Neinor Homes, S.A. and Subsidiaries

Summarised Consolidated Interim Financial Statements and Interim Directors´Report for the six-month period ended 30 June 2017, prepared in accordance with International Financial Reporting Standards, together with Report on Limited Review

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of summarised consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (Notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

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Translation of a report originally issued in Spanish and of interim summarised consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Neinor Homes, S.A., at the request of Board of Directors,

Report on the Interim Summarised Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim summarised consolidated financial statements ("the interim financial statements") of Neinor Homes, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the summarised consolidated statement of the financial position as of 30 June 2017, summarised consolidated income statement, summarised consolidated statement of comprehensive income, summarised consolidated statement of changes in equity, summarised consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim summarised financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and, consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing came to our attention that might cause us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2017 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim summarised financial statements.

Emphasis of Matter

We draw attention to Note 2.a to the accompanying interim summarised consolidated financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016. Our conclusion is not modified in respect of this matter.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2017 contains the explanations which the Parent's directors consider appropriate about the significant events which took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2017. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Neinor Homes, S.A. and Subsidiaries.

Other Matters

This report was prepared at the request of the Board of Directors of Neinor Homes, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of Consolidated Spanish Securities Market Law approved by Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Alicia Izaga
26 July 2017

Neinor Homes, S.A. and Subsidiaries

Summarised Consolidated Interim Financial Statements for the period ended 30 June 2017, prepared in accordance with International Financial Reporting Standards

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of summarised consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (Notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2017 AND 31 DECEMBER 2016

(Thousands of Euros)

ASSETS	Explanatory notes	30.06.2017	31.12.16
NON-CURRENT ASSETS:			
Intangible assets		890	754
Property, plant and equipment		1.559	1.553
Investment property	6	10.527	12.893
Non-current financial assets		360	336
Deferred tax assets	12	-	-
Total non-current assets		**13.336**	**15.536**
CURRENT ASSETS:			
Inventories	7	1.029.109	925.366
Trade and other receivables	8	21.495	20.553
Current financial assets		4	23
Tax receivables	12	30.289	9.050
Cash and cash equivalents	2.d	95.375	45.301
Total current assets		**1.176.272**	**1.000.293**
TOTAL ASSETS		**1.189.608**	**1.015.829**

EQUITY AND LIABILITIES	Explanatory notes	30.06.2017	31.12.16
EQUITY:			
Share capital		790.050	729.297
Share premium		39.247	-
Legal reserve		2.066	823
Reserves of the Parent		34.215	7.980
(Own shares)		(1.386)	-
Reserves at fully consolidated companies		(118.044)	(108.145)
Consolidated profit / (loss) for the year		(21.360)	1.057
Total equity	9	**724.788**	**631.012**
NON-CURRENT LIABILITIES:			
Non-current provisions	15	333	-
Bank borrowings	11	17.623	26.623
Other non-current liabilities		33	34
Deferred tax liabilities	12	321	321
Total non-current liabilities		**18.310**	**26.978**
CURRENT LIABILITIES:			
Provisions	10	7.853	9.059
Bank borrowings	11 and 14	311.390	277.068
Other current financial liabilities	2.d and 11	211	288
Payables to sole shareholder	11 and 14	3.071	3.071
Current trade and other payables	7	57.203	32.698
Personnel		1.724	1.556
Tax payables	12	3.445	4.404
Advances from customers	7	61.613	29.695
Total current liabilities		**446.510**	**357.839**
TOTAL EQUITY AND LIABILITIES		**1.189.608**	**1.015.829**

Notes 1 to 16, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of financial position regarding to the period of six months ended 30 June 2017.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2017 AND 2016
(Thousands of Euros)

	Explanatory notes	30.06.17	30.06.16 (*)
Net revenues	13	125.856	120.216
Cost of sales	13	(146.417)	(100.068)
Employee benefits expenses	13	(23.137)	(5.865)
Depreciation and amortisation charges	6	(365)	(282)
External services	13	(20.658)	(22.934)
Change in trade provisions	13	43.242	20.532
Other operating gains/(losses)		2.796	1.982
Gains/(losses) on disposal of fixed assets	6	403	4
PROFIT / (LOSS) FROM OPERATIONS		**(18.280)**	**13.585**
Finance revenue		-	292
Finance costs	11 and 14	(3.080)	(1.742)
PROFIT / (LOSS) BEFORE TAX		**(21.360)**	**12.135**
Income tax	12	-	(3.540)
PROFIT / (LOSS) FOR THE YEAR		**(21.360)**	**8.595**
Earnings/(losses) per share (Euros):			
Basic	9	(0,074)	0,009
Diluted	9	(0,074)	0,009

(*) Not audited or reviewed. Included for comparative purposes.

Notes 1 to 16, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of comprehensive income corresponding to the period of six months ended 30 June 2017.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONDENSED CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2017 AND 2016

(Thousands of Euros)

	Explanatory notes	30.06.17	30.06.16 (*)
CONSOLIDATED PROFIT / (LOSS) FOR THE PERIOD		**(21.360)**	**8.595**
OTHER RECOZNIZED INCOME (EXPENSES)		-	-
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		-	-
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		-	-
TOTAL RECOGNISED INCOME AND EXPENSE		**(21.360)**	**8.595**
a) Attributable to the Parent		(21.360)	8.595
b) Attributable to non-controlling interests		-	-

(*) Not audited or reviewed. Included for comparative purposes.

Notes 1 to 16, described int he explanatory notes atteched, form an integral part of the condensed consolidated estatement of recognised income and expense at 30 June 2016.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2017 AND 2016

(Thousands of Euros)

	Share capital	Share premium	Legal reserve	Other reserves of the Parent	Own shares	Reserves at consolidated companies	Consolidated profit/loss for the period	Total equity
Balance at 31 December 2015	**939.878**	**-**	**-**	**573**	**-**	**(28.971)**	**(70.866)**	**840.614**
Distribution of profit/loss for the period:								
To reserves	-	-	823	7.407	-	(79.096)	70.866	-
Income/expense recognised in the period	-	-	-	-	-	-	8.595	**8.595**
Reductions of capital (Note 9)	(199.331)	-	-	-	(5.900)	-	-	**(205.231)**
Other (Note 9)	-	-	-	-	-	(21)	-	**(21)**
Balance at 30 June 2016 (*)	**740.547**	**-**	**823**	**7.980**	**(5.900)**	**(108.088)**	**8.595**	**643.957**
Distribution of profit/loss for the period:								
To reserves	-	-	-	-	-	-	(7.538)	**(7.538)**
Income/expense recognised in the period	-	-	-	-	-	-	-	**-**
Reductions of capital (Note 9)	(11.250)	-	-	-	5.900	-	-	**(5.350)**
Other	-	-	-	-	-	(57)	-	**(57)**
Balance at 31 December 2016	**729.297**	**-**	**823**	**7.980**	**-**	**(108.145)**	**1.057**	**631.012**
Distribution of profit/loss for the period:								
To reserves	-	-	1.243	11.186	-	(11.372)	(1.057)	-
Income/expense recognised in the period	-	-	-	-	-	-	(21.360)	**(21.360)**
Increases of capital	60.753	39.247	-	-	(1.386)	-	-	**98.614**
Other (Note 9)	-	-	-	15.049	-	1.473	-	**16.522**
Balance at 30 June 2017	**790.050**	**39.247**	**2.066**	**34.215**	**(1.386)**	**(118.044)**	**(21.360)**	**724.788**

(*) Not revised or reviewed. Included for comparative purposes.

Notes 1 to 16, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of changes in equity at 30 June 2017.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIODS ENDED 30 JUNE 2017 AND 30 JUNE 2016

(Thousands of Euros)

	Explanatory notes	30.06.17	30.06.16 (*)
Cash flows from/(used in) operating activities			
Profit/(loss) from operations		(21.360)	12.135
Adjustments-			
Depreciation and amortisation	6	365	282
Change in provisions	6, 7 and 10	1.572	3.332
Impairment and gains/(losses) on disposal of intangible and tangible assets		(403)	(4)
Finance costs		3.080	1.742
Finance revenue		-	(292)
Cash flows obtained from operations		**(16.746)**	**17.195**
Increase/(Decrease) in current assets and liabilities:			
Inventories	7	(106.163)	22.820
Trade and other receivables	8	(22.187)	35.888
Current trade and other payables		23.469	(13.143)
Other current and non-current assets and liabilities		32.087	5.193
Income tax paid	12	-	(615)
Total net cash flows from operating activities (I)		**(89.540)**	**67.338**
Cash flows from/(used in) investing activities:			
Investments in intangible and tangible assets		(351)	(570)
Interests collected		-	292
Disposals of investment property	6	2.617	-
Disposals of other current and non-current financial assets		-	36
Other assets		(30)	(45)
Total net cash flows from investing activities (II)		**2.236**	**(287)**
Cash flows from/(used in) financing activities:			
Proceeds from share capital increases	9	99.986	-
Repayments from share capital reductions	9	-	(205.231)
Proceeds from bank borrowings	11	43.936	206.228
Repayment of bank borrowings	11	(18.614)	(600)
Repayment of sole shareholder borrowings	11 and 14	-	(98.465)
Interests paid	11 and 14	(3.080)	(3.401)
Other proceeds/payments related to financing activities	11	15.150	(22)
Total net cash flows from financing activities (III)		**137.378**	**(101.491)**
Net increase/(decrease) in cash and cash equivalents (I+II+III)		**50.074**	**(34.440)**
Cash and cash equivalents at beginning of the period		45.301	89.389
Cash and cash equivalents at end of year		**95.375**	**54.949**

(*) Not audited or reviewed. Included for comparative purposes.

Notes 1 to 16, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of cash flows for the period of six months ended 30 June 2017.

Translation of summarised consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (Notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.

Neinor Homes, S.A. and Subsidiaries

Notes to the Summarised Consolidated Interim Financial Statements for the period ended 30 June 2017

1. Activity of the Neinor Homes Group

Neinor Homes, S.A. is a Company incorporated in Spain in accordance with the Spanish Companies Act. In 2017, the Parent was registered as a public limited liability company ("S.A.") with a view to its admission to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges. The corporate purpose of Neinor Homes, S.A. is to promote, manage and develop all kind of Real Estate operations. The Company´s registered address is in Calle Ercilla 24, Bilbao (Vizcaya). The bylaws and other public information on the Company can be consulted on the website: www.neinorhomes.com.

