></u>

#### 5. Liquidity and capital resources

Note 21 to the consolidated financial statements sets out the Group's capital and liquidity risk management policy. The Group has sufficient cash to carry on its business.

In 2018, the Group arranged 5 land loans with an amount of Euros 161,475 thousand arranged completely, and 8 developers loan with a amount of Euros 146,334 thousand arranged Euros 87,227 thousand, to finance almost all the developments on which construction started in the course of the year. The Group's current approach is to finance the construction of developments using developer loans from banks, where loan drawdowns are tied to the state of progress of construction. The company's policy on financing land: "At the outset, the Company considers the use of its own funds to buy new land but does not rule out bank finance for a proportion of not more than 50% of the price, provided that the expected returns, business risk and zoning status so allow."

#### 6. Key risks and risk management

The risk management policies within the Group's various business areas are determined by the analysis of investment projects, taking into account the macroeconomic setting and the situation of the financial markets, as well as the analysis of the management of the assets that make up the Group. It has the means to identify such risks sufficiently in advance or avoid them, thereby minimising any risks.

Key financial risks include:

##### *Exposure to interest rate risk*

The Group has arranged over-the-counter (OTC) derivative financial instruments with Spanish and international banks with high credit ratings.

As a result of the transaction described in note 7 Business combination Vía Célere, the Group has been subrogated to an interest rate cap (CAP) entered into by Vía Agora on 22 April 2016.

This instrument entitles the holder to receive a positive settlement if the 12M Euribor established at the start of the quarterly calculation period is above the related CAP rate. Settlement is quarterly as the difference between the 12M Euribor and the CAP rate on the nominal amount of the transaction.

The majority of loans and credit facilities held by the Group are pegged to Euribor. At year-end, the Group had loans outstanding with a drawn amount of Euros 238,957 thousand, carrying a fixed rate ranging from 1.75% to 2.50%.

##### *Exposure to currency risk*

As the Group's exposure outside the euro area is not significant, the Group does not consider currency risk to be material.

##### *Exposure to price risk*

Real estate assets are exposed to future changes in market price. The Group engages leading firms to conduct market appraisals with a view to detecting any potential impairment of its assets.

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#### **Credit risk**

The Group is not exposed to significant credit risk with third parties through its own real estate business operations as the Group collects sale proceeds at the time of execution of the property deeds. This collection may be in the form of subrogation of the purchaser to the respective portion of the developer loan, or by some other means, at the purchaser's option. The credit risk inherent in deferrals of payment for sales of land or finished buildings is mitigated by obtaining collateral from the purchaser or entering rescission covenants in public registers which, in the event of non-payment, would lead to recovery of title to the sold asset and collection of damages.

#### *Exposure to insolvency risk*

The Group regularly analyses the insolvency risk attaching to its receivables and updates the respective impairment provisions accordingly. The Board of Directors believe that the carrying amount of trade and other receivables approximates their fair value.

#### **Liquidity risk**

As a rule, the Group holds its cash and cash equivalents with highly creditworthy banks. At year-end, the Group held Euros 56,234 thousand in cash available for operations and consider this sufficient to meet cash requirements for the subsequent 12 months.

#### **7. Going concern**

The Board of Directors has prepared the 2018 consolidated annual accounts in accordance with the going concern principle, on the assumption that the Group's future business perspectives will generate income and positive cash-flow.

The Group shows a negative operating cash flow, however, the operating result for the year ended 31 December 2018 shows profit of Euros 5,937 thousand (loss of Euros 132,624 thousand for the year ended 31 December 2017), shows a positive equity of Euros 458,542 thousand (Euros 299,051 thousand in 2017), and a positive working capital of Euros 367,812 thousand (Euros 259,644 thousand in 2017).

The Group 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 Group 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 the Notes 1 and 28, before preparing the present consolidated annual accounts, the Parent Company carried out the purchase of certain companies with similar activity (mainly real estate development), once the conditions precedent established in the agreements signed between the parties have been fulfilled. The operation was executed in a public deed on 4 and 9 January, was presented for registration on 9 January 2019 and was registered at the Madrid Business Registry on 15 March 2019.

Within the framework of the operation described in the preceding paragraphs, on 2 January 2019 the parent company legalized a syndicated financing contract as the borrower, for an amount of Euros 223,000 thousand. The agreement appointed the Parent Company, Via Celere, S.L.U., Maywood Invest, S.L.U. and Udralar, S.L.U., as the original guarantors, J.P. Morgan Securities PLC and Credit Suisse International, as coordinators, and a number of financial institutions as original lenders, and Credit Suisse International, as agent and as guarantee agent. 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.

