

QUABIT INMOBILIARIA, S.A. AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements at 30 June 2020

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

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CONSOLIDATED BALANCE SHEETS

(Euros)

ASSETS	Note	30/06/2020 (unaudited)	31/12/2019 (audited)	Variation
NON-CURRENT ASSETS:				
Intangible assets		20,735,157	21,083,768	(348,611)
Property, plant and equipment		2,076,540	2,155,374	(78,834)
Right-of-use asset		1,247,846	934,241	313,605
Investments in associates	4	2,809,232	2,814,103	(4,871)
Non-current financial assets	5	5,492,353	5,366,067	126,286
Deferred tax assets	13	61,610,459	61,829,427	(218,968)
Total non-current assets		93,971,587	94,182,980	(211,393)
CURRENT ASSETS:				
Inventory	7	503,820,266	551,579,905	(47,759,639)
Trade and other receivables	8	41,319,138	42,844,659	(1,525,521)
Current financial assets	6	12,646,902	15,198,646	(2,551,744)
Tax receivables	13	1,478,239	2,524,297	(1,046,058)
Other current assets		2,912,189	2,649,398	262,791
Cash and cash equivalents		24,471,587	22,977,616	1,493,971
Total current assets		586,648,321	637,774,521	(51,126,200)
TOTAL ASSETS		680,619,908	731,957,501	(51,337,593)

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

CONSOLIDATED BALANCE SHEETS

(Euros)

		30/06/2020	31/12/2019	
LIABILITIES AND NET EQUITY	Note	(unaudited)	(audited)	variation
NET EQUITY:				
Share capital	9.1	74,381,847	74,381,847	-
Share premium	9.1	179,717,193	179,717,193	-
Treasury shares	9.1	(4,534,153)	(4,534,153)	-
Other equity instruments	9.3	862,001	859,250	2,751
Restricted reserves	9.1	7,942,031	7,942,031	-
Other reserves		22,704,688	31,843,676	(9,138,988)
Profit attributable to shareholders of the Parent		(49,862,236)	(9,138,988)	(40,723,248)
Total equity attributable to shareholders of the Parent		231,211,371	281,070,856	(49,859,485)
Non-controlling interests		4,418,382	4,803,127	(384,745)
Total equity		235,629,753	285,873,983	(50,244,230)
NON-CURRENT LIABILITIES:				
Deferred income		-	19,872	(19,872)
Finance Debt	11.1	13,119,014	13,007,141	111,873
Non-current financial liabilities	11.2	11,428,758	11,017,802	410,956
Deferred tax liabilities	13	2,192,904	2,237,372	(44,468)
Provisions for contingencies and charges	14	3,537,641	3,493,421	44,220
Total non-current liabilities		30,278,317	29,775,608	502,709
CURRENT LIABILITIES:				
Finance Debt	11.1	316,449,992	311,388,987	5,061,005
Current financial liabilities	11.2	2,621,600	2,708,556	(86,956)
Trade and other payables	10	46,649,402	52,409,276	(5,759,874)
Customer advances	6	42,669,975	43,283,527	(613,552)
Tax payables	12	1,897,108	1,569,464	327,644
Other current liabilities	14	4,423,761	4,948,100	(524,339)
Total current liabilities		414,711,838	416,307,910	(1,596,072)
TOTAL LIABILITIES		444,990,155	446,083,518	(1,093,363)
TOTAL LIABILITIES AND NET EQUITY		680,619,908	731,957,501	(51,337,593)

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

CONSOLIDATED INCOME STATEMENTS

(Euros)		30/06/2020	30/06/2019	
	Note	(unaudited)	(unaudited)	variation
Net turnover	16	73,150,300	19,374,646	53,775,654
Procurements		(65,958,153)	(11,545,557)	(54,412,596)
Other operating income	16	652,228	851,243	(199,015)
Changes in operating provisions		(34,451,100)	2,070,378	(36,521,478)
Staff costs	16	(6,602,993)	(4,049,698)	(2,553,295)
Depreciation and amortisation charge		(962,945)	(603,057)	(359,888)
Other operating expenses	16	(12,211,818)	(11,986,824)	(224,994)
Gains/(losses) on disposal of non-current assets		(826)	-	(826)
Profit/(loss) from operations		(46,385,307)	(5,888,869)	(40,496,438)
Finance income	17	9,815,124	9,036,166	778,958
Finance costs	17	(13,625,914)	(11,604,510)	(2,021,404)
Gains/(Losses) on financial instruments at fair value		128,487	755,713	(627,226)
Net financial profit/(loss)		(3,682,303)	(1,812,631)	(1,869,672)
Gains/(losses) on investments in associates and joint ventures	4	(4,871)	(704)	(4,167)
Profit/(loss) before tax		(50,072,481)	(7,702,204)	(42,370,277)
Taxes		(174,500)	8,500,000	(8,674,500)
Net profit		(50,246,981)	797,796	(51,044,777)
Attributable to:				
Shareholders of the Parent		(49,862,236)	850,484	(50,712,720)
Non-controlling interests		(384,745)	(52,688)	(332,057)
Earnings per share attributable to the shareholders of the Parent (Euros per share)				
Basic	18	(0.343)	0.006	
Diluted	18	(0.326)	0.006	

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	30 June 2020 (unaudited)			30 June 2019 (unaudited)		
	The Parent	Non-controlling interests	Total	The Parent	Non-controlling interests	Total
Net profit/(loss) for the year	(49,862,236)	(384,745)	(50,246,981)	850,484	(52,688)	797,796
Other global gains or losses	-	-	-	-	-	-
Total comprehensive income for the year	(49,862,236)	(384,745)	(50,246,981)	850,484	(52,688)	797,796

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Euros)

	Share capital (Note 9.1)	Share premium (Note 9.1)	Treasury shares (Note 9.1)	Restricted reserves	Other reserves	Other equity instruments (Note 9.3 and 9.4)	Profit attributable to shareholders of the Parent	Non- controlling interests (Note 9.5)	Total equity
Balances at 31 December 2018 (audited)	74,381,847	179,717,193	(5,292,531)	5,908,232	29,399,424	864,535	6,815,364	4,024,346	295,818,410
Total comprehensive income	-	-	-	-	-	-	850,484	(52,688)	797,796
Distribution of profit	-	-	-	-	6,815,364	-	(6,815,364)	-	-
Treasury share transactions (Note 9.1)	-	-	(2,271,014)	-	-	-	-	-	(2,271,014)
Non-controlling interest transactions	-	-	-	-	156,033	-	-	(155,019)	1,014
Other equity instruments (Note 9.3)	-	-	-	-	-	47,915	-	-	47,915
Balances at 30 June 2019 (unaudited)	74,381,847	179,717,193	(7,563,545)	5,908,232	36,370,821	912,450	850,484	3,816,639	294,394,121
Total comprehensive income	-	-	-	-	-	-	(9,989,472)	(39,586)	(10,029,058)
Distribution of profit	-	-	-	2,033,799	(2,033,799)	-	-	-	-
Treasury share transactions (Note 9.1)	-	-	3,029,392	-	(2,129,636)	-	-	-	899,756
Non-controlling interest transactions	-	-	-	-	(363,710)	-	-	1,026,074	662,364
Other equity instruments (Note 9.3)	-	-	-	-	-	(53,200)	-	-	(53,200)
Balances at 31 December 2019 (audited)	74,381,847	179,717,193	(4,534,153)	7,942,031	31,843,676	859,250	(9,138,988)	4,803,127	285,873,983
Total comprehensive income	-	-	-	-	-	-	(49,862,236)	(384,745)	(50,246,981)
Distribution of profit	-	-	-	-	(9,138,988)	-	9,138,988	-	-
Other equity instruments (Note 9.3)	-	-	-	-	-	2,751	-	-	2,751
Balances at 30 June 2020 (unaudited)	74,381,847	179,717,193	(4,534,153)	7,942,031	22,704,688	862,001	(49,862,236)	4,418,382	235,629,753

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	30/06/2020 (unaudited)	30/06/2019 (unaudited)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit/(loss) before tax and non-controlling interests		(50,072,481)	(7,702,204)
Adjustments for:			
Depreciation of non-current assets		496,808	603,057
Impairment losses and changes in provisions		34,451,100	(2,070,378)
Income and expenses without cash flows		(17,109)	(419,683)
Net financial profit/(loss)	17	3,682,304	1,812,631
Gains/(losses) on non current assets		826	-
Gains/(losses) on investments in associates and joint ventures	9	4,871	704
Adjusted loss		(11,453,682)	(7,775,873)
Other changes in accounts payable to and receivable from public authorities	12	1,373,701	7,692,871
Increases/decreases in accounts payable to and receivable from public authorities		1,373,701	7,692,871
Inventory and prepayments	6	23,040,366	(43,676,030)
From receivables and deposits	7	1,262,729	(2,948,074)
From payables and customer advances	6 y10	(6,853,553)	20,772,858
Increase/decrease in current and non-current operating assets and liabilities		17,449,542	(25,851,246)
Total net cash flows from operating activities		7,369,562	(25,934,248)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Financial assets	7	(188,002)	(961,193)
Property, plant and equipment, investment property and other intangible assets		(70,189)	(874,909)
Financial assets and other investments	7	2,656,651	1,776,828
Total net cash flows from investing activities		2,398,460	(59,274)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Interest paid		(1,144,429)	(2,437,258)
Repayment of bank borrowings	11	(48,929,629)	(13,951,587)
New bank borrowings obtained	11	41,800,072	58,877,255
Repayment of other financing	11	(65)	-
Other financing obtained	11	-	1,327,632
Treasury share transactions	9	-	(2,271,014)
Total net cash flows from financing activities		(8,274,051)	41,545,028
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,493,971	15,551,506
Cash and cash equivalents at beginning of year	8	22,977,616	21,131,847
Cash and cash equivalents at end of year	8	24,471,587	36,683,353

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

1. Introduction and general corporate information

The accompanying interim condensed consolidated financial statements present the consolidated equity and consolidated financial position of Quabit Inmobiliaria, S.A. (the Parent) and its subsidiaries (hereinafter, the Group or the Quabit Group), at 30 June 2020, along with the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows for the first half of 2020.