In addition to the operations it carries out directly, the Company is the parent of a group of subsidiaries with the same corporate purpose and which, together with it, constitute the Neinor Homes Group (hereinafter, the "Group" or the "Neinor Homes Group"), and its shares were admitted to trading on the official secondary market during 2017. Therefore, the Company is obliged to prepare, in addition to its own separate financial statements, the Group's consolidated financial statements and half-yearly financial reports for both the Parent and the consolidated Group in accordance with Royal Decree 1362/2007, of 19 October, implementing Spanish Securities Market Law 24/1988, of 28 July, in relation to the transparency requirements regarding the information on issuers whose securities are admitted to trading on an official secondary market or on another regulated market in the European Union.

The Neinor Homes Group was incorporated in the context of the memorandum of understanding entered into in 2014 by Kutxabank, S.A. and the Lone Star investment fund, through its investee Intertax Business, S.L.U. (now Neinor Holdings, S.L.U.) for the sale and purchase of a portion of the Kutxabank Group's property assets. This transaction was completed on 14 May 2015 through the transfer by Kutxabank, S.A. to Neinor Holdings, S.L.U. of all the shares held by the former in Neinor Homes, S.A., once the conditions precedent established in the purchase and sale agreement entered into by the parties on 18 December 2014 had been met.

In addition, and as part of this transaction, on 1 January 2015, all the employees who had been performing the property group's development and management tasks at the Kutxabank Group, and the technical and other resources required to perform this activity, were transferred to the various Neinor Homes Group companies. In this regard, on 14 May 2015, an asset administration and management agreement was entered into by the various Kutxabank Group companies and Neinor Homes, S.A. in relation to the property assets owned by the former. This agreement has an initial seven-year term and may be extended automatically for further one-year periods. As consideration for these services, the various companies paid remuneration depending on the type and volume of the managed assets, plus additional variable remuneration based on success, applicable to asset sales and for performing certain specific related actions, and accruals. The contract can be terminated early in certain circumstances relating to a change of control at the successful bidder for the contract involving a competitor of Kutxabank, negligence in the provision of the service or interruption thereof for more than seven days, except in the event of fortuitous events or force majeure. Also, in the event of Kutxabank's loss of control of entities within the scope of this contract, there is an option for early termination, although the corresponding compensation for termination is regulated. In 2017, in accordance with the terms and conditions established in the property asset administration and management agreement, Kutxabank and the Neinor Homes Group entered into an agreement whereby the Neinor Homes Group proceeded to open bank accounts for the sole purpose of enabling the Neinor Homes Group to manage directly the expenses paid under the aforementioned agreement in relation to the companies Kutxabank, S.A. and Cajasur Banco, S.A.U., to which the balances deposited in these cash accounts belong. As a result, the cash balances of these accounts at 30 June 2017, amounting to EUR 15 thousand are not recognised in the accompanying half-yearly condensed consolidated statement of financial position, and nor are any liabilities, income or expenses associated with the balance recognised in the accompanying half-yearly condensed consolidated financial statements.

On 29 March 2017, the Parent's shares were admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, for which the Group obtained the related waivers/approvals from the banks from which it had received any kind of financing to avoid such financing being subject to early total payment, and the discharge of the first- and second-ranking security interests granted to the Kutxabank Group on all of the Parent's shares existing at 2016 year-end was approved, once the deferred price set forth in the purchase and sale transaction for the Neinor Homes Group had been paid to Kutxabank by Neinor Holdings, using the funds generated by the flotation.

The Group´s consolidated financial statements for 2016 were approved by the Company´s Sole Shareholder on 28 February 2017.

These summarized consolidated interim financial statements are presented in euros as this is the currency of the primary economic area in which he Group operates.

2. Basis of presentation of the summarised consolidated interim financial statements

a) Basis of presentation

In accordance with Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, every company governed by the laws of a European Union member state, and having its equity shares listed on a regulated market of any of its member states is required to file its consolidated financial statements for the reporting periods starting on or after 1 January 2005, in compliance with such International Financial Reporting Standards (IFRS) as may have been previously adopted by the European Union.

The Group's 2016 consolidated financial statements were prepared by the Parent Company Directors in compliance with the International Financial Reporting Standards adopted by the European Union, and applying the basis of consolidation, accounting standards and measurement bases described in Note 4, so as to present fairly the Group's consolidated equity and financial position, consolidated results of operations, consolidated changes in equity, and consolidated cash flows for the reporting period ended on 31 December 2016.

These summarised consolidated interim financial statements are in compliance with IAS 34 on interim financial reporting, and were prepared by the Group Directors on 26 July 2017, all the above in accordance with Section 12 of Royal Decree 1362/2007.

Pursuant to IAS 34, the only purpose of interim financial reporting is to update the contents of the latest consolidated financial statements presented by the Group, placing emphasis on any new activity, event or circumstance occurred over the six-month period, but not repeating the information previously reported on the 2016 consolidated financial statements. Therefore, for a better understanding of the information contained in these summarised consolidated six-month financial statements, they should be read together with the Group's 2016 consolidated financial statements.

These six-monthly summarised consolidated financial statements were prepared using the same accounting policies and methods used for the 2016 consolidated financial statements, except for the standards and interpretations which came into force during the first half of 2017, which are detailed below.

b) Adoption of International Financial Reporting Standards

The following mandatory standards and interpretations, already adopted in the European Union, became effective in 2017. Where applicable, the Group has used them in the preparation of these consolidated financial statements:

(1) *New standards, amendments and interpretations mandatorily applicable in the year*

Not Approved for use in the European Union		**Mandatory application for annual periods beginning on or after:**
Amendments to IAS 12, *Recognition of Deferred Tax Assets for Unrealised Losses* (issued in January 2016)	Clarification in relation to the recognition of deductible temporary differences related to debt instruments.	1 January 2017
Amendments to IAS 7, *Disclosure Initiative* (issued in January 2016)	Various clarifications in relation to disclosures (financial transactions, liquidity, etc.).	1 January 2017

(2) *New standards, amendments and interpretations of mandatory application for annual periods after the calendar year starting on 1 January 2017*

At the date of authorization of these annual consolidated financial statements, the following standards and interpretations had been published by the IASB but had not become effective, either because their effective date was subsequent to the date of the consolidated financial statements or because they had yet to be adopted by the European Union:

Approved for use in the European Union		**Mandatory application for annual periods beginning on or after:**
IFRS 15, *Revenue from Contracts with Customers* (issued in May 2014) (*)	New revenue recognition standard (supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31).	Annual reporting periods beginning on or after 1 January 2018
IFRS 9, Financial Instruments (last phase issued in July 2014)	Replaces the requirements in IAS 39 relating to the classification, measurement, recognition and derecognition of financial assets and financial liabilities, hedge accounting and impairment.	1 January 2018

(*) Clarifications on NIIF 15 are pending of adoption.

Not Approved for use in the European Union		**Mandatory application for annual periods beginning on or after:**
IFRS 16 Leases (published January 2016)	Eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases.	1 January 2019
Amendments of IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The clarification is extremely significant relating to gains or losses on these transactions, as until now there has been a discrepancy between these standards. When a business is involved, there is full profit and loss recognition; when assets are involved, there is partial profit and loss recognition.	Date of adoption not defined
Amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions* (issued in June 2016)	Various amendments to the standard on share-based payment transactions in relation to vesting conditions on cash-settled share-based payment transactions, amendments to the terms and conditions of plans, net settlements, etc.	1 January 2018
Clarifications to IFRS 15, *Revenue from Contracts with Customers* (issued in April 2016)	Clarifications to the standard based on the discussions of the TRG (Transition Resource Group for Revenue Recognition).	1 January 2018
Amendments to IFRS 4, *Applying IFRS 9 Financial Instruments with*	Temporary accounting treatment as a result of the different dates of entry into force of IFRS 9 and the new standard on insurance contracts.	1 January 2018

IFRS 4, Insurance Contracts (issued in September 2016).		
Improvements to IFRSs, 2014-2016 cycle (issued in December 2016) (*)	Minor amendments in relation to IFRS 1, IAS 28 and IFRS 12.	1 January 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (issued in December 2016)	Clarification on the exchange rate to be used in foreign currency transactions that include the receipt or payment of advance consideration in a foreign currency.	1 January 2018
Amendments to IAS 40, *Transfers of Investment Property* (issued in December 2016)	Guide to investment property transactions when there is a change in use.	1 January 2018
IFRIC 23 *Uncertainty over Income Tax Treatments*	IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.	1 January 2019
IFRS 17 *Insurance Contracts*	Establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. IFRS 17 replaces IFRS 4.	1 January 2021

(*) Clarification regarding the scope of IFRS 12 and its interaction with IFRS 5 takes effect on 1 January 2017.

The Group is currently assessing the impact on the financial statements of applying these standards in the future once they become effective. The Group's assessment is that the impact of the application of these standards will not be significant. The Group has performed a preliminary assessment in relation to the standards that come into force in 2018 and subsequent years, particularly IFRS 15 and IFRS 9, of the impact that the future application of these standards might have on the consolidated financial statements once they become effective, after which it was concluded that the impacts of the application of these standards will not be material. It was also considered that application of IFRS 16 would not have a material effect.

c) Estimates

The consolidated profit(loss) and equity are sensitive to the accounting standards and principles, measurement bases and estimates applied by the Parent Company Directors when preparing the summarised consolidated interim financial statements. The main accounting policies and principles and measurement criteria are indicated in Note 4 to the consolidated financial statements for 2016.

The summarised consolidated interim financial statements incorporate a number of estimates made by the Senior Management of the Parent Company and consolidated entities to measure certain items of their assets, liabilities, income, expense and commitments registered therein. These estimates, which are based on the best available information, basically refer to:

1. The corporate tax expense, which under IAS 34 is recognised on interim periods according to the best estimate of weighted average tax rate calculated by the Group for the whole year, and taking into account that the Tax Group headed by Neinor Homes, S.A. will pay taxes under tax consolidation basis in 2017 in accordance with Article 99.2 of Bizkaia Corporation Tax Regulation 11/2013, of 5 December (Note 12).

2. The market value of the Group Real Estate assets. The Group has obtained valuations from independent experts in 2016 for all of its Real Estate assets (Notes 6 and 7).

3. The assessment of possible impairment losses on certain assets

4. The useful life of the property, plant and equipment and intangible assets.

5. The calculation of provisions.

6. The assessment of the possibility to have future taxable profits to which to apply any recognised and unused tax credits.

7. The valuation of long-term employee benefits

Although these estimates were made on the basis of the best available information on the analysed facts, future events may require them to be modified prospectively (upwards or downwards), in accordance with IAS 8. The effects of any change would be recognized in the corresponding consolidated income statement.