The Directors believe that the situation described above will allow the Group to obtain profit and positive cash flows accomplish short term obligations.

## 8. Events after the reporting period

### *Purchase agreement and merger*

On 28 September 2018, Via Celere Desarrollos Inmobiliarios, S.A. signed certain agreements with Myjoja Inversiones, S.L., (hereinafter "minority shareholder"), 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 company controlled by the last ones, Aelca Desarrollos Inmobiliarios, S.L. (hereinafter "Aelca" or "ADI") whereby the parties established the following terms and conditions:

- i. Acquisition by Via Celere Desarrollos Inmobiliarios, S.A. of the minority interests that Myjoja Inversiones, S.L. held (minority interest 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 "parent companies"). Said parent companies own 100% of the share capital of 70 companies whose activity is residential development (hereinafter, the "project companies" (see Appendix II)).
- ii. Acquisition by Via Celere Desarrollos Inmobiliarios, S.A. of 100% of the interest held by Aelca in the companies 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 "operating companies from Aelca").
- iii. Merger of Via Celere Desarrollos Inmobiliarios, S.A. (as acquiring company) by takeover, with the parent companies, the project companies of the operating companies Aelca and Ponsnova Inmuebles, S.L.U. (as acquired companies), by simultaneous execution and in a single act, with annulment of all of these and the block transfer of their respective equity to VCDI, which will acquire all their rights and obligations by universal succession. As compensation for the merger operation, the major shareholders will receive shares of the Company to an amount equivalent to 80%-90% of the share capital of the acquired companies by means of a non-monetary contribution (issue and handover of new VCDI shares to said partners).

As a previous step to points, i., ii., and iii., on 2 January 2019, the Parent Company signed a syndicated senior financing agreement for an amount of 223,000 thousand euros as the original borrower. The Parent Company, Via 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 Company undertakes to comply with certain covenant financial obligations during the term of the loan and relating to its quarterly Consolidated Annual Accounts. These obligations are as follows:

- Commitment to comply with a ratio known as "LTV", understood as the quotient between *Net indebtedness and Gross Assets Value* ("GAV").  
This ratio must be less than 45% and did not need to be validated until 31 December 2018. The first validation period will be 31 March 2019.
- Commitment to comply with at least 85% of the consolidated EBITDA, the contribution by the companies guaranteeing the senior syndicated loan and at least 5% of aggregate total 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: Via 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.

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The Merger deed was executed on 9 January 2019 and was registered in the Madrid Companies Register on 8 March 2019. The accounting effects of the Merger have been taken into consideration from 1 January 2019 as they are considered to be a transaction under common control.

The objective of the transaction is to increase Via Celere Desarrollos Inmobiliarios volume of assets under development. According to the information provided, the combination of the assets of Via Celere Desarrollos Inmobiliarios and the Aelca perimeter would create a leading pure-play residential housebuilder in Spain with a land bank of approximate value of Euros 2.100 thousand and potential to develop over 23,000 units and a target delivery rate per year of c. 5,000 units which would:

- 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 shareholders' equity and returns.

Therefore, this merger by absorption implies: (i) the dissolution and extinction of the absorbed companies, and (ii) the block transfer of their corporate assets to the Absorbing Company which acquires, by universal succession, all the rights and obligations of the absorbed companies.

The issue of these new shares of Via Celere Desarrollos Inmobiliarios is equivalent to 48.26% of the capital approximately, whilst the remaining shareholders of the Parent Company hold shares approximately equivalent to 51.74% of the merged company.

Based on the stipulations of IFRS 3 "Business Combinations" and in particular, paragraph B1 of the IFRS 3 application guidance on "Business combinations of entities under common control" which states that "A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory". The Parent Company Directors have concluded that said contributions constituted a real estate development business and that it was a transaction under common control and as a consequence, and following that stated in paragraph 10 of IAS 8 on the definition of an accounting policy for transactions not regulated by the IFRS-EU, the Directors have chosen to record said contribution at the book values at which the assets and liabilities received were recorded in the books, instead of at the values at which said contribution has been made. The difference revealed between the values to which the contribution has been made and the book value of the assets and liabilities received has been entered in financial year 2019 against the heading "Voluntary Reserves".