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

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

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

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

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

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

1.1. Changes in the scope of consolidation

The changes in the scope of consolidation that took place in 2020 in relation to the scope of consolidation at 31 December 2019 are as follows:

a) Inclusions in the scope of consolidation:

There have been no additions to the consolidation perimeter during 2020.

b) Exclusions in the scope of consolidation:

Rayet Construcción Valencia, S.L.U. On 27 January 2020, the shares that the group held in this Company were sold and it was removed from the consolidation perimeter. This company was incorporated into the group with the acquisition in 2019 of Quabit Construcción, S.A. and had no activity.

2. Basis of presentation

2.1. Accounting standards applied

These interim condensed consolidated financial statements for the six-month period ended 30 June 2020 have been prepared in accordance with IAS 34 "Interim Financial reporting", and include information in addition to that required by this standard pursuant to that stipulated in Article 12 of Royal Decree 1362/2007, but without providing all information and breakdowns required in consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs). Accordingly, to properly interpret this information, these interim condensed consolidated financial statements should be read together with the Quabit Group's consolidated financial statements for the year ended 31 December 2019.

The Group's consolidated financial statements for 2019 were formally prepared by the Parent's directors on 26 February 2020 in accordance with International Financial Reporting Standards as adopted by the European Union, applying the consolidation bases, accounting policies and measurement bases described in Notes 2 and 4 to the aforementioned consolidated financial statements and, accordingly, they present fairly the Group's consolidated

equity and consolidated financial position at 31 December 2019 and the consolidated results of its operations, the changes in its consolidated equity and its consolidated cash flows in the year then ended. The consolidated financial statements for 2019 were approved by the shareholders at the Annual General Meeting held on 30 July 2020.

The Group's consolidated financial statements at 30 June 2020 were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union (IFRSs) and approved by the EU Commission Regulations, effective as of 30 June 2020.

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 16 September 2020.

2.2. Basis of consolidation

The accounting policies and methods used in the preparation of these interim condensed consolidated financial statements are the same as those used in the consolidated financial statements for the year ended 31 December 2019.

2.3. Entry into force of new accounting standards

New regulations in force

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

Standards issued not in force

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

2.4. Comparative information

In accordance with current legislation, in addition to the figures at 30 June 2020 for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the accompanying financial statements, the figures at 31 December 2019 for balance sheet and consolidated statement of comprehensive income and those at 30 June 2019 for the rest of the statements are presented for comparison purposes.

2.5. Accounting estimates and judgments

There were no significant changes in the accounting estimates and judgments with regard to the information disclosed in the consolidated financial statements at 31 December 2019, except for the estimation of the market value of Inventories. As a result of the crisis caused by COVID 19 pandemic, internal estimates have been made on the impact that this crisis has on the market value of certain assets included in the Inventories of the Consolidated Balance Sheet. These estimates have been made on the planned land portfolio, which are considered to have the greatest impact in valuation.

3. Financial segment reporting

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

At 30 June 2020, the Group had the following basic lines of business:

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

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

C. Construction Includes construction activities for Property development segment and external clients. The construction activity is based on residential building works, land development works and, to a lesser extent, civil works. In the first semester of 2019, no data appears in this segment because the acquisition of the company Quabit Construcción, S.A. occurred in the second half of 2019.

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

E. Adjustments between segments: This column shows the adjustments between segments (Construction with land management and Property development). The adjustments correspond to: (i) in consolidated Results, due to the transactions carried out between the construction segment and property development or land management and (ii) in the Balance Sheet, the balances maintained between segments.

The results for the six-month periods ended 30 June 2020 and 30 June 2019 and the consolidated balances at 30 June 2020 and 31 December 2019 by segments are detailed as follows:

SEGMENT REPORTING. CONSOLIDATED PROFIT OR LOSS AT 30 JUNE 2020

CONCEPTO	A	B	C	D	E	TOTAL
Net turnover	-	69,002,158	19,607,357	17,251	(15,476,466)	73,150,300
Profit/(loss) from operations	(40,800,778)	2,493,415	491,359	(7,437,838)	(1,131,466)	(46,385,308)
Net financial profit/(loss)	(313,083)	(626,405)	(278,081)	(2,464,734)	-	(3,682,303)
Gains/(losses) on investments in associates	(4,871)	-	-	-	-	(4,871)
PROFIT/(LOSS) BEFORE TAX	(41,118,732)	1,867,010	213,278	(9,902,572)	(1,131,466)	(50,072,482)

SEGMENT REPORTING. CONSOLIDATED PROFIT OR LOSS AT 30 JUNE 2019

CONCEPTO	A	B	C	D	E	TOTAL
Net turnover	1,158,232	18,211,704	-	4,710	-	19,374,646
Profit/(loss) from operations	(351,365)	1,691,945	-	(7,229,449)	-	(5,888,869)
Net financial profit/(loss)	(344,672)	(388,672)	-	(1,079,287)	-	(1,812,631)
Gains/(losses) on investments in associates	(704)	-	-	-	-	(704)
PROFIT/(LOSS) BEFORE TAX	(696,741)	1,303,273	-	(8,308,736)	-	(7,702,204)

All transactions for the six-month periods ended 30 June 2020 and 2019 were carried out in Spain.

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

SEGMENT REPORTING. CONSOLIDATED BALANCE SHEET AT 30 JUNE 2020

CONCEPT	A	B	C	D	E	TOTAL
BALANCE SHEET						
Property, plant and equipment and intangible assets	11,522,153	-	52,459	12,484,931	-	24,059,543
Inventory	267,086,625	236,706,641	27,000	-	-	503,820,266
Other	34,360,220	5,494,376	25,117,595	105,598,046	(16,313,423)	154,256,814
TOTAL ASSETS	312,968,998	242,201,017	25,197,054	118,082,977	(16,313,423)	682,136,623
Segment liabilities	186,429,726	203,881,934	21,753,501	49,238,416	(16,313,423)	444,990,154
TOTAL LIABILITIES	186,429,726	203,881,934	21,753,501	49,238,416	(16,313,423)	444,990,154

INFORMACIÓN POR SEGMENTOS. BALANCE CONSOLIDADO A 31 DE DICIEMBRE DE 2019

CONCEPTO	A	B	C	D	E	TOTAL
BALANCE						
Property, plant and equipment and intangible assets	11,522,153	-	80,170	12,571,060	-	24,173,383
Inventory	305,939,936	245,612,969	27,000	-	-	551,579,905
Other	35,740,206	5,204,527	21,714,119	105,188,477	(11,643,116)	156,204,213
TOTAL ASSETS	353,202,295	250,817,496	21,821,289	117,759,537	(11,643,116)	731,957,501
Segment liabilities	198,952,592	197,677,768	18,591,014	42,505,260	(11,643,116)	446,083,518
TOTAL LIABILITIES	198,952,592	197,677,768	18,591,014	42,505,260	(11,643,116)	446,083,518

4. Investments in associates and joint arrangements

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

The changes in first half of 2020 compared with year end 2019 are as follows:

	30/06/2020	31/12/2019
Beginning balance	2,814,103	2,820,678
Share of profit/(loss)	(4,871)	(6,575)
Ending balance	2,809,232	2,814,103

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

	30/06/2020	31/12/2019
Investment in associates	608,800	611,137
Investment in joint arrangements	2,200,432	2,202,966
	2,809,232	2,814,103

In the six-month period ended 30 June 2020, the Group recognised a total loss on investments in associates and joint arrangements of EUR 5 thousand (a loss of EUR 1 thousand in 2019), the breakdown of which is included in the following table:

	30/06/2020	30/06/2019
Investment in associates	(2,337)	(555)
Investment in joint arrangements	(2,534)	(149)
	(4,871)	(704)

In the first semester 2019 the group reached an agreement with a financial institution to cancel the debt with the payment in kind of the 75 shares of the company Landscape Larcovi, S.L. that guaranteed it. The percentage of participation becomes 50.00% at 31 December 2018 to 37.50% at 30 June 2019. The Parent Company had provisions for the participation and credits granted to said company and there has been no additional negative impact on the income statement.

The Group's associates and joint arrangements were incorporated in Spain, and none of them were listed on the stock market at 30 June 2020 or at 31 December 2019.

The companies that individually had a positive fair value at 30 June 2020, with an overall amount of EUR 2,809 thousand, are as follows: Alboraya Marina Nova, S.L. and Masía de Montesano, S.L. (associates) and Programas de Actuaciones Baleares, S.L. and Landscape Corsán, S.L. (joint arrangements). The same companies had a positive individual fair value at 31 December 2019 with an overall amount of EUR 2,814 thousand.

5. Financial assets

The detail of current and non-current financial assets at 30 June 2020 and 31 December 2019 is as follows:

	30/06/2020		31/12/2019	
	Non-current assets	Current assets	Non-current assets	Current assets
Fair value through profit and loss	1,127,918	1,831,520	1,127,918	2,738,631
Held-to-maturity investments	4,364,435	10,815,382	4,238,149	12,460,015
	5,492,353	12,646,902	5,366,067	15,198,646

The current financial assets at Fair Value with changes in the Profit and Loss Account corresponds to the investment of cash balances in current financial assets of immediate availability and held for sale in accordance with the treasury group policy. Changes in the fair value of these assets are recorded in the Financial Result of the Profit and Loss Account.