No significant changes were made to the estimates used at 2016 year-end during the six-month period ended on 30 June 2017.

d) Contingent assets and liabilities

Note 21 to the Group´s consolidated financial statements for the period ended on 31 December 2016 contains the information on the guarantee commitments to third parties and other contingent liabilities as that date. During the first six-month period of 2017 there have been no significant changes in this area.

At 30 June 2017 the Group had provided guarantees to third parties for a total amount of EUR 87.237 thousand (EUR 43.427 thousand at 31 December 2016). Included in this figure there is an amount of EUR 21.426 thousand (EUR 15.654 thousand at 31 December 2016) thousand related mainly to guarantees provided to different local authorities to secure the development of different properties and EUR 65.811 thousand to secure payments in advance received by customers (EUR 27.773 thousand at 31 December 2016).

Additionally, the Group has received at 30 June 2017 from different suppliers and contractors guarantees for a total amount of EUR 11.400 thousand (EUR 8.424 thousand at 31 December 2016) to secure the perfect completion of the corresponding construction works. "Current Trade and Other Payables" under current liabilities in the half-yearly condensed consolidated balance sheet as at 30 June 2017 includes an amount of EUR 5.588 thousand (31 December 2016: EUR 1.124 thousand) relating to amounts withheld from contractors as a guarantee.

There is no restriction for the availability of the cash and cash equivalents of the Group neither as of 30 June 2016 nor 31 December 2016, except for the fact that, as described in Law 20/2015, of July 14, advances received and associated with a development (Note 7) are deposited in a special account, separate from any other class of funds belonging to the Group, and are only drawn against in connection with the construction of the developments. The balance subject to this restriction amounted to EUR 41.784 thousand at 30 June 2017, which differs from the advances as a result of the cash used to pay the progress billings of developments to which such advances are allocated.

e) Comparative information

The information on these summarised consolidated interim financial statements for 2016 is presented exclusively for comparison purposes with the information relating to the six-month period ended 30 June 2017.

Comparative information at 30 June 2016 has been prepared under the same accounting policies used at 30 June 2017. The comparative information is not audited or reviewed.

f) Seasonal nature of the Group's transactions

Given the nature of the activities conducted by the Group's Companies and the percentage of completion accounting criterion, the Group's transactions are not cyclical or seasonal. Therefore, these notes to the summarised consolidated financial statements for the six-month period ended 30 June 2017 do not contain any specific breakdown.

g) Relative importance

Pursuant to IAS 34, when determining which details to disclose in these notes to the summarised consolidated financial statements in relation to the various items of the financial statements or other issues, the Group has considered the relative importance of the summarised consolidated financial statements for the six-month period.

h) Correction of errors

In preparing the accompanying summarised consolidated interim financial statements relating to the six-month period ended 30 June 2017, no errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for year ended 31 December 2016.

i) Summarised consolidated cash flow statements

The summarised consolidated cash flow statements have been prepared using the indirect method and the terms used are defined as follows:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

2. Operating activities: the principal revenue-producing activities of the entities composing the consolidated Group and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents, if they have a direct impact on current cash flows.

4. Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities, if they have a direct impact on current cash flows.

j) Subsequent events

No other significant events have been taken since the end of these consolidated interim financial statements.

3. Changes in the Group´s composition

The consolidation principles used in the preparation of these six-month summarised consolidated financial statements are consistent with those used for the 2016 consolidated financial statements.

Appendix I to the notes to the 2016 consolidated financial statements includes the detail of the consolidated Group companies and the information related thereto at 31 December 2016.

There were no changes in the scope of consolidation of the Neinor Homes Group in the six-month period ended on 30 June 2017.

4. Dividends paid by the Group in the period

No dividend distributions have been approved in the six-month period ended on 30 June 2017.

Also, there are covenants associated with certain financing agreements entered into by the Group that limit the distribution of dividends if the equity of the Parent is lower than EUR 420 million and if the "Net Financial Debt/Equity" ratio is below 1,6.

5. Segment reporting

In Note 6 of the consolidated financial statements for the period ended 31 December 2016 are detailed the criteria used by the Group to define its operating segments. The targeting criteria has not been changed.

The main figures of the condensed consolidated income statements by segment for the 6 months periods ended 30 June 2017 and 2016 are as follow:

Segment information

	Thousands of Euros									
	Legacy		Development		Assets management – Servicing		Others / Corporate		Total	
	30.06.17	30.06.16	30.06.17	30.06.16	30.06.17	30.06.16	30.06.17	30.06.16	30.06.17	30.06.16
Revenue: Third party sales	84.436	76.833	27.426	30.638	13.994	12.745	-	-	125.856	120.216
Total Revenue:	**84.436**	**76.833**	**27.426**	**30.638**	**13.994**	**12.745**	**-**	**-**	**125.856**	**120.216**

	Thousands of Euros									
	Legacy		Development		Assets management – Servicing		Others / Corporate		Total	
	30.06.17	30.06.16	30.06.17	30.06.16	30.06.17	30.06.16	30.06.17	30.06.16	30.06.17	30.06.16
Income:										
Third party sales	84.436	76.833	27.426	30.638	13.994	12.745	-	-	125.856	120.216
Cost of sales	(125.582)	(78.217)	(20.835)	(21.851)	-	-	-	-	(146.417)	(100.068)
Change in trade provisions -Application of impairments for sold stocks (**)	45.662	20.831	-	31	-	-	-	-	45.662	20.862
Gross margin	**4.516**	**19.447**	**6.591**	**8.818**	**13.994**	**12.745**	-	-	**25.101**	**41.010**
Employee benefits expenses	(934)	(1.417)	(4.483)	(2.910)	(2.324)	(1.538)	-	-	(7.741)	(5.865)
Employee benefits expenses – Incentive Plan (Notes 9 and 15)	-	-	(15.396)	-	-	-	-	-	(15.396)	-
External Services	(9.022)	(14.151)	(9.513)	(6.193)	(2.123)	(2.590)	-	-	(20.658)	(22.934)
Change in trade provisions – Others (**)	(2.420)	(330)	-	-	-	-	-	-	(2.420)	(330)
Other operating gains / (losses)	2.796	1.982	-	-	-	-	-	-	2.796	1.982
Gains/(losses) on disposal of fixed assets	403	4	-	-	-	-	-	-	403	4
EBITDA	**(4.661)**	**5.535**	**(22.801)**	**(285)**	**9.547**	**8.617**	-	-	**(17.915)**	**13.867**
Net interest expense and others	-	-	(3.080)	(1.450)	-	-	-	-	(3.080)	(1.450)
Depreciation and amortization	(365)	(282)	-	-	-	-	-	-	(365)	(282)
Profit / (Loss) Before Tax	**(5.026)**	**5.253**	**(25.881)**	**(1.735)**	**9.547**	**8.617**	-	-	**(21.360)**	**12.135**
Employee benefits expenses – Incentive Plan (Note 9)	-	-	15.063	-	-	-	-	-	15.063	-
External Services (Note 13.d)	-	-	2.100	-	-	-	-	-	2.100	-
Change in trade provisions - Others (**)	-	-	-	-	-	-	-	-	-	-
Net interest expense and others	-	-	3.080	1.450	-	-	-	-	3.080	1.450
Depreciation and amortization	365	282	-	-	-	-	-	-	365	282
ADJUSTED EBITDA (*)	**(4.661)**	**5.535**	**(5.638)**	**(285)**	**9.547**	**8.617**	-	-	**(752)**	**13.867**

(*) A financial measure used by Group management which does not take into consideration the impairment losses on the Group's Investment properties and Inventories, mainly.

(**) See Change in trade provisions – Stocks in Note 13.e. To show the results generated on the sales of each segment more accurately, the impairment losses on real estate assets that were sold in both periods were separated from the other impairment losses related to assets still recognized on the Group's consolidated balance sheet and the effect relating to the change in other provisions.

The main figures of the summarised consolidated statements of financial position by segment at 30 June 2017 and for the exercise 2016 are as follow:

	Thousands of Euros									
	Legacy		Development		Management Assets - Servicing		Others / Corporate		Total	
	30.06.17	31.12.16	30.06.17	31.12.16	30.06.17	31.12.16	30.06.17	31.12.16	30.06.17	31.12.16
Balance sheet:										
Non-Current assets	10.526	12.893	-	-	-	-	2.810	2.643	13.336	15.536
Current assets	126.898	211.907	944.850	732.541	9.149	10.544	95.375	45.301	1.176.272	1.000.293
Total Assets	**137.424**	**224.800**	**944.850**	**732.541**	**9.149**	**10.544**	**98.185**	**47.944**	**1.189.608**	**1.015.829**
Financial Debt (*)	-	-	329.013	303.691	-	-	-	-	329.013	303.691
Other Non-current liabilities	394	355	193	-	100	-	-	-	687	355
Other current liabilities	16.199	9.295	113.935	60.821	1.338	3.045	3.648	7.610	135.121	80.771
Total Liabilities	**16.593**	**9.650**	**443.141**	**364.512**	**1.438**	**3.045**	**3.648**	**7.610**	**464.820**	**384.817**

(*) Non- Current and Current Bank Borrowings

6. Investment properties

The changes in this heading in the six-month period ended 30 June 2017 and the exercise ended 31 December 2016, were as follows:

6 months period ended 30 June 2017

	Thousands of euros			
	Cost	Amortisation	Provision (Note 13.e)	Net
Balance at 31 December 2016	**22.648**	**(591)**	**(9.164)**	**12.893**
Additions/Charges	-	(158)	-	(158)
Write-downs	(3.824)	54	1.404	(2.366)
Transfer from stocks (Note 7)	136	-	(27)	109
Transfer to stocks (Note 7)	(21)	23	47	49
Balance at 30 June 2017	**18.939**	**(672)**	**(7.740)**	**10.527**

Exercise ended 31 December 2016

	Thousands of euros			
	Cost	Amortisation	Provision	Net
Balance at 31 December 2015	**17.576**	**(328)**	**(6.238)**	**11.010**
Additions/Charges	-	(376)	(1.059)	(1.435)
Transfer from stocks (Note 7)	10.266	-	(3.876)	6.390
Transfer to stocks (Note 7)	(5.194)	113	2.009	(3.072)
Balance at 31 December 2016	**22.648**	**(591)**	**(9.164)**	**12.893**

The gain on sales of investment property amounted to EUR 403 thousand in the six-month period ended 30 June 2017 that is recorded under the caption "Gains/(losses) on disposal of fixed assets" (EUR 4 thousand in the six-month period ended 30 June 2016).