The Parent Company directors have considered the operations and agreements described in this section as an integral part of a single transaction. Said interpretation has been agreed based on the fact that the operations and agreements have been performed in benefit of the merged companies and their calendar has been defined in a single framework of the merger, not generating profit for the previous owners except those they receive as part of the combined entity.

The operation described is included in the special tax regime of mergers, spin-offs, asset contributions, securities swap and change of company address of a European company or European cooperative company from one Member State to another of the European Union regulated in Part VII of Royal Legislative Decree 4/2014, of 27 November, on Corporation Tax.

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The detail of the assets acquired, and liabilities assumed on the date of the business combination is as follow:

	Thousand of euros
Property, plant and equipment	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
<b>Total Assets</b>	<b>687,970</b>
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
<b>Total liabilities</b>	<b>277,691</b>
<b>Net assets</b>	<b>410,279</b>
<b>Payment to minority shareholders</b>	<b>(166,772)</b>
<b>New shares issued</b>	<b>(647,966)</b>
<b>Merger reserves</b>	<b>(404,459)</b>

The outflow of cash produced in the business combination described, net of cash acquired, 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	-



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Additionally, the Group's financial information of financial year 2018 together with the real estate development business acquired, if it had occurred on 1 January 2018, would be as follows:

**Proforma Consolidated Statement of Financial position as at 31 December (\*)**

Thousand euros	Group Via Celere	Merged entities	Subtotal	Corporate and financing operations	Total
Intangible assets	122	-	122		122
Property, plant and equipment	3,546	296	3,842		3,842
Investment property	114	-	114		114
Investments in associates	12,682	-	12,682		12,682
Non-current investments	27,349	4,539	31,888		31,888
Deferred tax assets	71,089	-	71,089		71,089
Inventories	675,624	575,691	1,251,315		1,251,315
Trade and other receivables	10,090	9,637	19,727		19,727
Current investments in associates	365	23	388		388
Current investments	419	26,078	26,497		26,497
Prepayments and accrued income	3,890	89	3,979		3,979
Cash and cash equivalents	56,236	71,617	127,853	46,690	174,543
<b>Total Assets</b>	<b>861,526</b>	<b>687,970</b>	<b>1,549,496</b>	<b>46,690</b>	<b>1,596,186</b>
<b>Equity</b>	<b>458,542</b>	<b>426,571</b>	<b>885,113</b>	<b>(145,887)</b>	<b>739,226</b>
Non-current provisions	8,823	1,128	9,951		9,951
Non-current payables	1,497	54	1,551	220,138	221,689
Non-current related party payables	-	19	19		19
Deferred tax liabilities	13,852	-	13,852		13,852
Current provisions	421	-	421		421
Current payables	238,184	113,574	351,758		351,758
Current related party payables	142	33,073	33,215	(19,267)	13,948
Trade and other payables	140,062	113,551	253,613	(8,294)	245,319
Accrued expenses and deferred income	3	-	3		3
<b>Total liabilities</b>	<b>402,984</b>	<b>261,399</b>	<b>664,383</b>	<b>192,577</b>	<b>856,960</b>
<b>Total equity and liabilities</b>	<b>861,526</b>	<b>687,970</b>	<b>1,549,496</b>	<b>46,690</b>	<b>1,596,186</b>

(\*) These annual accounts have not been audited at the time of the drafting of the present consolidated annual accounts, however KPMG Auditores, S. L. has been commissioned to audit them and we expect the corresponding 2018 audit reports to be issued in April-May 2019.

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**Proforma Consolidated Income Statement for the year ended 2018 (\*)**

In thousand of Euros	Vía Célere Group	Merged entities	Subtotal
Revenue	157,063	62,320	219,383
Other income	2,136	196	2,332
Changes in inventories of finished goods and work in progress	47,143	30,057	77,200
Raw materials and other consumables used	(163,921)	(81,750)	(245,671)
Personnel expenses	(15,322)	-	(15,322)
Other expenses	(20,752)	(9,988)	(30,740)
Depreciation and amortisation charge	(325)	(46)	(371)
Impairment losses and gains/(losses) on disposal of non-current assets	(85)	(1)	(86)
<b>Operating Loss</b>	<b>5,937</b>	<b>788</b>	<b>6,725</b>
Finance Income	386	35	421
Finance Cost	(8,084)	(1,213)	(9,297)
Change in fair value of financial instruments	25,743	-	25,743
Impairment losses and gain/(losses) on disposal of financial instruments	621	-	621
<b>Net Finance Income / (Cost)</b>	<b>18,666</b>	<b>(1,178)</b>	<b>17,488</b>
Share of loss on investments accounted for using the equity method	(640)	-	(640)
<b>Los Before Tax</b>	<b>23,963</b>	<b>(390)</b>	<b>23,573</b>
Income tax	60,823	(2,435)	58,388
<b>Loss for the year from continuing operations</b>	<b>84,786</b>	<b>(2,825)</b>	<b>81,961</b>