The decrease in the balance of Current Assets at Amortized Cost corresponds to the cancellation of fixed-term deposits of customer advances associated with deliveries made in the year.

All current financial assets have a maturity of no more than twelve months.

6. Inventory

The detail, by classification and degree of completion, of inventory at 30 June 2020 and 31 December 2019 is as follows:

	30/06/2020	31/12/2019
Land	400,643,437	402,224,339
Developments in progress	197,373,708	227,944,458
Completed developments	54,841,767	34,553,226
Advances to suppliers	9,015,596	12,093,608
Other	1,172,954	1,172,954
Cost	663,047,462	677,988,585
Land	(140,404,015)	(100,317,179)
Developments in progress	(2,436,249)	(15,900,647)
Completed developments	(7,180,146)	(984,068)
Advances to suppliers	(8,034,654)	(8,034,654)
Other	(1,172,132)	(1,172,132)
Depreciation	(159,227,196)	(126,408,680)
Net Book value	503,820,266	551,579,905

Mortgage guarantees are arranged on a portion of the inventory to secure the bank debt detailed in Note 11 (bilateral loans for developers and land).

The cost of the development in progress relates to the cost of the land and expenses incurred in completing 26 residential projects of 1,834 homes in different degree of execution.

The completed developments consists in 168 homes, of which 120 correspond to a completed developments in 2020 and 46 homes that corresponds to completed developments from 2019.

The net book value on advances to suppliers amounted to EUR 981 thousand (EUR 4,059 thousand as at 31 December 2019). The pending disbursement commitments for the part of the advances corresponding to the purchase of land (709 thousand euros) amounts to EUR 2,822 thousand.

The net book value of inventories includes valuation corrections considering their market value.

The market value is determined based on the appraisal carried out by the independent expert appraisers. BDO Auditores, S.L., appraised the property assets in the Group's asset portfolio, the appraisal date of which was 31 December 2019. The appraisals of these property assets were carried out under the market value assumption, whereby these valuations were conducted in accordance with the statements of the asset valuation-appraisal method and the guidelines published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain.

The Group has registered in the first half of 2020 a provision for impairment of land for a total amount of 40,125 thousand euros. Most of this amount, 37,600 thousand euros, corresponds to the internal estimate made by the

Group, following the methodology used by external valuers, to reflect the impact of the crisis's effects caused by the COVID 19 pandemic. The provision mainly affects the portfolio of planned land, as it is the land that requires the greatest investment effort and a longer time horizon for realization, which makes its fair value more sensitive to the foreseeable decline in demand.

In the six-month period ended 30 June 2020 a total of EUR 9,732 thousand in finance costs were capitalised. (EUR 9,013 thousand in finance costs were capitalised in the same period previous year).

The breakdown of "Customer advances" on the liability side of the consolidated balance sheet at 30 June 2020 and 31 December 2019 is as follows:

	30/06/2020	31/12/2019
Advances for property developments	42,496,531	43,110,083
Advances for the sale of land	136,600	136,600
Other	36,844	36,844
	42,669,975	43,283,527

There were sale commitments on certain land and developments as of 30 June 2020, amounting to EUR 310,674 thousand (EUR 333,642 thousand as at 31 December 2019), approximately, and the advances received thereupon amount to EUR 42,633 thousand (EUR 43,247 thousand as at 31 December 2019).

From the amount of sales commitments as of 31 December 2019, EUR 65,861 thousand have been recorded as ordinary income for the 2020 year (EUR 16,805 thousand in the same period of 2019 was recorded for advances recorded as of 31 December 2018).

Management expects 78.4% of the sales assigned to the advances or reserves received as of 30 June 2020 to be completed during the 2020 and 2021 years (98% of the sales assigned to the advances or reserves received as of 31 December 2019) while the remaining 21.6% is expected to be in 2022 and following years (2% of the sales assigned to the advances or reserves received as of 31 December 2019).

Fulfilment of the execution obligations associated with advances from clients is estimated for a period of between 18 and 24 months from the signing of the private sale and purchase agreement until the transfer of the finished properties.

From the balance of advances for developments, EUR 6,104 thousand is pending collection (EUR 6,833 thousand as of 31 December 2019), whose maturities are distributed over time up to the moment of the transfer of the developments (see Note 7). The variation in the balance pending collection for the 2020 year includes the net impact of the recorded collections and the issue of new receipts for advances for developments pending collection.

The collected balances for advances from clients are guaranteed through guarantees or insurance policies contracted by the Group.

7. Trade and other receivables

The detail of "Trade and other receivables" at 30 June 2020 and 31 December 2019 is as follows:

	30/06/2020	31/12/2019
Trade receivables from related companies (Note 19)	937,954	1,091,516
Trade receivables	15,464,943	16,465,275
Work in progress pending certified	-	371,974
Debtors	25,781,955	25,781,608
Bad debt	8,381,962	8,381,962
Impairment loss on accounts receivable	(9,247,676)	(9,247,676)
	41,319,138	42,844,659

The balance of Debtors corresponds mainly to the amounts owed by the Empresa de Gestión Urbanística y Servicios de Alboraya, S.L. to the company of the group Quabit Grupo Mediterráneo Costa Blanca, S.L. These amounts refer to both the principal of the debt 23,435 thousand euros, and the accrued interest 2,342 thousand euros, figures that are stated in sentence No. 535/2016 dated 15 December 2016, issued by the Court of First Instance number 6 of Valencia. The Group has recorded this amount as a current asset since it is very likely that it will materialize in the short term through the delivery of land, which will be classified as current assets in the balance sheet of the subsidiary company, under the line of inventories.

In Note 29 Contingencies of 2019 consolidated annual accounts the situation of the legal proceedings is detailed. This amount is guaranteed by a mortgage on land owned by EGUSA located in sector UE-2 of Alboraya, the market value of which is greater than the amount recorded as a debt balance of EGUSA. There are not changes with regard the mortgage execution as a 30 June 2020.

Almost the entire amount of this balance corresponds to private sector clients. Its balance at closing is near its fair value.

The balance for clients includes the amount of EUR 3,174 thousand for the balance of the executed project pending certification (EUR 3,174 thousand as at 31 December 2019). The remaining amount, EUR 6,104 thousand (EUR 6,833 thousand as at 31 December 2019) corresponds to the balance of advances from clients pending collection (see Note 6).

The balance of other current assets on the balance sheet amount to EUR 2,912 thousand (EUR 2,649 thousand as of 31 December 2019) corresponds to prepaid expenses for obtaining contracts with clients, which shall accrue on the profit and loss statement when the income is recognised.

8. Cash and cash equivalents

The balance as at 30 June 2020 of 24,472 thousand euros of Cash and equivalents (22,978 thousand euros as at 31 December 2019) includes the balances of cash and deposits with a maturity of less than 3 months.

As at 30 June 2020, 8,554 thousand euros are not available (10,783 thousand euros as of 31 December 2019), of which 8,421 thousand euros are associated with advances from customers and 133 thousand euros have been pledged to cover future interest payments on mortgage loans.

9. Equity

9.1. Share capital and share premium

At 30 June 2020 and 31 December 2019 the breakdown of share capital and the share premium of Quabit Inmobiliaria, S.A. is as follows:

	30/06/2020		31/12/2019	
	Share capital	Share premium	Share capital	Share premium
Registered capital	74,381,847	179,717,193	74,381,847	179,717,193
	74,381,847	179,717,193	74,381,847	179,717,193

There have been no changes in registered share capital and the share premium in the first half of 2020.

	Number of shares	Nominal value	Share capital	Share premium
Balance at 30 June 2020	148,763,693	0.50	74,381,847	179,717,193

Significant ownership interests

The shareholdings greater than 10% at 30 June 2020 and 31 December 2019 are as follow:

	30/06/2020			31/12/2019		
	Voting rights	Financial instruments	Total	Voting rights	Financial instruments	Total
Mr Félix Abánades López	18.48%	1.83%	20.31%	18.48%	1.83%	20.31%

Based on the Registry of Significant Participations of the Spanish National Securities Market Commission (CNMV), as of 30 June 2020, the sole interest greater than 10% of the registered share capital of the Company is that held by Mr Félix Abánades López, directly and indirectly through the companies Restablo Inversiones, S.L.U. and Grupo Rayet, S.A.U. The total ownership is 18.476% of the registered share capital of the Company. The 1.832% of financial instruments correspond to the repurchase of shares (0.840%) and incentive plan (0.992%).

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

Treasury shares

There have been no transactions in the first half of 2020. The table below details the changes in treasury shares:

	Number of shares
Total treasury shares at 31 December 2018	2,918,793
- Purchases before share buy back program	1,478,991
- Purchases within share buy back program	1,711,886
- Indirect treasury shares acquired in business combination	435,315
- Share-based payments	(3,164,946)
Total acciones propias al 31 de diciembre de 2019	3,380,039
- Purchases before share buy back program	-
- Purchases within share buy back program	-
- Share-based payments	-
Total acciones propias al 30 de junio de 2020	3,380,039

At 30 June 2020, the cost of treasury shares amounted to EUR 4,534,153 (EUR 4,534,153 at 31 December 2019).

On 19 June 2019, the Group notice a significant event to the CNMV the approval by the Board of Directors of a Share Buy back program in order to meet the incentive plan approved by the General Meeting of Shareholders of 28 June 2017, taking into account that the treasury share existing at the date of publication of the significant event will preferably be used to pay in shares of the part of the acquisition price of the construction company Rayet Construcción, S.A. (See note 19). The repurchase program will involve the acquisition by Quabit of a maximum of 4,500,000 own shares, representing approximately 3%, of the capital stock of the Parent Company and for a maximum monetary amount allocated of 6,500 thousand euros.