The fair value of the investment properties does not differ significantly from their net book value.

The Neinor Homes Group takes out the insurance policies it considers necessary to cover the risks which might affect its investment property.

At the end of the period ended 30 June 2017, rental income from investment property owned by the consolidated companies amounted to EUR 273 thousand (EUR 386 thousand at 30 June 2016).

At 30 June 2017 and 31 December 2016, the Group did not have any firm commitments to purchase or sell items of investment property.

7. Inventories

Details of "Inventories" at 30 June 2017 and 31 December 2016 are as follows:

	Thousands of euros	
	30.06.17	31.12.16
Sites and land	683.223	582.585
Construction work in progress	239.124	172.121
Completed buildings	163.656	271.966
Advances to suppliers	1.228	11
Less – Impairment losses (Note 6)	(58.122)	(101.317)
	1.029.109	**925.366**

In the period ended 30 June 2017 borrowing costs amounting to EUR 1.435 thousand were capitalised to inventories (in the year ended 31 December 2016 EUR 552 thousand were capitalised).

The additions in the period ended 30 June 2017 relate mainly to the purchase of various building lots which amounts to EUR 157.462 thousand. In this connection, "Trade and Other Payables - Payable to Suppliers" under current liabilities in the consolidated balance sheet as at 30 June 2017 includes EUR 25,989 thousand relating to the deferred portion of the price in relation to the purchase of various plots of land and the remaining amount matures in the short term (31 December 2016: EUR 11,875 thousand, relating to the deferred portion of the price of certain purchases of land lots, the full amount of which was settled in the first half of 2017).

Also, the Group handed over a property development in Madrid, another property development in Cataluña and another one in Andalucía, and had 28 property developments recognised under "Construction work in progress" at year-end.

At 30 June 2017, there are assets included under "Inventories" with a gross cost of EUR 494.113 thousand (EUR 355.959 thousand at 30 June 2016) securing a loan the Group has assumed the borrower position as the payment of the price arranged with the seller for the acquisition of a plot of land (Note 11).

In addition, the Group has a credit line with a limit of EUR 50.000 thousand, against which EUR 47.721 thousand had been drawn down at 30 June 2017. This credit line is being used to finance acquisition of plots of land. The related agreement does not provide for any specific asset as security, although the drawdowns are assigned to assets following approval by the lender, which reserves the right to demand that the corresponding mortgage be created (Note 11).

At 30 June 2017 and 31 December 2016, there were no commitments to sell any plots of land.

The property development sale commitments entered into with customers at 30 June 2017 and 31 December 2016, relating to those units in which a private purchase and sale agreement was signed, have resulted in the collection or reception of notes receivables amounting to EUR 61.613 and 29.695 thousand respectively, which have been recognised under "Current liabilities - Customer advances" in the summarised consolidated statement of financial position at 30 June 2017 and 31 December 2016. The amount equivalent to the aforementioned pre-sales amounted to EUR 596.327 thousand at 30 June 2017 (381.779 thousand at 31 December 2016).

In addition, at 24 April 2017, the Parent undertook to sell a range of assets corresponding to various property developments for EUR 25 million. "Customer Advances" under current liabilities included EUR 3 million relating to advance collections accrued when the purchase and sale agreement was entered into. The purchase and sale agreement was completed in July 2017. At 30 December 2016, an undertaking was made to sell a real estate development, consisting of a residential complex classified as "tourist apartments" (property under the condominium system for operation by means of the temporary assignment of use of the furnished units, equipped for immediate use, and managed by a tour operator), for EUR 24.250 thousand and subject to conditions precedent, which were met in January 2017, reason for which the sale agreement was completed in 2017.

At 30 June 2017 and 31 December 2016, the Group did not have significant firm commitments to land purchase.

The Group periodically reviews the fair value of its inventories, recognising, where appropriate, the related inventory write-downs. The changes in the period ended 30 June 2017 and in the exercised ended 31 December 2016 in the write-downs associated with the inventories were as follows:

	Thousands of Euros
Balance at 31.12.2015	**138.819**
Write-downs recognised	18.331
Write-downs reversed	(53.966)
Transfers to "Investment Property" (Note 6)	(1.867)
Balance at 31.12.2016	**101.317**
Write-downs recognised	2.420
Write-downs reversed	(45.662)
Transfers to "Investment Property" (Note 6)	47
Balance at 30.06.2017	**58.122**

At 30 June 2017, the net realisable value determined by Savills Consultoría Inmobiliaria, S.A. for the "Development assets" owned by the Group amounted to approximately EUR 1.344 million (EUR 1.120 million at 31 December 2016), which includes an asset recognized under "Advances to suppliers".

Considering the external appraiser's methodology, the key assumptions identified in the appraisals for the development assets (Note 5) are the discount rate and the sale prices. In the case of the discount rate a sensitivity of +/- 100 basis points was established, based on the different economic scenarios forecast in the short and medium term, as well as the rate of return that would be required by other developers with different characteristics to the Group. In addition, a positive performance of sale prices was envisaged, given that the appraisal models involved conservative assumptions on the current economic situation and, accordingly a sensitivity of + 1%/ +5% was set.

Assuming the remaining variables to be constant, the appraised values of development projects and the carrying amount thereof would be affected as follows, taking into account the change in the key assumptions:

	Thousands of Euros					
	Discount Rate		Sale Price			
Assumption	+1%	-1%	+1%	-1%	+5%	-5%
			Increase (Decrease)			
Change in appraised values	(29.954)	31.016	21.280	(20.635)	104.126	(102.752)
Change in carrying amount (*)	-	684	-	-	2.301	-

(*) The carrying amount is based on the lower of cost or realisable value. Increases in the net realisable value are not necessarily accompanied by impacts on the carrying amount of inventories.

The Savills valuation models adopted by the Group are sufficiently conservative and prudent to make it inappropriate to consider sensitivities to a negative price performance. In addition, the directors consider that we are currently undergoing a price growth scenario and the forecasts point towards continuing in that positive direction. However, the Group has performed a sensitivity analysis considering a 1%/ 5% fall in prices in the base scenario without subsequent price growth and the other variables remaining constant. In such an adverse scenario, which is not considered likely at the moment, the effect on the value of the real estate assets would be a reduction of EUR 20.635 thousand and EUR 102.752 thousand, while it would have no effect on the net book value of the assets.

8. Trade and other receivables

"Trade and other receivables" includes the following items:

	Thousands of euros	
	30.06.17	31.12.2016
Trade receivables and notes receivables	12.460	16.519
Other receivables – Down Payments	8.241	4.366
Other receivables – Provision of Services	1.120	1.223
Impairment (Notes 6 and 13.e)	(326)	(1.555)
	21.495	**20.553**

"Trade Notes Receivable" in the foregoing table mainly includes the amount receivable relating to the asset management and administration agreement entered into between various companies of the Kutxabank Group and Neinor Homes, S.A. amounting to EUR 9.149 thousand and EUR 10.544 thousand, respectively, as of 30 June 2017 and 31 December 2016.

"Other receivables" in the foregoing table includes mainly the amounts receivable from third parties for services rendered (Notes 13.a and 14) and amounts paid in advance by the Group to service providers amounting to EUR 8.241 thousands and EUR 4.366 thousands, respectively, as of 30 June 2017 and 31 December 2016.

9. Capital and reserves

a) Share capital

The statements of changes in equity for the periods ended 30 June 2017 and 31 December 2016 show the changes in equity attributable to the shareholders of the Parent and the non-controlling interests in the aforementioned periods.

At 30 June 2017, the Parent's share capital consisted of 79.005.034 fully subscribed and paid shares of EUR 10 par value each.

	30.06.17	
	Thousand of Euros	
	% Ownership Interest Registered	Total Share Capital Amount
Lone Star Capital Investments, S.A.R.L.	39,549%	312.457
FMR LLC	5,569%	43.998
Adar Capital Partners LTD	5,200%	41.083
Fidelity Investment Trust	5,013%	39.605
KSAC Europe Holdings, L.P.	4,199%	33.174
Gruss Capital Management LLP	3,449%	27.249
Resto (Bolsa)	37,021%	292.484
	100%	**790.050**

(*) According to the most updated information obtained from the CNMV web page.

b) Changes in the capital structure

In 2017, the Parent, Neinor Homes, S.A. was registered as a public limited liability company ("S.A.") (a transaction that was formalised by virtue of a public deed executed on 1 March 2017 before the Bilbao notary Raquel Ruiz Torres under number 234 of her protocol) with a view to its admission to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, which took place on 29 March 2017 with the prior authorisation of the Company's sole shareholder on 6 March 2017. Also, in the aforementioned public deed, the number of existing shares of the Company was reduced by a reverse split whereby one new share of EUR 10 par value each was issued for every ten existing shares of EUR 1 par value each. Subsequently, on 6 March 2017 the then sole shareholder of Neinor Homes, S.A. approved a capital increase through monetary contributions for a cash amount of EUR 100 million. This capital increase was performed by issuing new ordinary shares of EUR 10 par value each, of the same class and series as those already in circulation, with a share premium of EUR 6,46 per share, giving a total share premium of EUR 39.247 thousand. Consequently, following the capital increase performed as part of the stock market flotation, the share capital of Neinor Homes, S.A. is represented by 79.005.034 shares of EUR 10 par value each.

The flotation of Neinor Homes, S.A. gave rise to the sale by Neinor Holdings, S.L.U. of 37.018.320 shares at a unit price of EUR 16.46 per share for a total amount of EUR 609.321.547,20.

On the same date as the flotation, a Stock Lending Agreement was entered into for 4.309.365 shares of Neinor Homes, S.A. with Credit Suisse Securities (Europe) Limited as the stabilisation agent, in order to have the shares available for subsequent disposal as part of the instrumentation of the practice of stabilisation permitted by capital market regulations and to meet excess demand (over-allotment).

Before the stabilisation period (30 days from the flotation) had elapsed, on 24 April 2017, the stabilisation agent exercised the greenshoe option on 4.014.687 shares and, accordingly, Neinor Holdings, S.L.U. received:

- 294,678 shares of Neinor Homes, S.A.

- EUR 66.081.748,02, which was the initial listing price of the 4.014.687 shares on which the stabilisation agent exercised the greenshoe option.

c) *Earnings/(loss) per share*

Basic earnings/ (loss) per share are calculated by dividing net profit/ (loss) for the year attributable to the Group (i.e., after tax and non-controlling interests) by the weighted average number of shares outstanding during that year.