(\*) These annual accounts have not been audited at the time of the drafting of the present consolidated annual accounts, however KPMG Auditores, S. L. has been commissioned to audit them and we expect the corresponding 2018 audit reports to be issued in April-May 2019.

**Monetary capital increase**

On 10 December 2018, the Company's General Shareholders' Meeting agreed a capital increase for the amount of Euros 37,177 thousand, by means of the issue of 1,821,490 new shares with the same rights as those existing on that date. Said increase was performed by monetary contributions and was executed in a public deed dated 15 March 2019 and having effect on that date; it is pending inscription at the Madrid Companies Register.

**Capital increases by credit compensation**

On 10 December 2018, the Company's General Shareholders' Meeting agreed a capital increase for the amount of Euros 18,924 thousand, by the issue of 927,189 new shares with the same rights as the ones in existence on that date. The increase was performed by credit compensation and was executed in a public deed on 15 March 2019 having effect on said date; it is pending inscription at the Madrid Companies Register.

**Notification of an inspection**

On March 8, 2019 Via Celere Desarrollos Inmobiliarios, S.A., received from the Spanish Tax Authorities, Communication of the start of tax audits proceedings related to the following taxes and periods:

- Corporate Income Tax: 2013 y 2014.
- Valued Added Tax: 04/2014 to 06/2015.

**8. Outlook for the group in 2019**

The Group plans to continue to divest inventories of finished product and repay the associated borrowings. To achieve this goal, the Group will set in motion sales policies and enter into agreements with local sales agents to maximise return on investment. However, we do not expect to obtain significant margins.

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In its core residential real estate development business, the Group plans to launch 68 developments in 2019 providing 4.716 new housing units under development to the current portfolio of developments in progress.

The Group intends to continue buying new plots in line with its strategic growth targets in terms of regions and new niches of housing demand, with a strong growth outlook in the coming years.

In 2019, the Group will continue with its customer service policy to ensure a unique housing delivery experience.

## 9. Innovation

The relevant activities carried out by the Group 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 were mapped, as they are the basis for the innovative and creative activity of people and companies, in such a way that the company can have a strategic decision-making tool, a comprehensive analysis of the innovation cycle, and be able to start a process of document management and internal and external protection measures.

## 10. Treasury shares

The Group did not carry out any transactions with treasury shares in 2018, nor did it hold any treasury shares as of 31 December 2018.

## 11. Alternative performance measures

As indicated in Note 1 to the consolidated financial statements, the Group prepares its financial statements in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU). In addition, the Group provides a range of Alternative Performance Measures ("APMs") to supply further information in support of comparability and ease of understanding, and as an aid to assessment of the Group's performance and related decision-making.

Users of financial reports should regard APMs as supplementary to the figures presented on the basis of presentation of the consolidated financial statements. APMs have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under IFRS-EU.

Comparative figures: The Parent Company presents the previous year's figures for purposes of comparison. The following comments can be made:

1. Personnel expenses in 2018 includes Euros 533 thousand as redundancies costs.

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2. Revenues from sales of promotions in 2018 increased by 71,922 thousand euros with respect to 2017 due to the delivery of 190 more homes.

The key APMs relating to the Company's performance and their reconciliation with the consolidated financial statements (in thousands of euros) are as follows:

#### Revenue

Definition: sale of property developments + sale of land + legacy assets disposal + services rendered.

Explanation of use: the directors of the Parent consider revenue to be a performance measure because it includes information about how revenue, derived from both our development sales and our legacy asset disposal as well as from revenue from services rendered, is generated.