The repurchase program remained in effect until 31 December 2019 and its management was delegated to the securities company Gestión de Patrimonios Mobiliarios Sociedad de Valores, S.A.

In execution of the Share Buy back program, during the period between 19 June 2019 and 31 December 2019, 1,711,866 shares have been made for a total amount of 1,681,643 euros.

On 7 October 2019, the Company acquired 82.95% of the shares of Quabit Construcción, S.A. (previously Rayet Construcción, S.A.). Part of the payment for the acquisition was made by delivering 3,164,946 shares to the sellers. As a result of this acquisition, the Company took an indirect interest of 435,315 treasury shares of which Quabit Construcción, S.A. was the owner on that date.

As a result of the various transactions described in the previous paragraphs, at 30 June 2020 the treasury shares represent the 2.27% of Share capital (2.27% as at 31 December 2019), which is therefore below the maximum limit of 10% of share capital established for companies listed on the stock market with regard to holding treasury shares.

9.2. Equity of the Parent

The equity of the Parent amounted to EUR 240,632 thousand at 30 June 2020 (EUR 285,014 thousand at 31 December 2019).

9.3. Other equity instruments

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

The enforceability of these warrants is conditioned to different tranches of funds disposition of each of the lines so that as at 30 June 2020 all warrants are enforceable.

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

As at 30 June 2020 and at 31 December 2019 there are 824 thousand euros recorded, which corresponds to the fair value of the warrants that have become enforceable under the heading 'Other equity instruments', with a balancing entry in the amortized cost of the debt.

9.4. Share based payments

On 28 June 2018 the Company Board of Quabit approved an incentive plan (Approved by the General Shareholders meeting on 27 June 2017) for the 2018-2022 period consisting of the transfer of ordinary shares of the Parent Company to the Chairman and Chief Executive Officer, and 17 other executives and key employees of the Management, free of charge and on different dates of accrual and effective transfer. In July 2018 the Parent Company communicated to the beneficiaries the incentive plan and their inclusion in the same.

The maximum number of shares that may be transferred to the beneficiaries of the incentive plan is 4,059,591 shares. This amount may be increased up to 25% in the case of the inclusion of new beneficiaries.

As at 30 June 2020, the number of shares that may be transferred to the beneficiaries of the incentive plan is 3,795,617 shares, which represents 2.55% of the current share capital of the Parent Company

The transfer is contingent on fulfilment of two business metrics related to the fulfilment of the accumulated EBITDA and the total shareholder return accumulated for the Quabit share for the 2018 to 2022 years, as well as the beneficiaries continue to adhere to the condition of being directors or employees of the Group on the dates of accrual and effective transfer of the shares.

Based on the accrual, the Parent Company has recorded the personnel expenses associated with this plan in the attached income statement with a Net Equity offset in the amount of EUR 38 thousand from the effective communication of the Incentive Plan to its employees until 30 June 2020. This estimate has been made taking into account certain assumptions and premises, as well as the advising provided by an independent expert.

9.5. Minority interests

The following table details the movements in minority interests that have occurred in 2020:

	30/06/2020	31/12/2019
Minority interest at the beginning of the period	4,803,127	4,024,346
Minority interest acquired in business combination	-	661,267
Variation in the % of interest	-	209,788
Attributable results to minority interests	(384,745)	(92,274)
Minority interest at the end of the period	4,418,382	4,803,127

The composition of minority interests as of 30 June 2020 and 31 December 2019 is as follows:

	30/06/2020	31/12/2019
Iberactivos Inmobiliarios, S.L.	224,374	215,636
Subgrupo Global Quabit Desarrollos Inmobiliarios, S.L.	3,591,101	3,782,494
Quabit Construcción, S.A.	486,343	688,423
Other entities	116,564	116,574
	4,418,382	4,803,127

On 24 June 2020, the documents of the agreement to renegotiate the conditions reached with the funds managed by Avenue were signed, among the most relevant terms of this agreement is the acquisition by Quabit of the equity participation that the funds had contributed in the form of capital within the framework of line 2 in the subsidiary Global Quabit Desarrollos Inmobiliarios, SL (See note 21 Subsequent events).

10. Trade and other payables

The detail of "Trade and other payables" at 30 June 2020 and 31 December 2019 is as follows:

	30/06/2020	31/12/2019
Payable to related parties (Note 19)	280,651	178,455
Trade and other payables	46,368,752	52,230,821
Total	46,649,402	52,409,276

At 30 June 2020, EUR 281 thousand of the balance under "Payable to related parties" correspond to the amount payable arising from the construction work and other services provided by companies that form part of Grupo Rayet (see Note 19).

11. Borrowed funds

11.1 Financial Debt

11.1.1 Debt composition

Following are the details of the financial debt:

	30/06/2020			31/12/2019		
	Current	Non-current	TOTAL	Current	Non-current	TOTAL
Recourse debt	103,396,411	13,119,014	116,515,425	101,165,767	13,007,141	114,172,908
Debt to be covered according to schedule of payments	77,682,383	-	77,682,383	77,386,881	-	77,386,881
Simple obligations	19,882,895	-	19,882,895	20,638,026	-	20,638,026
Debt with international funds	5,831,133	13,119,014	18,950,147	3,140,860	13,007,141	16,148,001
Non-recourse debt	213,053,581	-	213,053,581	210,223,220	-	210,223,220
Debt to be covered according to schedule of payments	445,739	-	445,739	445,739	-	445,739
Debt guaranteed by VAT refunds	-	-	-	425,799	-	425,799
Developer loan	54,882,894	-	54,882,894	56,742,935	-	56,742,935
Alpin Equities Loan	15,177,285	-	15,177,285	14,035,352	-	14,035,352
Facility Avenue I	69,546,673	-	69,546,673	74,864,647	-	74,864,647
Facility Avenue II	43,147,565	-	43,147,565	41,016,186	-	41,016,186
Facility Avenue III	5,532,831	-	5,532,831	-	-	-
Taconic Facility	24,320,595	-	24,320,595	22,692,562	-	22,692,562
	316,449,992	13,119,014	329,569,006	311,388,987	13,007,141	324,396,128

11.1.1 Debt movements

The following table summarises the activity seen in this section of the balance sheet over the year 2020:

<i>Thousands of euros</i>	30/06/2020
Initial Balance	324,396
Draw downs	33,188
Draw downs on Taconic	5,359
Draw downs other loans	3,543
Debt adjusted to amortised cost	465
Amortisation of maturities	(3,762)
Cancellation from sales	(45,167)
Interest accrued	11,549
Final Balance	329,569

Movements for 2020

Draw downs

- Draw downs under developer loans: This item corresponds to draw downs made on loans for the financing of work in progress of developments. Developer loan will be paid upon transfer of the homes. From the drawn down amount, EUR 7,583 thousand have been drawn down and amortised in the same year.

- Drawdowns Avenue III: drawdowns of funds (nominal without commissions) made in 2020 of the credit line granted by funds advised by the company Avenue Europe International Management, L.P. ("Avenue"). This line was signed on 27 December 2019.

- Drawdowns other loans: Drawdowns of funds with other financial entities made in 2020 in relation to the

construction activity.

Adjustment of debt at amortised cost

- The adjustments to the debt at amortised cost mainly correspond to the net effect of the recorded debt at amortised cost which includes the impact of discounting commissions charged and the cost incurred on obtaining the and those already paid.
- In addition, include the effective interest rate accrued due to impact of recording at amortized cost the issue of warrants associated with Avenue I and Avenue II (See note 9.3)

Amortisation of maturities

Corresponds to repayments of capital and interest agreed with other financial institutions, cancelation of debt with other financial institutions and the payment of the annual coupon associated to the bonds.

Cancelation from sales

- Payment of debt associated with land and finished product (land and development loan), coinciding with the timing of the sale of such assets. The amount paid for all such operations has amounted to EUR 45,167 thousand, which 35,045 thousand euros correspond to developer loan and 10,122 thousand euros correspond to the facility Avenue I.

Accrued interest

- The record of nominal interest accrued until 30 June 2020.
- Also, it includes the effect of recording the effective interest accrued as a result of recording as of 31 December 2018, the effect of the re-estimation of the payments associated with the current debt restructuring agreements with financial entities

Additional information on bank debt

All these balances, both long and short-term, are denominated in euros.

11.2. Other non-trade payables

The detail of the Group's other non-trade payables at 30 June 2020 and 31 December 2019 is as follows:

	30/06/2020		31/12/2019	
	Current	Non current	Current	Non current
Payable to related companies: Other loans (Note 19)	184,679	-	184,679	-
Loans from third parties	-	10,691,252	-	10,680,791
Leases liabilities to related companies (Nota 19)	6,750	67,500	13,500	67,500
Lease liabilities	504,599	668,997	584,740	268,501
Deposits and guarantees	1,925,571	1,010	1,925,637	1,010
Total	2,621,600	11,428,758	2,708,556	11,017,802

Loans from third parties include a balance of 9,972 thousand euros as 30 June 2020, corresponding to profit participating loans and other financing granted under the Facility Avenue II that has been included within the renegotiation of conditions signed with Avenue, which became effective in July 2020. Note 21 Subsequent events explains the agreements reached with the funds managed by Avenue.