Accordingly:

	Thousands of euros	
	30.06.17	30.06.16
Earnings / (loss) for the year (thousands of euros)	(21.360)	8.595
Weighted average number of shares outstanding (thousands of shares) (*)	288.327	939.878
Basic earnings/ (loss) per share (euros)	**(0,074)**	**0,009**

(*) Note: average number of shares adjusted for treasury shares.

At 30 June 2017 and 31 December 2016, the diluted earnings/loss per share of the Neinor Homes Group coincided with the basic earnings/loss per share.

d) *Other equity holder contributions*

As a result of the Parent's admission to listing and in recognition of the work performed by its executives, in February 2017 the Board of Directors of Neinor Holdings, S.L.U. approved an incentive plan for the CEO and five members of the executive team of the Neinor Homes Group, which includes fixed and variable remuneration payable partly in cash and the rest in shares of the Group held by Neinor Holdings, S.L.U. One portion of the incentive was a fixed amount accrued as a result of the Parent's admission to listing (exit bonus, a fixed amount) amounting to approximately EUR 14 million, of which EUR 5,1 million were payable in cash on the date of the stock market flotation and the rest in shares at a pre-set price. The other portion is of a variable amount, payable in shares, for a maximum total amount of EUR 13,5 million, the number of which will be determined based on the share price on each of the three anniversaries following the initial public offering and the accrual of which is subject to the achievement of certain annual increases in the share price during the last quarter prior to each of the three anniversaries of the potential stock market flotation, the first reference date being the date of admission to listing on the Spanish Stock Exchanges, subject in certain cases to minimum holding commitments, with the possibility of accrual in proportion to the share price revaluations obtained in certain circumstances. However, if at any given time during three years following the potential stock market flotation the increase in the share price were to reach 152,09% of the flotation share price (with certain adjustments), the beneficiaries will be entitled to receive all the shares to which they may be entitled under the incentive plan. In any event, it is established that the remuneration will be delivered to them directly by Neinor Holdings, S.L.U. Bearing in mind that payment of these bonuses was approved in its capacity of sole shareholder in February 2017 immediately prior to the flotation and was designed conceptually to be paid in full by Neinor Holdings, S.L.U. (sole shareholder of the Parent until its flotation), the Group recognised (the fixed portion) and will continue to recognise (the variable portion) on an accrual basis the corresponding contribution of the shareholder in consolidated equity with a charge to "Staff Costs" in the statement of profit or loss. At 30 June 2017, the amount recognised in this connection amounted to EUR 15.063 thousand. The assistance of an external appraiser was used for the accounting recognition of the variable portion. Applying the Monte Carlo method and, in view of the absence of a reasonable trading period that could be considered as a benchmark by the Parent, taking into consideration the share price volatility of companies in the European real estate industry over a comparable period, the external appraiser estimated that the fair value of the aforementioned variable portion amounted to approximately, EUR 8.1 million.

e) *Treasury shares*

The Annual General Meeting held on 6 March 2017 authorised the derivative acquisition of treasury shares for the maximum period permitted by law and subject to the requirements established in Article 146 of the Spanish Limited Liability Companies Law.

At 30 June 2017, the Company held 76.441 treasury shares representing 0,0968% of the share capital of the Parent. The average acquisition price per share was EUR 18,12.

10. Provisions

a) *Current provisions*

Changes in current provisions in the six-month period ended 30 June 2017 and the year ended 31 December 2016 are as follows:

	Thousands of euros		
Description	For taxes (Note 13.d)	Other provisions (Note 13.d)	Total
Balance at 31 December 2015	**4.184**	**9.806**	**13.990**
Charges	94	2.801	2.895
Amounts used	(2.242)	(5.584)	(7.826)
Balance at 31 December 2016	**2.036**	**7.023**	**9.059**
Charges	4.916	887	5.803
Amounts used	(1.295)	(5.714)	(7.009)
Balance at 30 June 2017	**5.657**	**2.196**	**7.853**

At 30 June 2017 there are legal claims in relation with assets owned by the different companies of the Group for a total amount of EUR 2 million (at 31 December 2016 EUR 4,5 million), mainly referred to the return of retentions to suppliers, construction faults repairs and expropriation appraisals contestations, as well as a legal claim for an undetermined amount regarding the contestation of building licenses, which are possible to result in the negative impact for the Group but that, in any case, and according to the agreements arranged in the context of the Lion Operation, would be covered by Kutxabank Group (Note 1).

11. Bank borrowings and other financial liabilities

Details of bank borrowings and other financial liabilities at 30 June 2017 and 31 December 2016 are as follows:

	Thousands of euros	
	30.06.17	31.12.16
Long-term bank borrowings:		
Credit lines (*)	17.623	26.623
Short-term Bank borrowings (Note 14):		
Interest payable	280	190
Mortgage loans (*)	225.508	204.374
Credit lines (*)	56.315	65.611
Other loans (*)	14.926	6.893
Factoring	14.361	-
Other liabilities	**211**	**288**
Total	**329.224**	**303.979**
Scheduled maturities:		
2017 (**)	15.417	35.267
2018	44.933	7.343
2019	190.281	249.792
2020	398	398
2021	398	398
2022 and following	77.797	10.781
Total unmatured borrowings	**329.224**	**303.979**

(*) Borrowings are presented at amortised cost, net of the debt arrangement expenses incurred in 2017 amounting to EUR 3.492 thousand, of which EUR 598 thousand were charged to "Finance Costs (Net of Capitalised Borrowing Costs)" in the consolidated statement of profit or loss for 2017 (EUR 5.178 thousand and EUR 1.088 thousand, respectively, at 31 December 2016).

(**) There are EUR 17,5 million relating to credit facilities linked to developments, the maturity of which could be extended to 2019.

(***) There is a reclassification amounting to EUR 2.805 thousand between caption "Credit lines" and caption "Mortgage loans" with respect to the approved consolidated annual accounts for the year ended 31 December 2016, so that the comparative information is in accordance with the nature of the debt.

In addition, the Group has an account payable with Neinor Holdings, S.L.U. amounting to EUR 3.071 thousand (Note 14).

Long-term bank borrowings

"Long-Term Bank Borrowings" includes a credit line aimed at providing the Group with additional liquidity for its ordinary operations not directly associated with land purchases. The credit line, which was arranged by the Group's Parent in 2016, has a limit of EUR 30 million and has final maturity in 2019. The credit line has been drawn down in full and the remainder is recognised under "Short - Term Bank Borrowings" as it was established that the limit thereof be reduced by EUR 9 million in 2018 and by EUR 18 million in 2019. In the six-month period ended 30 June 2107 the limit has been reduced in EUR 3 million.

Also, the Parent has assigned, as a performance guarantee to secure the full repayment of the credit line, the collection rights consisting of the payments under the asset administration and management agreement entered into with Kutxabank, S.A. on 14 May 2015.

In addition, the borrowers in this agreement are all the Neinor Homes Group companies, all with joint and several liability.

Short-term bank borrowings

Mortgage loans

The balance recognized under "Bank borrowings – Mortgage loans for land" in the foregoing table which amounts to EUR 225.508 thousand relates to the amount payable on loans regarding plots of land which secure repayment of these loans. These loans bear interest at a market rate and ultimately mature in 2017, 2018 and 2019, except for 13 mortgage loans with final maturity in 2044 and 2049.

Certain Group companies are jointly and severally guaranteeing most of these loans.

More specifically, in the first half of 2017 the Group arranged 9 new mortgage loans with an amount of EUR 27.415 thousand. The limit and maturity of four loans arranged in 2016 were extended and mature in 2049-2050.

Credit lines

In connection with the credit lines, in 2016 the Group arranged seven new lines with a limit of EUR 47.705 thousand, at 30 June 2017 has been reduced to EUR 27.000 thousand. At 30 June 2017 those credit lines are arranged in EUR 26.456 thousand, 17.623 registered in the long term.

On 15 June 2015, the Group arranged a credit facility with a bank with a limit of EUR 30.000 thousand and maturing on 15 December 2016, which was novated in 2016, increasing the limit to EUR 50.000 thousand and extending the maturity to 2019. The aim of the facility is to finance the payment of the deferred price of the land purchases, and the Group must support all the drawdowns made against it through a credit facility drawdown request signed by the Group that specifies the amount being requested and contains a description of the property to be acquired. EUR 47.721 thousand had been drawn down at 30 June 2017, and this amount was classified as a current liability due to the real estate nature of the facility (31 December 2016: EUR 48.611 thousand). In relation to this credit facility, the Neinor Homes Group has undertaken to arrange first mortgages at the request of the bank in order to secure the facility up to an amount of EUR 25 million. Such a request had not been made at 30 June 2017 and, therefore, the directors consider that the borrowings should be associated directly with the property developments being financed by it.

The debt arrangement expenses associated with these credit lines amounted to EUR 597 thousand at 30 June 2017.

Other loans

Additionally, "Current Liabilities - Bank Borrowings" at 30 June 2017 included the balance drawn down of a loan received by the Group in order to finance the input VAT on certain land purchase transactions which was received in 2015 and upon maturity in 2016 was novated for an additional year. Hence the loan matures in 2017 and bears interest at market rates. The limit on these loans amounts to EUR 15 million of which the amount of EUR 14.926 has been disposed at 30 June 2017 (31 December 2016: EUR 6.893 thousand). To secure repayment of the borrowings, the receivables relating to input VAT arising for the public administration in these transactions were pledged to the financial institutions (Note 12).

Factoring

On 6 June 2017, the Group entered into a recourse factoring agreement with a bank mainly to finance input VAT on certain land purchase transactions. The agreement expires at one year and bears interest at market rates. The factoring line has a limit of EUR 15 million of which EUR 14,361 thousand had been drawn down at 30 June 2017. The amounts owed to it by virtue of the transactions performed will be used to guarantee the repayment of this financing.

Covenants and early repayment clauses

In connection with the new borrowings arranged by the Group in 2016 and disclosed above, the Group has certain early repayment clauses associated with the loans and credit lines, including most notably the following:

- Reduction of the Parent's equity to below EUR 425 million.

- Obligation to achieve a firm and irrevocable LTV Ratio, taken to be the ratio of Net Debt to the Net Value of the Group's Properties (in both cases capex financing should be deducted), which must be below 45-50%, depending on each bank.

- A 15% worsening in the coverage ratios (net financial debt to EBITDA ratio) and/or leverage (net financial debt to equity ratio) as compared to the measurement of these ratios in the latest annual financial statements; furthermore, when a depreciation of the Group's situation causes doubts as to the viability of its business, on the basis of market information. Management believes that the financial institution is aware of the current situation of the Group.