The below table presents our calculations of revenue for the years ended 31 December 2018 and 31 December 2017

	Thousand of Euros	
	2018	2017
Sale of property developments - Note 24.1	119.587	47.665
Sale of land - Note 24.1	21.893	-
Legacy Assets disposal - Note 24.1	15.568	10.122
Services rendered	15	9
<b>Revenue</b>	<b>157.063</b>	<b>57.796</b>

#### Impairment losses

Definition: impairment + reversal of impairment losses of inventories.

Explanation of use: the directors of the Parent consider impairment losses to be a performance measure because it provides information on impairment net of reversal of impairment losses on inventories (impairment charge less reversal).

The below table presents our calculations of impairment losses for the year ended 31 December 2018.

	Thousands of Euros	
	2018	2017
Impairment - Note 16.6	(14,574)	(171,044)
Reversal of impairment losses of inventories - Note 16.6	86,368	77,429
<b>Impairment losses</b>	<b>71,794</b>	<b>(93,615)</b>

#### Gross margin

Definition: Revenue – changes in inventories of finished goods and work in progress – raw materials and other consumables used.

Explanation of use: the directors of the Parent consider gross margin to be a performance measure because it provides information about how our activity is being performed by starting from revenue from sales and subtracting the costs incurred to make such sales.

The below table presents our calculations of gross margin for the years ended 31 December 2018 and 2017.

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	Thousand of Euros	
	2018	2017
<b>Sales - Note 24.1</b>	<b>157,048</b>	<b>57,787</b>
Sale of property developments	119,587	47,665
Sale of land	21,893	-
Legacy Assets disposal	15,568	10,122
<b>Changes in inventory of finished goods and Work in Progress - Note 24.2</b>	<b>47,143</b>	<b>80,151</b>
Cost of goods sold (units delivered)	(124,739)	(38,868)
Higher Cost of goods sold due to PPA (units delivered)	(13,535)	(10,301)
Higher Cost of goods sold due to PPA (land)	(103)	-
Higher cost of financing	(1,211)	-
Cost of goods sold Legacy Assets	(35,479)	(22,256)
Changes in inventory of land and developments in progress	169,303	160,984
Impairment of finished goods and Work In Progress	8,765	(9,408)
Reversal of impairment of sales	25,027	-
Reversal of impairment of Legacy Assets	19,115	-
<b>Raw materials and other consumables used (excluding impairment losses on real estate inventories)</b>	<b>(178,584)</b>	<b>(160,984)</b>
Purchase of land and developments in progress	(178,584)	(160,984)
<b>Gross Margin</b>	<b>25,607</b>	<b>(23,046)</b>

### Adjusted Gross margin

**Definition:** gross margin – legacy Assets disposal + reversal of higher cost of goods sold due to PPA (units delivered) + reversal of higher cost of goods sold due to PPA (Land) - reversal of impairment of finished goods and work in progress).

**Explanation of use:** the directors of the Parent Company believe that Adjusted Gross Margin for development measures the performance of the core business by providing information on the earnings made on developments. Adjusted Gross Margin excludes earnings on sales of land and legacy stock, which the Company regards as being outside its core business, the higher cost of units delivered due to PPA as being considered an accounting distorting effect and the reversal of impairment of finished goods and work in progress recorded before the recognition of the revenue. This performance measure is calculated and included in order to show the senior management ability for increasing development margins.

The below table presents our calculations of adjusted gross margin for the years ended 31 December 2018 and 2017.

	Thousand of Euros	
	2018	2017
<b>Gross Margin</b>	<b>25,607</b>	<b>(23,046)</b>
Legacy Assets disposals - Note 24.1	796	(10,122)
Reversal of higher cost of goods sold due to PPA (units delivered) - Note 24.2	13,638	10,301
Reversal of impairment of finished goods and work in progress - Note 24.2	(8,765)	12,925
<b>Adjusted Gross Margin</b>	<b>31,276</b>	<b>(9,942)</b>

### Contribution Margin

**Definition:** gross margin – internal commercial staff expenses – internal workforce staff expenses - sales and marketing expenses included in other expenses.

**Explanation of use:** the directors of the Parent believe that contribution margin measures the performance of its business by providing information on the contribution margin on developments generating revenue during the period. The contribution margin is calculated on the basis of the gross margin, net of certain costs of marketing and sale of significant developments.

The table below presents our calculations of contribution margin for the years ended 31 December 2018 and 2017.