12. Tax receivables and payables

The detail of the tax receivables and tax payables at 30 June 2020 and 31 December 2019 is as follows:

Receivables	30/06/2020	31/12/2019
VAT	1,478,080	2,524,062
Withholdings	159	235
	1,478,239	2,524,297
Payables	30/06/2020	31/12/2019
Income tax	152,489	152,489
VAT	743,606	797,016
Social security costs	487,103	236,820
Withholdings	513,910	383,139
	1,897,108	1,569,464

The reduction in the VAT debit is consequence of the collection in the first half of 2020 of the amounts that the Administration owed at the end of the year 2019, as a result of the purchase operations of land made by the Group in the previous year.

13. Deferred taxes

13.1. Deferred tax liabilities

Main component of the Deferred tax liabilities of Consolidated Balance Sheet at 30 June 2020 and 31 December 2019 is the amount of deferred taxes with origin in the two business combinations of the years 2006 y 2008. Those deferred taxes were a consequence of the allocation to the assets of the two subgroups of those surplus paid by the Parent. The reduction in the amount of the deferred taxes is due, mainly, to the booking of the sales of assets in the first half 2020 and of their corresponding impairment corrections.

13.2. Deferred tax assets

Deferred taxes at 30 June 2020 correspond mainly to tax assets, of which EUR 59.5 million corresponds correspond to net credits receivable in future corporate tax liquidations, which correspond almost entirely to the Parent Company.

This amount is only a part of the credits against the Public Treasury for corporate tax. The total credits, which amount to EUR 200 million, correspond not only to negative tax bases pending compensation, but also to other items of temporary adjustments that are pending to be recorded.

The following table details the concepts that make up the total tax credits of the Parent Company as of 30 June 2020, the impact of the corporate tax for the year 2019 has been considered.

Amounts in millions of euros	30/06/2020
Negative tax bases awaiting offset of the tax Group	603
Difference of 2008 merger not assigned to assets awaiting adjustment	167
Difference in 2008 merger assigned to assets awaiting reversal	4
Interest expenses not deducted of the tax Group	66
Positive adjustments due to reversal of portfolio impairment	(2)
Positive adjustments due to tax neutrality of contributions	(13)
Positive adjustments due to debt discount deferrals	(24)
	801

The tax assets that may potentially be recognised for all these components calculated at a tax rate of 25% (applicable as of 2017 according to that set forth in Corporate Income Tax Law 27/2014, of 27 November) amounted to EUR 200 million, of which the Group had recognised EUR 59.5 million as assets.

14. Provisions for contingencies and charges

The detail, by nature, of provisions and other current and non-current liabilities at 30 June 2020 and 31 December 2019 is as follows:

	30/06/2020		31/12/2019	
	Other current liabilities	Long-term provisions for contingencies and charges	Other current liabilities	Long-term provisions for contingencies and charges
By nature:				
Provisions for litigation and third-party liability	834,703	3,537,641	834,775	3,493,421
Provisions for other liabilities	3,589,058	-	4,113,325	-
	4,423,761	3,537,641	4,948,100	3,493,421

14.1. Provisions for litigation and third-party liability

There were no significant movements as of 30 June 2020 with respect to 31 December 2019 in the "Provisions for litigation and liabilities".

The provisions recognised at 30 June 2020 and 31 December 2019 correspond to the estimated amount required for probable third-party liabilities and losses, none of which have significant individual amounts, the exact amount and date of payment of which cannot be determined. The provision is made using the best estimates at the time the potential obligation becomes known, based on independent expert legal reports to hedge any risks arising from the real estate activities carried out by the Group in various projects.

14.2. Provisions for other liabilities

"Other liabilities" in the consolidated balance sheet includes mainly the provisions recognised in connection with urban development works pending of execution, which are charged to the Group, corresponding to the land already sold. The variation for the period in this line corresponds to provisions for completion of construction projects.

15. Guarantees

At 30 June 2020, the guarantees provided to the Group by financial institutions in relation to municipal councils, individuals and private companies amounted to EUR 56,508 thousand (EUR 57,318 thousand at 31 December 2019).

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

	30/06/2020	31/12/2019
Guarantees provided to Group companies by the Parent	16,798,653	17,105,592
Guarantees provided to associates	540,315	540,315
Guarantees provided to third parties	572,732	572,732
	17,911,699	18,218,638

The total amount correspond to credit and loan policies and insurance policies.

16. Operating income and expenses

a) Net turnover

The detail of the Group's Net turnover at 30 June 2020 and 2019 is as follows:

	30/06/2020	30/06/2019
Sale of Land	-	1,158,232
Sale of houses	68,871,012	18,188,294
Revenue from executed works	4,130,891	-
Other	17,251	4,710
Provision of services	131,146	23,410
	73,150,300	19,374,646

In the 2020 there have not been land sales (1,158 thousand euros in 2019).

The amount of turnover includes sales of 410 homes of completed developments that have been delivered in the first half 2020 (38 units in same period of 2019)

The revenues from executed works corresponds to income from the construction activity for the execution of building works and land development to third parties outside the Group.

b) Other operating income

"Other operating income" in the consolidated income statement includes exceptional income mainly from litigation resolution amounting to 651 thousand euros (469 thousand euros in 2019). In 2019 corresponds to the debt discounts applied in executing the agreements with financial institutions, either through the application of the portion corresponding to the maturity schedules or the debt reduction associated with the sale of assets.

c) Changes in operating provisions

This line of the consolidated income statement includes both corrections to the value of inventories and the applications of existing provisions once the homes have been delivered.

	2020	2019
Impairment provision for Land (COVID-19)	(37,600,000)	-
Provision for losses on sales	(2,525,000)	-
Application of provisions for stocks sold	5,673,900	2,026,877
Variation in traffic provisions	-	43,501
	(34,451,100)	2,070,378

The impairment provision for land (COVID-19) includes the correction in the value of certain land derived from the estimation of the value of inventories made by the Group in the current economic context due to the impact of the pandemic caused by COVID-19. The estimated valuation carried out by the group has resulted in a reduction in the value of the group's assets by an amount of 42.0 million euros with an impact of 37.6 million euros in the income statement due to the difference in estimated assets value and their net book value.

On the other hand, the provision for losses on sales for the amount of 2.5 million euros includes the impairment of land on which a sale agreement has been reached for a price lower than the net book value.

The applications of provisions for inventories sold include the application of impairments in the year that were recorded in previous years on certain land on which housing developments have been developed that have been delivered during the year.

d) Other operating expenses

The detail of the Group's other operating expenses at 30 June 2020 and 2019 is as follows:

	30/06/2020	30/06/2019
Professional services	3,073,613	2,519,801
Other professional services	1,193,133	553,892
Advertising and publicity	918,895	1,523,887
Taxes other than income tax	3,961,796	5,857,828
Repairs and maintenance	103,545	30,139
Insurance premiums	303,001	156,751
Bank charges	1,350,328	1,082,286
Utilities and supplies	300,368	80,538
Other	354,449	181,702
Leases	652,690	-
	12,211,818	11,986,824

The increase in this line of the consolidated Income Statement is mainly associated with the increase in the group's activity. Part of the expenses included in this line (architects' fees, building licences, construction taxes, among others) are items that can be activated in inventories as cost of the projects in progress. In addition, it includes commercial expenses associated to developments and the leases costs that are not treated as assets under Right-of-use assets.

e) Staff costs

The detail of "Staff costs" is as follows:

	30/06/2020	30/06/2019
Wages and salaries	4,624,467	2,750,217
Employer social security costs	1,056,481	504,346
Remuneration of Board directors (Note 19)	772,035	673,286
Share based payments	2,752	47,915
Other employee benefit costs	147,258	73,935
	6,602,993	4,049,698

17. Finance income and costs

The detail of finance income is as follows:

	30/06/2020	30/06/2019
Interest on loans, related companies (Nota 19)	12,208	-
Other finance income	9,802,916	9,036,166
	9,815,124	9,036,166

Finance income in 2020 and 2019 mainly includes the activation of interest cost related to developments in progress.

The breakdown of financial expenses as of 30 June 2020 and 2019 is detailed below:

	30/06/2020	30/06/2019
Interest on loans and bank loans	13,453,927	11,593,418
Other financial expenses	171,987	11,092
	13,625,914	11,604,510

Financial expenses increase in relation to the first half of 2019, as a consequence of the greater indebtedness with land loans and developer loans for the development of the group's activity.

18. Earnings per share

(a) Basic

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

	30/06/2020	30/06/2019
Profit attributable to shareholders of the Parent according to the accompanying consolidated income statement	(49,862,236)	850,484
Weighted average number of shares outstanding	145,383,654	144,932,634
Basic earnings per share (euros)	(0.343)	0.006

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to reflect the conversion of all the dilutive potential ordinary shares. As at 30 June 2020 there is an effect for the potential ordinary shares associated with the executable warrants that would give the holders the right to subscribe for 7,526,058 new shares (see note 9.3). Diluted losses per share would be 0.326 euros / share considering this effect (0.006 euros/share as at 30 June 2019).

19. Balances and transactions with related parties

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

1. They are performed under contracts with standard terms and conditions and are applicable across-the-board to numerous customers,
2. They are performed at prices or rates established in general terms by the supplier of the goods or service in question, and
3. The amount does not exceed 1% of the Company's annual income.