At 30 June 2017, the Group was fully compliant with the covenants and clauses established in the aforementioned loans.

Other

There are other amounts included in the borrowings indicated above, totalling EUR 47.643 thousand, that have been drawn down against financing granted by a bank related to the Group as indicated in Note 14. The aforementioned amount relates to mortgage loans.

In addition, the Group had several undrawn reverse factoring lines at 30 June 2017 with a limit of EUR 42.184 thousand at that date.

All the loans and credit facilities outstanding at 30 June 2017 indicated above were arranged with leading banks and bear interest tied to Euribor plus market spreads.

In 2016 the Group paid borrowing costs amounting to EUR 3.827 thousand plus debt arrangement expenses of EUR 763 thousand (of which EUR 487 thousand were charged to "Finance Costs" in the consolidated statement of profit or loss for 2017 and EUR 276 thousand were deducted from the

Group's bank borrowings recognised in the consolidated balance sheet), and borrowing costs of EUR 1.435 thousand were capitalised to inventories (Note 7).

The interest rate applicable to the Group, in general terms, is tied to Euribor plus a market spread ranging from 1% to 2,5%. The average cost of the borrowings calculated for 2017 is approximately 2,15%.

At 30 June 2017 and 31 December 2016, the Group companies had loans and undrawn credit facilities totalling EUR 2.973 thousand and EUR 9.671 thousand, respectively.

Risk management

The basic risks to which the Group is exposed and the risk management policies are detailed in the consolidated financial statements for 2016 and are reproduced in the directors report which forms part of these half-yearly condensed consolidated financial statements.

12. Tax matters

All the Group companies, except the subsidiaries Neinor Península, S.L.U. and Neinor Sur, S.A.U., which pay income tax as from the years commencing 1 January 2015 in accordance with Corporation Tax Law 27/2014, of 5 December, pay taxes pursuant to Bizkaia Corporation Tax Regulation 11/2013. The tax group was headed by the Parent's former shareholder Neinor Holdings, S.L.U.

Due to Neinor Homes, S.A. admission to listing and Neinor Holdings, S.L.U's loss of participation there has been a breakdown of the Tax Group. At the date of authorization of these financial statements, the new Tax Group headed by Neinor Homes, S.A. will be approved, and it will be processed with the tax authorities in the short term. The Tax Group will pay income on a tax consolidation basis with effect from 1 January 2017 in accordance with Article 99.2 of Bizkaia Corporation Tax Regulation 11/2013, of 5 December.

Neinor Península, S.L.U. and Neinor Sur, S.A.U. file individual tax returns pursuant to Spanish Income Tax Law 27/2014, of 27 November.

The Group calculated the provision for income tax at 30 June 2017 in accordance with the applicable tax legislation. However, if the tax treatment were to differ from that provided for in current legislation as a result of tax reforms, such treatment would be applied immediately in the financial statements issued subsequent to the approval thereof.

The account payable arising from the calculation of the income tax expense for the six-month period ended 30 June 2017 is recognised under "Payable to Public Authorities" in the accompanying half-yearly condensed consolidated statement of financial position.

Tax receivables and payables

Details of the main tax receivables and payables are as follows:

	Thousands of euros							
	30.06.17				31.12.16			
	Tax assets		Tax liabilities		Tax assets		Tax liabilities	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
VAT receivable / payable	-	29.411	-	2.922	-	8.158	-	3.753
Deferred tax asset	-	-	-	-	-	-	-	-
Income tax receivable	-	-	-	-	-	790	-	-
Personal income tax withholdings payable	-	-	-	-	-	-	-	-
Social Security contributions payable	-	-	-	277	-	-	-	287
Deferred tax liability	-	-	321	-	-	-	321	-
Others	-	878	-	246	-	102	-	364
	-	**30.289**	**321**	**3.445**	**-**	**9.050**	**321**	**4.404**

With regard to VAT, the various Group companies applied the deductible proportion rule set forth in Article 106 of VAT Law 37/1992, of 28 December (Article 106 of Provincial VAT Law 7/1994, of 14 December), which establishes that the amounts of tax paid in the acquisition of goods and services used solely in transactions made that give rise to the right to deduction may be deducted in full.

On 28 June 2016, certain Group companies were notified by the tax agency of the commencement of tax audits of the following taxes and periods:

- VAT of Neinor Península, S.L.U. for 2015 and 2016
- Income tax of Neinor Península, S.L.U. for 2016
- VAT of Neinor Sur, S.A.U. for 2014, 2015 and 2016
- Income tax of Neinor Sur, S.A.U. for 2012 to 2015

The Parent's directors and their tax advisers consider that the tax returns for the taxes not being reviewed and open for review have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the interim condensed consolidated financial statements as at 30 June 2017. In addition, if the open inspections prior to the Lion Operation result in any sanctions, under the agreements reached in the sale, these sanctions would be covered by Kutxabank Group (Note 1), except for an amount of EUR 3 million that would be assumed by Neinor Homes Group.

13. Revenue and expense

a) Revenues

The detail of total revenue is presented in Note 5 with the segment information.

b) Cost of sales

Details of this heading in the consolidated income statement are as follows:

	Thousands of euros	
	Total Group	
	30.06.17	30.06.16
Cost of sales	**146.417**	**100.068**
Sites and land	12.901	1.552
Construction work in progress and completed buildings	133.516	98.516

c) Employee benefits expense and average headcount

Details of "Employee benefits expense" are as follows:

	Thousands of euros	
	30.06.17	30.06.16
Wages, salaries and similar expenses	21.670	4.750
Termination benefits	103	183
Social security costs	1.249	854
Other employee benefit costs	115	78
Total	**23.137**	**5.865**

The average headcount at Group companies during the six-month period ended 30 June 2017 was 221 (157 during the six-month period ended at 30 June 2016). The breakdown by category is as follows:

	30.06.17			30.06.16		
	Women	Men	Total	Women	Men	Total
Higher degree staff	50	94	144	38	77	115
Medium degree staff	44	18	62	36	16	52
Other	8	7	15	7	6	13
Total	**102**	**119**	**221**	**81**	**99**	**180**

In addition, at 30 June 2017, the Group had 3 employees with a disability of more than 33%.

d) External services

Details of this heading in the consolidated income statement are as follows:

	Thousands of euros	
	30.06.17	30.06.16
Leases and royalties	391	408
Maintenance	895	1.605
Independent professional services	7.897	10.028
Transport	2	-
Insurance premiums	139	302
Bank services	121	7
Advertising and marketing	2.490	1.040
Supplies	137	136
Other external services	1.419	1.435
Levies (Note 10)	7.167	7.973
Total	**20.658**	**22.934**

"Independent Professional Services" in the foregoing table includes mainly the fees accrued in the period by the investment property agents and other intermediaries involved in the sales.

Additionally, the caption "External Services" includes an amount of EUR 2,1 million corresponding to expenses related to the stock market flotation process.

f) Changes in trade provisions

The detail of "Changes in trade provisions" recognised in the accompanying consolidated income statement is as follows:

	Thousands of euros Income / (Expense)	
	30.06.17	30.06.16
Change in trade provisions -	**45.662**	**20.862**
Application of impairments for sold stocks (Notes 5 and 6)	45.662	20.862
Change in trade provisions – Others	**(2.420)**	**(330)**
Impairment losses of inventories and investment properties (Notes 6 and 7)	(2.420)	(330)
Total change in trade provisions	**43.242**	**20.532**

14. Related party transactions

The Group's "related parties" are deemed to be, in addition to the subsidiaries, associates and jointly-controlled entities, the shareholders, the Parent's "key management personnel" (its directors and managers, and their close family members) and the entities over which key management personnel may exercise significant influence or control or by which they may be influenced. Specifically, related party transactions are deemed to be transactions with parties outside the Group but with which there are ties as defined in Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, and in Spanish National Securities Market Commission (CNMV) Circular 1/2005, of 1 April. Pursuant to the aforementioned criteria, for disclosure purposes the bank Banco de Santander, S.A. is considered a related party, due the link between a senior executive and director of the bank and one of the directors. Also, in accordance with the definitions and criteria contained in these provisions, Hudson Advisors Spain, S.L. and 1810 Capital Investments, S.L. are also considered to be related companies, due to their relatedness to shareholders and directors.

	Thousands of Euros					
	Income			Expenses		
	Net Revenues (Note 13.a)					
Six-month period ended 30 June 2017	Sales	Services Provided	Financial Incomes	Cost of Sales – Purchases (Note 13.b)	External Services (Note 13.d)	Financial costs (Note 11)
Other Group´s "related parties"-						
Banco de Santander, S.A.	-	-	-	-	-	1.049
Hudson Advisors Spain, S.L.	-	-	-	-	-	-
1810 Capital Investments, S.L.	-	737	-	-	-	-
IDOM, S.A.	-	-	-	82	-	-
	-	**737**	**-**	**82**	**-**	**1.049**

	Thousands of Euros					
	Income			Expenses		
	Net Revenues (Note 13.a)					
Six-month period ended 30 June 2016	Sales	Services Provided	Financial Incomes	Cost of Sales – Purchases (Note 13.b)	External Services (Note 13.d)	Financial costs (Note 11)
Shareholders-						
Neinor Holdings, S.L.	-	-	-	-	-	503
Other Group´s "related parties"-						
Banco de Santander, S.A.	-	-	5	-	-	152
Hudson Advisors Spain, S.L.	-	-	-	-	476	-
	-	**-**	**5**	**-**	**476**	**655**

The breakdown of the transactions carried out is as follows:

- The finance costs arose on various loans and credit facilities with the related bank.

- The services accrued at the end of the six-month period ended 30 June 2017 related to the billing of various project expenses incurred by the Group.

These transactions with related parties were performed on an arm's length basis. There are no obligations or guarantees to related parties in addition to those previously disclosed in this Note or in Note 11 in relation to the VAT facilities.