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	Thousand of Euros	
	2018	2017
<b>Gross Margin</b>	<b>25,607</b>	<b>(23,046)</b>
Internal commercial staff expenses - Note 24.4	(1,242)	(879)
Internal workforce staff expenses - Note 24.4	(4,899)	(3,348)
Other expenses - Sales and marketing expenses - Note 24.6	(8,901)	(1,205)
<b>Contribution Margin</b>	<b>10,565</b>	<b>(28,478)</b>

**Adjusted Contribution Margin**

Definition: adjusted gross margin – internal commercial staff expenses – internal workforce staff expenses - sales and marketing expenses included in other expenses.

Explanation of use: the directors of the Parent believe that adjusted contribution margin measures the performance of its business by providing information on the contribution margin on developments generating revenue during the period excluding the sales and marketing expenses incurred. The adjusted contribution margin is calculated on the basis of the adjusted gross margin.

The table below presents our calculations of adjusted gross contribution margin for the years ended 31 December 2018 and 2017.

	Thousand of Euros	
	2018	2017
<b>Adjusted Gross Margin</b>	<b>31,276</b>	<b>(9,942)</b>
Internal commercial staff expenses - Note 24.4	(1,242)	(879)
Internal workforce staff expenses - Note 24.4	(4,899)	(3,348)
Other expenses - Sales and marketing expenses - Note 24.6	(8,901)	(1,205)
<b>Adjusted Contribution Margin</b>	<b>16,234</b>	<b>(15,374)</b>

**EBITDA**

Definition: contribution margin + impairment losses on real estate inventories + other income + services rendered – personnel expenses (excluding internal commercial staff expenses) – other operating expenses (excluding sales and marketing expenses) - impairment losses and gains / (losses) on disposal of non-current assets.

Explanation of use: the directors of the Parent believe that EBITDA measures the performance of the Group's business by analysing the profit or loss for the year (excluding interest, tax, depreciation and amortization), as an approximation of operating cash flows, reflecting cash generation. Furthermore, EBITDA is a measure widely used by investors to value companies.

The table below presents our calculations of EBITDA for the years ended 31 December 2018 and 2017.

	Thousand of Euros	
	2018	2017
<b>Contribution Margin</b>	<b>10,565</b>	<b>(28,478)</b>
Impairment losses on real estate inventories - Note 16	14,663	(84,207)
Other income	2,136	2,042
Services rendered	15	9
Personnel expenses (excluding internal commercial staff expenses) - Note 24.4	(9,181)	(6,663)
Other expenses (excluding sales and marketing expenses) - Note 24.6	(11,851)	(14,979)
Impairment losses and gains/(losses) on disposal of non-current assets	(85)	38
<b>EBITDA</b>	<b>6,262</b>	<b>(132,238)</b>

**Adjusted EBITDA**

Definition: EBITDA - reversal of impairment losses on real estate inventories - legacy assets disposal + cost of goods sold legacy assets + reversal of higher cost of goods sold due to PPA - reversal of impairment of finished goods and work in progress.

## VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

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Explanation of use: the directors of the Parent believe that adjusted EBITDA measures the returns on the Group's business by analysing operating profit, excluding impairments on inventory that do not represent cash outflows in addition to transactions not considered as core business.

The table below presents our calculations of adjusted EBITDA for the years ended 31 December 2018 and 2017.

	Thousand of Euros	
	2018	2017
<b>EBITDA</b>	<b>6,262</b>	<b>(132,238)</b>
Impairment losses on real estate inventories - Note 16	(14,663)	84,207
Legacy Assets disposals - Note 24.1	796	(10,122)
Reversal of higher cost of goods sold due to PPA (units delivered) - Note 24.2	13,638	10,301
Reversal of impairment of finished goods and work in progress - Note 24.2	(8,765)	12,925
<b>Adjusted EBITDA</b>	<b>(2,732)</b>	<b>(34,927)</b>

#### EBIT

Definition: EBITDA - depreciation and amortization charge.

Explanation of use: the directors of the Parent believe that EBIT measures the performance of the Group's business by analysing the profit or loss for the year (excluding interest and tax), as an approximation of operating cash flows, reflecting cash generation. Furthermore, EBIT is a measure widely used by investors to value companies. Credit rating agencies and lenders use EBIT to assess indebtedness by comparing it to net debt and debt service.

The table below presents our calculations of EBIT for the years ended 31 December 2018 and 2017.