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

Balances with related companies at 30 June 2020

	Grupo Rayet, S.A.U. and Subsidiaries	Joint Arrangements and UTEs	Associates	Key personnel	Total
ACTIVO					
Non-current financial assets (Nota 5)	3,967,686	-	-	-	3,967,686
Current financial assets (Nota 5)	683,969	39,644,453	437,894	-	40,766,316
Advance to suppliers (Nota 6)	209,876	-	-	-	209,876
Trade receivables (Nota 7)	937,954	-	-	-	937,954
	5,799,485	39,644,453	437,894	-	45,881,832
PASIVO					
Non-current financial liabilities (Note 11)	30,711	83,218	77,500	-	191,429
Current financial liabilities	-	-	-	760,000	760,000
Trade and other payables (Note 10)	280,651	-	-	-	280,651
	311,362	83,218	77,500	760,000	1,232,080

Balances with related companies at 31 December 2019

	Grupo Rayet, S.A.U. and Subsidiaries	Joint Arrangements and UTEs	Associates	Key personnel	Total
ACTIVO					
Non-current financial assets (Nota 5)	4,088,785	-	-	-	4,088,785
Current financial assets (Nota 5)	601,950	39,645,529	437,894	-	40,685,373
Advance to suppliers (Nota 6)	546,847	-	-	-	546,847
Trade receivables (Nota 7)	1,091,516	-	-	-	1,091,516
	6,329,098	39,645,529	437,894	-	46,412,521
PASIVO					
Non-current financial liabilities (Note 11)	37,461	83,218	77,500	-	198,179
Current financial liabilities	-	-	-	600,000	600,000
Trade and other payables (Note 10)	178,455	-	-	-	178,455
	215,916	83,218	77,500	600,000	976,634

Balances with related companies

The amounts set out in the balance charts are nominal amounts, before considering corrections for impairment. The main variations are as follows:

Grupo Rayet, S.A.U. and subsidiaries

Current and Non Current Financial Assets

Most of this balance, 2,821 thousand euros, corresponds to the balance of the financial account maintained with companies of the Grupo Rayet, S.A.U. that has its origin in the amount to be collected in accordance with the agreement of creditors by sentence of February 2016 that allowed the exit from the bankruptcy.

On the other hand, 1,060 thousand euros correspond to the principal and 129 thousand euros of interest from a loan granted by Quabit Construcción, S.A. a Rayet Medioambiente, S.L. prior to the business combination of 7 October 2019.

Lastly, 555 thousand euros correspond to the current account balance of Quabit Construcción, S.A. with the UTE I-15 Constructora (50% Quabit Construcción, SA - 50% Grupo Rayet, SAU) for the contributions to the UTE to cover the expenses of execution of the urbanization works in the area I-15 in Alovera (Guadalajara)

Commercial debtors

The balance of trade debtors corresponds mainly to work carried out by Quabit Construcción, S.A. that are pending collection through the UTE I-15 Constructora (50% Quabit Construcción, SA-50% Grupo Rayet, S.AU.) to the UTE I-15 Promotora in the scope of urban works in the area I-15 in Alovera (Guadalajara).

Advances to suppliers

The balance of advances to suppliers corresponds to advance payments of urbanization charges to the UTE I-15 Promotora (50% Grupo Rayet-50% Rayet Medioambiente, S.L.) in the area I-15 in Alovera (Guadalajara).

Commercial creditors and other accounts payable:

It includes the balances derived from the invoices pending payment, corresponding mainly to services provided by companies dependent on Grupo Rayet, S.A.U.

Transactions with related parties in 2020

30 June 2020

euros	Grupo Rayet, S.A. and Subsidiaries	Joint Arrangements and UTE's	Associates	Key management personnel	Total
Purchases and other expenses:	1,702,814	-	-	-	1,702,814
<i>Procurements</i>	1,361,897	-	-	-	1,361,897
<i>Other operating expenses (Nota 16)</i>	300,175	-	-	-	300,175
<i>Non-current asset acquisitions</i>	40,742	-	-	-	40,742
Finance income (Nota 17)	12,208	-	-	-	12,208
Remuneration to Board of directors	-	-	-	772,035	772,035
Remuneration to management personnel	-	-	-	857,969	857,969

Transactions with related parties in 2019

30 June 2019

euros	Grupo Rayet, S.A. and Subsidiaries	Joint Arrangements and UTE's	Associates	Key management personnel	Total
Purchases and other expenses:	15,973,156	-	-	-	15,973,156
<i>Procurements</i>	15,944,287	-	-	-	15,944,287
<i>Other operating expenses (Nota 16)</i>	25,015	-	-	-	25,015
<i>Non-current asset acquisitions</i>	3,854	-	-	-	3,854
Remuneration to Board of directors	-	-	-	793,286	793,286
Remuneration to management personnel	-	-	-	773,990	773,990

Transactions with related parties in 2020

Grupo Rayet, S.A.U. and subsidiaries

- Procurements: From the total amount recorded in this section, 1,322 thousand euros corresponds to purchase of land in the city of Alovera (Guadalajara) to develop new residential developments,. and EUR 9 thousand corresponding to land development certifications in the town of Alovera (Guadalajara).
- Other operating expenses: These correspond to IT, advertising and office cleaning services provided by subsidiaries of Grupo Rayet, S.A.U.
- Acquisition of fixed assets Corresponds to the acquisition of computer equipment and sales stalls to subsidiaries of Grupo Rayet, S.A.U.

Commitments with Grupo Rayet, S.A.U. and subsidiaries as of 30 June 2020

The Group companies have subscribed to various agreements with companies belonging to the shareholder Grupo Rayet, S.A.U.:

- Agreement for providing IT and cleaning services with companies belonging to the shareholder Grupo Rayet, S.A.U in an aggregate amount committed of EUR 169 thousand.
- In December 2012, the Parent Company took out a unilateral mortgage on property located in the province of Guadalajara, guaranteeing an aggregate amount of EUR 306 thousand, as a result of the designation before the State Tax Administration Agency of assets guaranteeing 19.89% of certain debts of the Temporary Joint Ventures I-15. Such percentage corresponded to Quabit Inmobiliaria in accordance with its shareholding percentage before its leaving the aforesaid TJV I-15, in accordance with the commitments assumed before the State Tax Administration Agency for granting the deferral of the VAT payment of December 2011 of the aforesaid TJV I-15.

Remuneration to the Board of Directors and Management

The remuneration to the Board of Directors includes the amount effectively paid in the year and the provision for the bonus 2020.

In the first half of the year, the Group recorded an amount of 2 thousand euros for the expense associated with the Incentive Plan for the 2018-2022 period consisting of the delivery of ordinary shares of the Parent Company to the President and CEO, and other 14 executives and key employees of the Directorate, free of charge and on different accrual dates and effective delivery. The accumulated amount amounts to 37 thousand euros since its approval.

20. Contingencies

There has not been any significant variation in 2020 for the contingencies described in Note 29 of the Consolidate Financial Accounts for 2019.

21. Events after the reporting period

AGREEMENT WITH FUNDS MANAGED BY AVENUE

On 24 June 2020, the documents of the agreement to renegotiate conditions agreed with the funds managed by Avenue were signed. The most relevant terms of this agreement are the following:

- The total amount renegotiated in the agreement is 135 million euros (123.2 million euros of senior debt and 11.8 million euros derived from the acquisition by Quabit of the capital and participating loan owned by the funds advised by Avenue in the investments of Line 2 for an amount of 11.8 million euros that had been contributed by said funds).
- The final payment due date is postponed until December 2022, to adapt it to a probably more conservative scenario for the development of promotions.
- The interest rate applicable to financing is reduced to 9% (compared to the current 16% on Line 1 and 12% on Lines 2 and 3). This reduction in the interest rate will be consolidated as the payment schedule established in the agreement is attended.
- The capitalization of 25 million euros of current debt, through the issue of Class B shares without voting rights that will entitle their holders to receive a preferred dividend of 0.03 euros / share.
- The release of guarantees on certain Land.
- The commitment to modify the conditions of execution of the warrants on Quabit shares already granted in favor of said funds advised by Avenue is assumed, extending the exercise period to 3 years from 24 June 2020 and establishing new exercise prices of € 1.25 / share for 50% and € 1.35 / share for the remaining 50%, leaving without effect the commitment to issue additional warrants granted on Line 3, with this, the warrants issued to the funds advised by Avenue would allow them to reach a maximum of 5.06% of Quabit's capital by subscribing for new shares.

Various points of the signed agreement were subject to a condition precedent to the approval by the Ordinary General Shareholders' Meeting of the capital increase for compensation of credits, the agreement in its entirety has gained its effectiveness on 30 July 2020, date on which said capital increase was approved.

The following table shows an analysis of the differences between the amount of the agreements reached with Avenue on 24 June 2020 and the accounting balances of the debt as at 30 June 2020.

	Agreed amount with AVENUE	Debt cancellations (1)	Effective interest rate adjustment (2)	Adjustment to net book value of Minority interests (3)	Other (4)	Net book value 30/06/2020
Financial Debt	121.052	(2.000)	(825)	-	-	118.227
Other non trade payables	10.024	-	-	-	(52)	9.972
Minority interest	3.923	-	-	(332)	-	3.591
Class B Shares	-	-	-	-	-	-
Total	135.000	(2.000)	(825)	(332)	(52)	131.791

(1) Debt cancellations made from the signing of the agreements until 30 June 2020.

(2) Effective interest rate adjustment for the net effect of recording the commissions charged and those already accrued. (See note 11.2)

(3) Adjustment of the book value of minority interests for the difference between the book value of the % share of the funds in the Equity of the Global Quabit Desarrollos inmobiliarios, S.L. and the amount initially contributed (See note 9.5)

(4) Others: for the difference between the book value of the participating loans (7,855 thousand euros) and the purchase price agreed with the funds.

ISSUE OF CLASS B SHARES

The General Shareholders' Meeting of 30 July 2020 agreed an increase in share capital for compensation of credits of a maximum amount of 25,000,000 euros in nominal terms with the issuance of new non-voting shares belonging to a new class B. In today's decision On July 30, the Board of Directors agreed to execute the capital increase, with incomplete subscription, for a nominal value of 24,793,948.50 euros, by issuing 49,587,897 Class B shares at nominal value and without premium. The approval of this point met the suspensive condition to which the agreement signed with the funds managed with Avenue was subject for its full effectiveness.