The balances held with companies related to the Group at 30 June 2017 and 31 December 2016 are as follows:

30 June 2017

Thousands of Euros	Cash a cash equivalents	Payables to sole shareholder	Short-term Bank borrowings	Advances to Suppliers	Current trade and other payables	Customer prepayments	Trade and other receivables
Shareholders-							
Neinor Holdings, S.L.U.	-	3.071	-	-	-	-	-
Other Group´s "related parties"-							
Banco Santander, S.A.	35.443	-	47.643	-	-	-	-
Hudson Advisor Spain, S.L.	-	-	-	-	-	-	-
1810 Capital Investments, S.L.	-	-	-	-	-	1.340	1.205
	35.443	**3.071**	**47.643**	**-**	**-**	**1.340**	**1.205**

31 December 2016

Thousands of Euros	Cash a cash equivalents	Payables to sole shareholder	Short-term Bank borrowings	Advances to Suppliers	Current trade and other payables	Customer prepayments	Trade and other receivables
Shareholders-							
Neinor Holdings, S.L.U.	-	3.071	-	-	-	-	-
Other Group´s "related parties"-							
Banco Santander, S.A.	22.901	-	64.633	-	-	-	-
Hudson Advisor Spain, S.L.	-	-	-	13	149	-	-
1810 Capital Investments, S.L.	-	-	-	7	-	1.676	-
	22.901	**3.071**	**64.633**	**20**	**149**	**1.676**	**-**

At 30 June 2017 the account payable to Neinor Holdings, S.L.U. relates to the income tax under the consolidated tax regime under which both the Neinor Homes Group and its sole shareholder are taxed on a consolidated basis (Note 12), amounting to EUR 3.071 thousand (31 December 2016: EUR 3.071 thousand). The liquidation will take place in December 2017.

15. Legal information relating to the Board of Directors and Senior executives

Directors' compensation and other benefits

Directors have received at 30 June 2017 a compensation as regards of their Director's condition which amounts to EUR 78 thousand (no compensation at 30 June 2016).

The Parent has taken out third-party liability insurance for directors and senior executives the cost of which amounts to EUR 63 thousand in 2017 (EUR 54 thousand in 2016).

The Parent has no pension obligations to the Directors.

The Parent has granted no advances, loans or guarantees to any of its Directors.

Senior executives' compensation and other benefits

The remuneration of the Parent's senior executives and persons discharging similar duties, including those who are simultaneously members of the Board of Directors (one person), at 30 June 2017 and December 2016 is summarised as follows:

Number of employees		Thousands of euros					
		30.06.17			30.06.16		
30.06.17	30.06.16	Fixed and variable remuneration	Shares	Total	Fixed and variable remuneration	Shares	Total
13	11	1.566	15.396	16.962	1.379	-	1.379

The Parent has no pension obligations and has granted no advances, loans or guarantees to senior executives.

Also, during the period 2017 was approved a long-term incentive plan payable in full in shares for 40 key employees, approximately, including members of the management committee and the CEO, consisting of three consecutive overlapping three-year periods, i.e. 2017-2019, 2018-2020 and 2019-2021 in which the achievement measurement metrics are, in thirds, EBITDA, the developer margin and shareholder return, with a downward correction coefficient of 10% regarding the achievement of the aforementioned metrics determined by the evolution of the average Loan to Value (LTV) ratio in excess of a target ratio. Minimum amounts below which the incentives do not accrue and the possibility of an extra bonus of up to 150% were established. The sale of the number of shares thus acquired is restricted for periods of between one year and six months for the CEO and the members of the management committee. The shares to be received by each participant will be determined by the incentive attributed to each participant in the plan (in ranges of between EUR 10 thousand and EUR 250 thousand), the price of the shares for each three-year period (average of the share price in the 20 trading sessions prior to the commencement of each cycle) and by the achievement of objectives (range between 0% and 150%). Shares acquired under this plan are subject to lock-up commitments for a period of one year both for the CEO and for members of the management committee. However, shares may be disposed to pay income taxes related to this incentive plan. In the case of the CEO and members of the management committee, this incentive is subject to a repayment clause if certain circumstances arise. The cost of this long-term incentive plan is assumed by the Neinor Homes Group. At 30 June 2017, the amount recognised in this connection amounted to EUR 333 thousand.

16. Explanation added for translation to English

These summarised consolidated interim financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (Note 2). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

DIRECTORS' REPORT

6 months Period ended 30 June 2017

Neinor Homes, S.A. and Subsidiaries

1. <u>The Group: Organisational structure and operations</u>

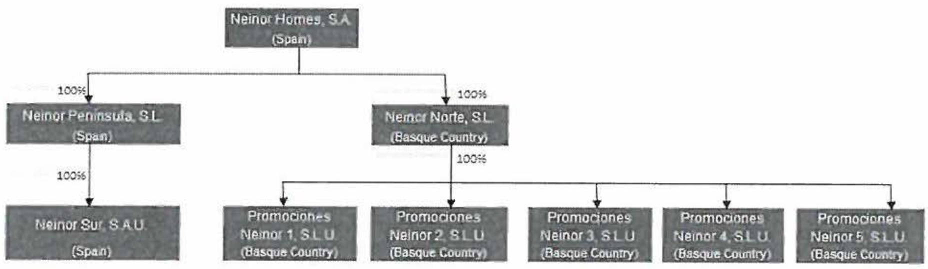
The Neinor Homes Group was incorporated under the memorandum of understanding entered into in 2014 by Kutxabank, S.A. and the Lone Star investment fund, through its investee, Intertax Business, S.L.U. (now Neinor Holdings, S.L.U.), for the purchase and sale of a portion of the Kutxabank Group's property assets. The aforementioned purchase and sale (Operation Lion) was completed on 14 May 2015 through the transfer by Kutxabank, S.A. to Neinor Holdings, S.L.U. of all the shares that the former held in Neinor Homes, S.A., once the conditions precedent set forth in the purchase and sale agreement entered into by the parties on 18 December 2014 had been fulfilled.

On 1 January 2015, within the context of the transaction (the "Transaction"), all the employees who had been performing the property development group's development and management tasks, and the technical resources and means required to carry out the activity, were transferred to Neinor Homes, S.A.

In 2017, the Parent, Neinor Homes, S.A. was registered as a public limited liability company ("S.A.") with a view to its admission to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, which took place on 29 March 2017, with a market capitalisation of EUR 1.300 million, approximately.

Neinor Homes S.A. is currently the head of a business group which carries on its activities either directly or indirectly through ownership interests in various companies.

A flowchart of the corporate structure of Neinor Homes S.A. and Subsidiaries (the "Group") is as follows:



The Group's business activities are performed exclusively in Spain, and principally, through three business lines:

A) Development business line:

The Group's core and strategic business activity based on the acquisition of land for residential use for its subsequent property development.

On 30 June 2017, the Parent's land portfolio is comprised of 172 lots with a total of 10.672 buildable units. The portfolio is distributed over the Parent's four main geographical areas of activity, namely: Madrid, Catalonia, the Basque Country and Andalusia.

The land portfolio arose as a result of both the Transaction and subsequent purchase and sale transactions in 2015, 2016 and 2017.

On 31 March 2017 Neinor Homes acquired a plot of land in Valencia with a total buildable area of 7.000 square metres for the construction of 54 units.

On 22 June 2017 Neinor Homes acquired a plot of land in Valencia with a total buildable area of 50.000 square metres for the construction of 400 units.

On 28 June 2017 Neinor Homes acquired two plots of land in Madrid and Málaga with a total buildable area of 70.000 square metres for the construction of 650 units.

The additions in the period ended 30 June 2017 relate mainly to the purchase of various building lots (Cataluña (Sit-ges, Girona, y Sabadell), Andalucía (Mairena de Aljarafe and Casares), Madrid, Málaga and Valencia) which amounts to EUR 157.462 thousand. Every plot acquired during this period exceeds the profitability objectives set by the Group.

B) Legacy business line:

Business activity consisting of the disposal of non-strategic assets acquired in the Transaction.

The portfolio is divided into three main types of asset: i) multi-unit new property developments ii) remnants of new property developments end products and iii) singular assets, which include industrial warehouses, hotels, premises, offices and land either below the minimum size for development or rather, situated in the Group's non-strategic areas.

A) Servicing business line:

On 14 May 2015, an asset administration and management agreement was entered into between the various companies of the Kutxabank Group and Neinor Homes, S.A. in relation to the property assets which continue to be the property of the Kutxabank Group. This servicing agreement has an initial term of seven years, and may be automatically renewed for additional periods of one year.

As consideration for these services, the Kutxabank Group pays a fixed remuneration based on the type and volume of the managed assets, and an additional variable success remuneration applicable for the marketing thereof and for the execution of certain specific actions relating to the assets.

At an organisational structure level, the Company has a Board of Directors and three Committees: Audit and Control Committee, Nomination and Remuneration Committee and Land Investment Committee.

In 2017 they met on six occasions, two of which were in person (25 January and 26 April) and four in writing and without a convening a formal meeting (28 Febrary, 6 March and 8 March).

The most relevant resolutions adopted by the Board of Directors and the Committees in 2017 are the approval of the business plan, the long-term incentive plan, the request to trading on the stock market, the approval the Board of Directors Regulations, the Shareholders Meeting´s Regulations, the Comittees´s Regulations and the Internal Code of Conduct in Securities Markets, the appointment of new directors, the distribution of the maximum annual remuneration to Directors and the modification of the Board of Directors of subsidiary companies and the powers of attorney.

2. <u>*Business performance and earnings - Significant aggregates*</u>

In 2017, the Group recognised revenue of EUR 125.856 thousand achieving a gross margin of EUR 25.101 thousand and an adjusted EBITDA of EUR (752) thousand. At equity level, total assets at 30 June 2017 amounted to EUR 1.189.608 thousand, equity to EUR 724.788 thousand and current and non-current liabilities to EUR 464.820 thousand.

Revenue and gross margin

By business volume, the Legacy business activity recognised sales of EUR 84.436 thousand, with a gross margin of EUR 4.516 thousand, representing a margin of 5%.

This is followed by the volume in the Development business line, with revenue of EUR 27.426 thousand and gross margin of EUR 6.591 and recognising a gross margin of 24%. Finally, the Servicing business line recognised revenue of EUR 13.994 thousand.

Legacy sales, amounting to EUR 84.436 thousand, correspond to almost 1.171 main units, situated mainly in Southern Spain.

Development sales are due mainly to the completion and delivery of three property developments. *La Catalana R10* with sales of EUR 11.382 thousand, *Las Salinas* with sales of EUR 6.875 thousand and Mostoles III Los Alerces with sales of EUR 7.311 thousand for a total of EUR 27.426 thousand (93% of the total of Development).

Servicing revenue relates mainly to: *Management Fee* on the EUR 1.400 million of managed assets (EUR 9.784 thousand (70%)), *Success Fee* calculated on total sales of EUR 63,6 million (EUR 3.380 thousand (24%)), and other income (EUR 829 thousand (6%)).