	Thousand of Euros	
	2018	2017
<b>EBITDA</b>	<b>6,262</b>	<b>(132,238)</b>
Depreciation and amortization charge	(325)	(386)
<b>EBIT</b>	<b>5,937</b>	<b>(132,624)</b>

#### Adjusted EBIT

Definition: Adjusted EBITDA - depreciation and amortization charge.

Explanation of use: the directors of the Parent believe that adjusted EBIT measures the performance of the Group's business by analysing the profit or loss for the year (excluding interest, tax, depreciation and amortization), as an approximation of operating cash flows, reflecting cash generation. Furthermore, adjusted EBIT is a measure widely used by investors to value companies. Credit rating agencies and lenders use adjusted EBIT to assess indebtedness by comparing it to net debt and debt service.

The table below presents our calculations of EBIT for the years ended 31 December 2018 and 2017

	Thousand of Euros	
	2018	2017
<b>Adjusted EBITDA</b>	<b>(2,732)</b>	<b>(34,927)</b>
Depreciation and amortization charge	(325)	(386)
<b>Adjusted EBIT</b>	<b>(3,057)</b>	<b>(35,313)</b>

#### Adjusted Net Result

Definition: adjusted EBIT + net finance income/(cost) + share of loss on investments accounted for using the equity method + income tax + (loss / profit for the year from discontinued operations net of tax).

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Explanation of use: adjusted net result is considered to be a performance measure because it provides information for analyzing profitability of a company in order to show the core business' net result of the Parent Company and eliminate the effect of the variability associated with certain line items.

The table below presents our calculations of adjusted net result for the years ended 31 December 2018 and 2017.

	Thousand of Euros	
	2018	2017
<b>Adjusted EBIT</b>	<b>(3,057)</b>	<b>(35,313)</b>
Net finance income/(cost)	18,666	(12,653)
Share of loss on investments accounted for using the Equity Method	(640)	(480)
Income tax	60,823	10,834
(Loss) / Profit for the year from discontinued operations Net of Tax	-	(526)
<b>Adjusted Net Result</b>	<b>75,792</b>	<b>(38,138)</b>

The key APMs relating to the Company's borrowings are:

**Borrowings**

Definition: bank borrowings (classified under current and non-current payables) – bank borrowings with related parties.

Explanation of use: the directors of the Parent believe that the "borrowings" APM measures business performance by showing the company's net financial position. This figure is needed to calculate the leveraged ratios typically used by the market.

The following table sets out our calculations of borrowings as of 31 December 2018 and 2017.

	Thousand of Euros	
	2018	2017
Non-current payables - Bank borrowings - Note 19	1,309	1,460
Current payables - Bank borrowings - Note 19	237,648	363,255
Bank borrowings with related parties - Note 19 (*)	-	(99,867)
<b>Borrowings</b>	<b>238,957</b>	<b>264,848</b>

(\*) Loans which have been capitalized in 23 February 2018.

**Net financial debt**

Definition: borrowings + deferred payments for purchase of inventories (including deferred payments for purchase of Via Celere) + other financial liabilities (classified under current and non-current payables) – cash and cash equivalents (less restricted cash) (Note 15.3).

Explanation of use: the directors of the Parent regard net financial debt as a financial figure that measures a company's net debt position. Furthermore, it is a measure widely used by investors to value companies' net leverage. Credit rating agencies and lenders use net financial debt to assess net indebtedness.

The following table sets out our calculation of net financial debt as of 31 December 2018 and 2017.

	Thousand of Euros	
	2018	2017
<b>Borrowings</b>	<b>238,957</b>	<b>264,848</b>
Deferred payments for purchase of inventory – Note 19	-	30,822
Non-current payables - Other financial liabilities - Note 19	188	260
Current payables - Other financial liabilities - Note 19	534	222
Cash and cash equivalents (less restricted cash) (Note 15.3) (*)	(9,387)	(73,555)
<b>Net Financial Debt</b>	<b>230,292</b>	<b>222,597</b>

(\*) As of 31 December 2017, Euros 17,586 thousand are included as available cash related to Magoria development as this amount is expected to be released on the first quarter of 2018 (Note 15.3)

**Adjusted Net financial debt**

Definition: net financial debt + borrowings of subsidiaries integrated through equity method + deferred payments for optioned land - cash of subsidiaries integrated through equity method (Note 15.3).



## VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

### Consolidated Management Report for 2018

	Thousand of Euros	
	2018	2017
<b>Net Financial Debt</b>	<b>230,292</b>	<b>222,597</b>
Borrowings of subsidiaries integrated through Equity Method - Note 19.	18450	6,975
Deferred payments for optioned land	39159	63,158
Available cash of subsidiaries integrated through Equity Method - Note 15.3	(3,686)	(2,455)
<b>Adjusted Net Financial Debt</b>	<b>284,215</b>	<b>290,275</b>

#### Leverage ratio

Definition: borrowings / total assets

Explanation of use: Leverage is an indicator that measures a company's debt position. This is a measure widely used by investors to value real estate companies' leverage. Credit rating agencies and lenders use net financial debt to assess indebtedness.

The following table sets out our leverage calculations as of 31 December 2018 and 2017.

	Thousand of Euros	
	2018	2017
<b>Borrowings</b>	238,957	264,848
Total assets	861,526	811,835
<b>Leverage ratio</b>	<b>28%</b>	<b>33%</b>

#### Loan to Value ("LTV")

Definition: adjusted net financial debt / market value of inventory portfolio associated to the Company's ownership interest percentage (GAV).

Explanation of use: LTV is an indicator that measures a company's debt position in relation to the market value of its real estate assets. This is a measure widely used by investors to value real estate companies' leverage. Credit rating agencies and lenders use this figure to assess indebtedness.

The following table sets out our calculations of LTV as of 31 December 2018 and 2017.

	Thousand of Euros	
	2018	2017
<b>Adjusted Net Financial Debt</b>	<b>284,215</b>	<b>290,275</b>
Market value of inventory portfolio associated to the Company's ownership interest percentage (GAV) (see Note 2.5)	1,107,377	1,025,365
<b>LTV</b>	<b>26%</b>	<b>28%</b>

#### Loan to Cost ("LTC")

Definición: deuda financiera neta / (existencias – anticipos a proveedores)

En la tabla siguiente presentamos nuestros cálculos de LTC a 31 de diciembre de 2018 y 2017.

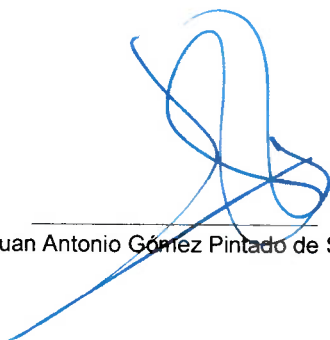
	Thousand of Euros	
	2018	2017
<b>Net Financial Debt</b>	<b>230,292</b>	<b>222,597</b>
Inventories – Note 16	675,624	616,948
Advance to suppliers – Note 16	(8,099)	(11,930)
<b>LTC</b>	<b>34%</b>	<b>37%</b>

**VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES**

**Consolidated Management Report for 2018**

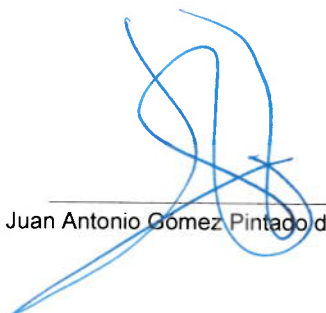
Reunidos los Administradores de la sociedad Via Celere Desarrollos Inmobiliarios, S.A., con fecha de 27 de marzo de 2019 y en cumplimiento de los requisitos establecidos en los artículos 253 del Texto Refundido de la Ley de Sociedades de Capital y del artículo 37 del Código de Comercio, proceden a formular las Cuentas Anuales Consolidadas y el Informe de Gestión Consolidado del ejercicio comprendido entre el 1 de enero de 2018 y el 31 de diciembre de 2018. Las cuentas anuales consolidadas 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 articles 253.2 of the Consolidated Text of the Spanish Companies Act and in article 37 of the Commerce Code, decide to draw up the Consolidated Annual Accounts and the Management Report of financial year covered between 1 January 2018 and 31 December 2018. The consolidated annual accounts, are composed of the documents attached herein.



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D. Juan Antonio Gómez Pintado de Segovia



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Mr. Juan Antonio Gomez Pintado de Segovia

**VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES**

**Consolidated Management Report for 2018**

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D. Francisco Milone



Mr. Francisco Milone

**VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES**

**Consolidated Management Report for 2018**

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D. Jaime Echevarría



Mr. Jaime Echevarría

VIA CELERE DESARROLLOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

Consolidated Management Report for 2018

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D. Héctor Serrat Sanz



Mr. Héctor Serrat Sanz