Class B shares do not have voting rights and entitle their holder to receive a fixed annual preference dividend equivalent to 0.03 euros per Class B Share, provided that there are distributable profits. Said Preferred Dividend will be paid out of the distributable profits for each year and will correspond to all Class B Shares that were issued at the end of the year in question.

As an exception to the previous rule, the first Preferred Dividend to be received by the holder of each Class B Share out of the distributable profits for the year ended 31 December 2020, will be equivalent to 0.015 euros per share.

An option to purchase Class B shares was granted in favor of Quabit. The Purchase Option may be exercised by the Company only once and with respect to all the Class B Shares, for the price and within the following time windows described below, which are indicated for each of them:

- (i) During the 12 months following the issuance of Class B Shares, for the greater of (a) the issue price of Class B Shares plus 20% annual interest on the Issue Price calculated up to the date on which the effective payment of the option price is made, and (b) the amount equivalent to multiplying the Issue Price by 1.20;
- (ii) from month 13 to month 24, both inclusive, counted from the issuance of the Class B Shares, for an amount that is equivalent to 120% of the Issue Price plus 25% of the annual interest on the Issue Price calculated until the date the effective payment of the option price is made; and
- (iii) During the 37th month following the issuance of the Class B Shares, for an amount that is equivalent to multiplying the Issue Price by 1.95 and, provided that the holder has not exercised the right to convert the Class B Shares B in ordinary shares of the Company.

To the extent that the Purchase Option is exercised, the Company will proceed to redeem the Class B Shares. The existence of the Purchase Option and its exercise by the Company will not imply any dilution for the shareholders who, at the time of the exercise of the Purchase Option, are holders of shares of the Company.

The holder of Class B shares has the right to convert each Class B share into a Class A share:

- (i) The First Conversion Right may be exercised at any time from the day of the second anniversary of the issuance and payment of Class B Shares, and for a period of one year
- (ii) The Second Conversion Right may be exercised at any time from the second month following the end of the First Conversion Period.

The conversion right must be carried out in relation to all the Class B shares, and it cannot be partially exercised.

AGREEMENT WITH SAREB

On 29 July 2020, payment in kind agreement was signed with SAREB. The most relevant terms of the agreement are the following:

- Payment in kind of a total of 19,970 thousand euros of the outstanding debt with SAREB through the delivery of certain land located in Es Mercadal, Menorca, owned by the subsidiary company Quabit Menorca Desarrollos Inmobiliarios, S.L.U.
- The total amount of the debt to be canceled will be applied in 10,000 thousand euros to the payment of the ordinary amortization of 2020, in the sum of 1,913 thousand euros to the payment of the mandatory early amortizations of 2020, and in the sum of 8,057 thousand of euros to the partial payment of the ordinary amortization of 2021.
- With this, the outstanding balance with SAREB is reduced from 76,763 thousand euros as of 31 December 2019 to 56,793 thousand euros as of today, payable according to the following ordinary amortization schedule

Maturity date	Amount (thousand euros)
31 july 2021	5,030
31 july 2022	51,763
Total	56,793

- Quabit assumes the commitment to issue warrants on Quabit shares in favor of SAREB, with an exercise period of 3 years from the day the conditions precedent indicated below are met, and with exercise prices of 1.25€ / share for 50% and € 1.35 / share for the remaining 50%. The warrants issued to SAREB would allow it to reach a maximum of 1% of Quabit's capital by subscribing for new shares.
- The operation has been subject to suspensive condition of the release of charges affecting the land and the effective registration of the land in the name of SAREB. This condition was materialized on 6 August 2020, therefore the agreement has become fully effective.

Debt maturities

As consequence of the agreements signed with the funds managed with Avenue and SAREB:

- Maturities of the years 2020 and 2021 associated with the different lines of financing granted by the funds managed by Avenue for a total amount of 60.8 million euros have been postponed.
- SAREB debt with maturities in 2020 and 2021 has been canceled for a total amount of 19.9 million euros.

Appendix I

Subsidiaries included in the scope of consolidation

Company name	Registered office	Direct ownership interest	Indirect ownership interest	Consolidation method	Company holding the interest
Quabit Inmobiliaria Internacional, S.L.	Madrid	99,31%		c	(i)
Grupo Mediterráneo Costa Blanca, S.L.U.	Madrid	100,00%		c	(i)
El Balcón de las Cañas, S.L.U.	Madrid		100,00%	c	(ii)
Residencial Nuevo Levante, S.L.U.	Madrid	100,00%		c	(i)
Quabit Comunidades, S.L.	Madrid	60,00%		c	(i)
Parque Las Cañas, S.L.U.	Madrid	100,00%		c	(i)
Bulwin Investments, S.A.	Madrid	100,00%		c	(i)
Quabit Quality Homes, S.L.U.	Madrid	100,00%		a	(i)
Quabit Premier, S.L.U.	Madrid		100,00%	c	(ii)
Quabit Sant Feliu, S.L.U.	Madrid		100,00%	c	(ii)
Quabit Casares, S.L.U.	Madrid		100,00%	c	(ii)
Quabit Torrejón VP Fase 1, S.L.U.	Madrid		100,00%	c	(ii)
Quabit Torrejón VP Fase 2, S.L.U.	Madrid		100,00%	c	(ii)
Quabit Torrejón VP Fase 3, S.L.U.	Madrid		100,00%	c	(ii)
Quabit Peñuela VL Fase 1, S.L.U.	Madrid		100,00%	c	(ii)
Quabit Peñuela VL Fase 2, S.L.U.	Madrid		100,00%	c	(ii)
Quabit Peñuela VL Fase 3, S.L.U.	Madrid		100,00%	c	(ii)
Quabit Remate las Cañas, S.L.U.	Madrid		100,00%	c	(ii)
Quabit Sup-R6, S.L.U.	Madrid		100,00%	c	(ii)
Quabit Quality Homes Guadalix, S.L.U.	Madrid		100,00%	c	(ii)
Quabit Quality Homes San Lamberto, S.L.U.	Madrid		100,00%	c	(ii)
Iber Activos Inmobiliarios, S.L.	Madrid		92,04%	c	(iv)
Global Quabit, S.L.U.	Madrid	100,00%		b	(i)
Quabit Aguas Vivas, S.L.U.	Madrid		100,00%	c	(iii)
Quabit Alcarria, S.L.U.	Madrid		100,00%	c	(iii)
Quabit Distrito Centro, S.L.U.	Madrid		100,00%	c	(iii)
Quabit Corredor del Henares, S.L.U.	Madrid		100,00%	c	(iii)
Quabit Moncloa, S.L.U.	Madrid		100,00%	c	(iii)
Quabit Sureste, S.L.U.	Madrid		100,00%	c	(iii)
Quabit Hortaleza, S.L.U.	Madrid		100,00%	c	(iii)
Quabit Remate, S.L.U.	Madrid		100,00%	c	(iii)
Global Quabit Cañaveral Málaga Fase 1, S.L.U.	Madrid		100,00%	c	(iii)
Global Quabit Cañaveral Málaga Centauro, S.L.U.	Madrid		100,00%	c	(iii)
Global Quabit Cañaveral Tercera Fase, S.L.U.	Madrid		100,00%	c	(iii)
Global Quabit Cañaveral Fase Cuatro, S.L.U.	Madrid		100,00%	c	(iii)
Global Quabit Málaga, S.L.U.	Madrid		100,00%	c	(iii)
Global Quabit Sur, S.L.U.	Madrid		100,00%	c	(iii)
Quabit Casares Golf RP5, S.L.U.	Madrid		100,00%	c	(iii)
Global Quabit Norte, S.L.U.	Madrid		100,00%	c	(iii)
Global Quabit Azuqueca, S.L.U.	Madrid		100,00%	c	(iii)
Quabit Almanzor, S.L.U.	Madrid		100,00%	c	(iii)
Quabit Teide, S.L.U.	Madrid		100,00%	c	(iii)
Quabit Peñalara, S.L.U.	Madrid		100,00%	c	(iii)
Global Quabit Desarrollos Inmobiliarios, S.L.	Madrid	90,01%		b	(i)
Quabit Las Lomas de Flamenco, S.L.U.	Madrid		90,01%	c	(v)
Quabit Alovera, S.L.U.	Madrid		90,01%	c	(v)
Quabit Bonaire, S.L.	Madrid		59,59%	c	(x)

Quabit Menorca Desarrollos Inmobiliarios, S.L.U.	Madrid		90,01%	c	(v)
Quabit Veleta, S.L.U.	Madrid	100,00%		c	(i)
Quabit Puerta de Vistahermosa, S.L.U.	Madrid	100,00%		c	(i)
Quabit Freehold Properties, S.L.U.	Madrid	100,00%		b	(i)
Quabit Freehold Properties Levante, S.L.U.	Madrid		100,00%	c	(vi)
Quabit Freehold Properties Sur, S.L.U.	Madrid		100,00%	c	(vi)
Quabit Freehold Properties Centro, S.L.U.	Madrid		100,00%	c	(vi)
Quabit Freehold Properties Madrid, S.L.U.	Madrid		100,00%	c	(vi)
Quabit Freehold Properties Valencia, S.L.U.	Madrid		100,00%	c	(vi)
Quabit Freehold Properties Este, S.L.U.	Madrid		100,00%	c	(vi)
Quabit El Vado, S.L.U.	Madrid		100,00%	c	(vi)
Quabit Palmaces, S.L.U.	Madrid		100,00%	c	(vi)
Panglao Investments, S.L.U.	Madrid		100,00%	c	(vi)
B2R PROPTech, S.L.U.	Madrid	100,00%		c	(i)
Quabit Finance, S.A.	Madrid	100,00%		c	(i)
Quabit Finance Assets, S.L.U.	Madrid		100,00%	c	(vii)
Quabit Gregal, S.L.U.	Madrid		100,00%	c	(viii)
Quabit Poniente, S.L.U.	Madrid		100,00%	c	(viii)
Quabit Siroco, S.L.U.	Madrid		100,00%	c	(viii)
Quabit Terral, S.L.U.	Madrid		100,00%	c	(viii)
Quabit Mistral, S.L.U.	Madrid		100,00%	c	(viii)
Quabit Cierzo, S.L.U.	Madrid		100,00%	c	(viii)
Quabit Tramontana, S.L.U.	Madrid		100,00%	c	(viii)
Quabit Aneto, S.L.U.	Madrid		100,00%	c	(viii)
Quabit Construcción, S.A.	Madrid	82,95%		c	(i)
Rayet Construcción Internacional, S.R.L.	Rumanía		82,95%	c	(ix)
Rayet Construcción Panamá, S.L.U.	Panamá		82,95%	c	(ix)
Style Living Gestión, S.L.U.	Madrid	100,00%		c	(i)

Consolidation method: Full consolidation.