EBITDA

The EBITDA in 2017 stood at EUR (17.915) thousand, mainly due to expenses related to the stock market flotation proccess (MIP/LTIP and other expenses that amount to EUR 17.160 thousand) and the adjusted EBITDA at EUR (752) thousand. Additionally, considering a 50% property tax (IBI) adjustment the amount achieved would have been EUR 1.613.

Regarding the business activity, Servicing EBITDA amounts to EUR 9.547 thousand, which represents a net margin of 68,2%; followed by Legacy, with EBITDA of EUR (4.661) thousand and finally the EBITDA recognised by Development of EUR (22.801) thousand.

Loss for the year

Loss for the 6 months period ended 30 June 2017 amounted to EUR (21.360) thousand.

Financial position

The current liabilities and non-current liabilities at 30 June 2017 amounted to EUR 464.820 thousand compared to EUR 384.817 thousand at 31 December 2016 (an increase of EUR 80.003 thousand) due mainly to the loans signed during 2017.

The borrowing position at 30 June 2017 continues to indicate very sound debt/equity ratios: 29% Loan To Cost ratio (LTC) and 20% Loan To Value ratio (LTV).

Borrowings at 30 June 2017

At the 30 June 2017, EUR 329 million was recognised under current and non-current bank borrowings. The detail of bank borrowings is as follows:

- Corporate facilities: EUR 75 million (non-current: EUR 17 million).
- Land financing facilities and capex financing: EUR 228 million
- VAT facilities: EUR 29 million

Future changes in debt

Neinor Homes' medium- to long-term (2020/2021, approximately) objective is to focus borrowings on Capex's financing and not to exceed a LTV ratio of approximately 20% and NFD/Equity 40%.

3. *Matters relating to the environment and employees*

In view of the business activities carried on by the Neinor Homes Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. In addition, the Group's activities do not give rise to situations relating to greenhouse gas emission allowances.

At 30 June 2017, the average number of employees employed in the various companies that make up the Group was 221 people, representing an increase of 30% on the period ended 31 December 2016 (170 people). The distribution of the headcount, by gender and professional category, was as follows:

	30.06.2017			31.12.2016		
	Women	Men	Total	Women	Men	Total
University graduates	50	94	144	51	83	134
Further education college graduates	52	25	77	48	16	64
Total	**102**	**119**	**221**	**99**	**99**	**198**

4. *Liquidity and capital resources*

The Group has a sufficient level of cash and cash equivalents in order to carry on its business activities.

Of note in 2017, is the financing, mainly of land and corporate projects, obtained by the Group, which amounts to an on balance sheet balance of EUR 329.013 thousand, mainly with Kutxabank Group, Banco Sabadell, Banco Santander, Bankinter and Caixabank.

In addition to this financing, the outlook is to arrange developer-type financing to fund the investment and, in turn, link the majority of the required payments and investments with the delivery of the property development and, therefore, the earnings from the sale.

In relation to the remaining period of 2017, the outlook is to arrange developer-type of financing, already agreed in 2016 with the pool of banks for an amount that will exceed EUR 247 million.

5. *Main risks and uncertainties*

The Company has a risk map. In this connection, the organisation's procedures have been analysed, the possible sources of risk have been identified and, the appropriate measures have been taken to prevent them.

The most significant financial risks are:

Market risk

Exposure to interest rate risk

The Group does not use interest rate hedges.

Most of the loans and credit facilities in the Group's balance sheet are indexed to Euribor.

Exposure to credit risk

The Group does not have significant credit risk exposure to third parties arising from its own development business since it receives payment for substantially all its sales at the time the transaction is executed in a deed through subrogation of the buyer for the corresponding portion of the developer loan or by any other method of the buyer's choice. The credit risk arising from the payment deferrals in land or completed buildings sale transactions are mitigated through the obtainment of guarantees by the buyer or through the establishment of conditions subsequent in the event of default, which would give rise to the recovery of ownership of the asset sold and the collection of an indemnity payment.

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

Exposure to solvency risk

The Group regularly analyses the insolvency risk of its accounts receivable and adjusts the corresponding impairment loss. The Parent's directors consider that the amount of trade and other receivables approximates their fair value.

Exposure to exchange rate risk

In view of the Group's scant international exposure in markets outside the eurozone, its exposure to foreign currency risk is scantly material.

6. *Significant events after the reporting period*

Subsequent to 30 June 2017 no additional events took place other than those indicated in the consolidated financial statements which may significantly affect the financial information detailed in this report, or which should be highlighted in view of its importance.

7. *Information on the outlook for the entity in 2017*

The Group's main lines of action for 2017 focus on:

Development business line

- Continuing to acquire land to which a specific use has been assigned in order to increase the land bank, focusing mainly on the aforementioned strategic areas, but also monitoring new areas with potential for expansion. There is increasing competition from both local developers and new players in the property development market; however, the entry barriers in this sector are greater than in the past, since financial institutions are very selective when granting financing for the purchase of land.

- Maintaining intensity in the launch of new property developments. Thus, an additional 15 property developments will be added to the existing 59 property developments that we had launched at 30 June 2017, doubling the number of active property developments.

- Monitoring of the 28 construction projects which the Group had at 30 June 2017, plus the tenders and contracting of 20 new projects.

- Continuing the upward trend in the number of pre-sales reached in H1 2017, whereby approximately 1.797 housing units were sold. Also, capture the increases in prices that are occurring in each location due to the increase in demand and low supply of quality products.

- Delivering the property developments for which the construction completion date is forecast for 2017, while taking due care of our clients' satisfaction and experience.

Legacy business line

- Continuing with the divestment in order to monetise the majority of the portfolio in 2017.
- In terms of margins, the Group adopts a conservative outlook, presenting an almost neutral impact.
- The gains on this divestment will mainly be used to fund the acquisition of new land for the Development business line.

Servicing business line

- Maintaining the level of client satisfaction.
- Complying with the KPIs agreed between the parties, mainly at the level of new assets that come under management, administrative management of real estate assets, and the launch of their marketing and sale.

8. R&D&i activities

Given the lines of business of Neinor Homes S.A., there are no relevant research, development and innovation activities.

9. Treasury shares

At 30 June 2017, the Company held 76.441 treasury shares amounting to EUR 1.385.684,61.

10. Alternative performance measures

The Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). The Group also presents certain Alternative Performance Measures (APMs) to provide additional information which facilitates the comparability and comprehension of its financial information and enables decision-making and assessment of the Group's performance.

The most significant APMs are as follows:

Gross profit

Definition: External sales + Cost of sales + Change in operating provisions, allowances and write-downs - Derecognition of write-downs on inventories sold.

Reconciliation: the Parent presents the calculation of gross profit in Note 5 to the consolidated financial statements.

Explanation of use: the Parent considers gross profit to be a performance measure, since it provides information on gross profit, which is calculated on the basis of external sales less the cost incurred to complete those sales. The impairment losses derecognised in connection with real estate assets sold during the year were also taken into consideration for this calculation.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate the gross profit is the same as that used in the previous year.

EBITDA

Definition: Gross profit + Staff costs + Outside services + Change in operating provisions, allowances and write-downs – Other + Other operating income.

Reconciliation: the Parent presents the calculation of EBITDA in Note 5 to the consolidated financial statements.

Explanation of use: the Parent considers EBITDA to be a performance measure since it provides an analysis of the operating results (excluding depreciation and amortisation, as it is a non-cash item) as an approximation of the cash flows from operating activities which reflect the generation of cash. It is also an indicator that is widely used by investors when valuing companies, and by rating agencies and creditors to measure the level of borrowings, comparing EBITDA with net debt.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate EBITDA is the same as that used in the previous year.

Adjusted EBITDA

Definition: Profit or loss before tax + Change in operating provisions, allowances and write-downs - Other+ Net financial profit or loss and other income and expenses + Depreciation and amortisation charge.

Reconciliation: the Parent presents the calculation of adjusted EBITDA in Note 5 to the consolidated financial statements.

Explanation of use: the Parent considers adjusted EBITDA to be a performance measure since it provides an analysis of the operating results, excluding the non-cash depreciation and amortisation charge, inventory write-downs, investment property and doubtful debts considered to be non-recurring. A financial measure used by Group management which does not take into consideration the impairment losses on the Group's Investment properties and Inventories, mainly.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate adjusted EBITDA is the same as that used in the previous year.

Borrowings

Definition: Bank borrowings recognised under non-current liabilities + bank borrowings recognised under current liabilities.

Reconciliation: the Parent presents the calculation of borrowings in Note 5 to the consolidated financial statements.

Explanation of use: Borrowings is a financial indicator that measures the company's debt position. It is also an indicator that is widely used by investors when valuing the financial leverage of companies, and by rating agencies and creditors to assess the level of borrowings.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate borrowings is the same as that used in the previous year.

Net financial debt

Definition: Bank borrowings (current and non-current liabilities) + deferred payment for the purchase of land recognised under "Trade and Other Payables" under both non-current and current liabilities - "Cash and Cash Equivalents" (excluding the restricted component associated with the advances received and associated with a property development, which are deposited in a special account and are only available in connection with the construction of the property developments.

Reconciliation: the detail of the reconciliation of this APM with the consolidated financial statements is as follows:

	30/06/2017
Non-current liabilities - bank borrowings	17.623
Current liabilities - bank borrowings	311.390
Current trade and other payables - deferred payment for land	25.989
Cash and cash equivalents - available cash	53.591
Net financial debt	**301.411**

Explanation of use: Net financial debt is a financial indicator that measures a company's net debt position. It is also an indicator that is widely used by investors when valuing the net financial leverage of companies, and by rating agencies and creditors to assess the level of net borrowings.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate net financial debt is the same as that used in the previous year.

Loan to Value (LTV)

Definition: Net financial debt / Assets market value

Explanation of use: The LTV ratio is an indicator that measures the company´s indebtedness position. It is widely used by investors to assess the financial leverage of real estate companies, as well as by rating agencies and banks to assess the level of indebtedness.

Reconciliation: The reconciliation of this APM with the consolidated financial statements is as follows:

	30/06/2017
Net financial debt	301
Assets market value	1.521
LTV	**20%**

Loan to Cost (LTC)

Definition: Net financial debt / (Inventories + Investment Property)

Explanation of use: The LTC is an indicator that measures the company´s indebtedness position. It is widely used by investors to assess the financial leverage of real estate companies, as well as by rating agencies and banks to assess the level of indebtedness.

Reconciliation: The reconciliation of this APM with the consolidated financial statements is as follows:

	30/06/2017
Net financial debt	301
Inventories	1.029
Investment Property	10
LTC	**29%**