Line of Business:

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

Company holding the interest

- (i) Quabit Inmobiliaria, S.A.
- (ii) Quabit Quality Homes, S.L.U.
- (iii) Global Quabit, S.L.U.
- (iv) Quabit Quality Homes San Lamberto, S.L.U.
- (v) Global Desarrollos Inmobiliarios, S.L.
- (vi) Quabit Freehold Properties, S.L.U.
- (vii) Quabit Finance, S.L.U.
- (viii) Quabit Finance Assets, S.L.U.
- (ix) Quabit Construcción, S.A.
- (x) Quabit Alovera, S.L.U.

Appendix II

Associates included in the scope of consolidation

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

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

(**) Company in liquidation

Consolidation method

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

Company holding the interest

- (i) Quabit Inmobiliaria, S.A.
- (ii) Grupo Mediterráneo Costa Blanca, S.L.U.

Line of business

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

Stock exchange quotation

None of these companies is listed in stock exchange markets

Appendix III

Joint arrangements included in the scope of consolidation

Company name	Registered office	Direct ownership interest	Consolidation method
Landscape Corsán, S.L.	Madrid	50.00%	a
Landscape Larcovi Proyectos Inmobiliarios, S.L.	Madrid	37.50%	a
Programas Actuación de Baleares, S.L.	Madrid	50.00%	a

(*) Company in liquidation.

Consolidation method

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

Line of business

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

Stock exchange quotation

None of these companies is listed in stock exchange markets

Appendix IV

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

Company name	Registered Office	Direct Ownership interest	Line of activity	Auditor
U.T.E. Rayet Promoción, S.L.- Rayet Construcción, S.A.	Guadalajara	100,00%	Urban development of land	Company not audited since is not mandatory
U.T.E. Ruiseñor: Hercesa Inmobiliaria, S.A. – Rayet Promoción, S.L.	Guadalajara	0,10%	Urban development of land	Company not audited since is not mandatory
U.T.E. Los Valles: E.F. Los Valles SP-02 (*)	Guadalajara	40,00%	Urban development of land	Company not audited since is not mandatory
U.T.E. Egumar Gestión, S.L.- Afirma Grupo Inmobiliario, S.A. (E.P. Iriepal)	Guadalajara	70,00%	Urban development of land	Company not audited since is not mandatory
U.T.E. RONDA SUROESTE DE TOLEDO (Quabit Construcción, S.A.- Constructora San José, S.A.**)	Guadalajara	50,00%	Civil works	Company not audited since is not mandatory
U.T.E. CONEXIÓN POLÍGONOS (Rayet Construcción, S.A.- Sacyr, S.A.)	Guadalajara	50,00%	Civil works	Company not audited since is not mandatory
U.T.E. I-15 CONSTRUCTORA (Quabit Construcción, S.A.-Grupo Rayet, S.A.U.)	Guadalajara	50,00%	Urban development of land	Company not audited since is not mandatory
U.T.E. EDAR MINGLAILLA (Quabit Construcción, S.A. - Socamex, S.A.)	Guadalajara	50,00%	Civil works	Company not audited since is not mandatory
U.T.E. TOBARRA (Quabit Construcción, S.A.-Saico, S.A. Intagua de Construcción)	Guadalajara	50,00%	Urbanización de terrenos	Company not audited since is not mandatory
U.T.E. CARRETERAS SIGÜENZA (Quabit Construcción, S.A.- Valoriza, S.A.)	Guadalajara	67,00%	Reparación y conservación	Company not audited since is not mandatory
U.T.E. COPRINSA (Quabit Construcción, S.A.- CoprinSA, S.A.)	Guadalajara	40,00%	Construcción de viviendas	Company not audited since is not mandatory

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



Quabit 
Inmobiliaria

RESULTS JANUARY JUNE 2020



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

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1. BUSINESS PERFORMANCE AND GROUP SITUATION

1.1. Key highlights for the period

FRAMEWORK ACTIVITY. COVID 19

The pandemic caused by COVID 19 has established a world economic framework dramatically different from the one before March 2020 and difficult to foresee before that date which has materialized in a fall of 18.5% in Spanish GDP in the first half of the year. Therefore, it is necessary to think on the impacts of this crisis and the measures taken by the Group to deal with it, prior to analyzing the main parameters of the activity for the semester.

- Quabit has been monitoring the situation and designing action protocols adapted to the recommendations of the Ministry of Health and competent authorities in Spain, with the intention of working for the health and well-being of all and to try to minimize the effects of the crisis on the Group business. Special preventive measures have been taken to ensure working conditions and telework has been promoted as a preventive measure and to facilitate family reconciliation.
- The Group has taken commercial measures adapted to this situation, focusing its efforts on online marketing, implementing new tools such as the option of online pre-reservations or the video call service. Additionally, it has relied on a new system of electronic signature of documents with full legal validity to try to normalize the signing of contracts and deeds in this exceptional situation. Likewise, Quabit has granted to customers deferral of payment of sales contract prices.
- Measures have been taken aimed at adapting operating expenses to the new situation:
 - The members of the Board of Directors have agreed to a 20% reduction in their gross salary.
 - On May 7, a Temporary Employment Regulation File (ERTE) for productive causes because of the pandemic was made effective. This ERTE affects, approximately, 66% of the workforce of the promotion business. 38 people reduce their working time between 50% and 60% and 22 to 100%. The ERTE has an expected duration until 31 December 2020.
 - There has been a reduction in Group's overheads that will continue in the second half of the year.
- The financing conditions of the two main financial creditors have been renegotiated. During the month of June, new conditions were agreed for the lines granted by various funds advised by Avenue Europe International Management, L.P. ("Avenue") and in the month of July the conditions under which the 2020 and 2021 maturities of the financing of the Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (SAREB) will be met. Section 3 of this Management Report details the agreements which means reducing maturities for 2020 and 2021 by 60.8 million euros, as well as how to cancel SAREB debt maturity in 2020 and 2021 for an amount of 19.9 million euros.
- Some development projects whose commercial launch was scheduled for 2020 have been paralyzed. Likewise, 4 building works with low commercial rates that do not yet allow obtaining financing through a developer loan have been paralyzed.

- To all this must be added the delays in the administrative procedures and in the progress of works' execution for the rest of the developments, which has caused a delay of about 3 months on the estimated planning, although it has been partially recovered in the months after the alarm state.
- Likewise, the pace of land acquisition has slowed down, which has been limited to complete part of the operations that were committed at 31 December 2019 for a total of 14,347 m².
- The Group's construction activity has also been affected by the conditions of the alarm state, which has caused a delay of about 2.5 months in the execution of works, which is equivalent to a reduction of approximately 30% on the expected initial production.
- In a first stage of the evaluation of the impacts on the financial statements., as of 31 March 2020, it has recorded an impairment provision of its land portfolio for an amount of 37.6 million euros. This provision affects its planned land portfolio as it is the land that requires more investment effort and a longer time horizon for completion, which makes its fair value more sensitive to the foreseeable decline in demand. The Group has made an internal estimation, considering the effect of this retraction of demand, on the key variables of the market value of said assets (required rate of return and completion period).
- All above will affect business expectations for at least the next two or three years. The Group is reviewing its projections for a period of 5 years, in view of the demand trends in the coming months, so that it has a Business Plan in accordance with the reality resulting from the effects caused by this crisis and once there is a scenario with lower health uncertainty.

RESIDENTIAL DEVELOPMENT

- As at 30 June 2020 Grupo Quabit has 52 with a total of 3,636 homes and an estimated billing amount of EUR 804.7 million. The projects portfolio, its status and geographic distribution are detailed in section 1.4.1 of this Report.
- The net pre-sales for the period have been affected by the impact of the COVID 19 pandemic and has reached 223 homes, representing a decrease of 42.1% compared to the same period in 2019.
- The pre-sales portfolio as at 30 June 2020 (customers commitments through reservations and contracts) is 1,498 homes (an increase of 5.3% compared to 30 June 2019) for a total billing amount of EUR 310.1 million.
- During 1H 2020, Construction licence were obtained for 5 developments that total 286 new homes.
- During 1H 2020 First Occupancy Permit (FOP) were obtained for 398 homes and 189 were in process of obtaining FOP. The projects in the delivery or construction phase total 1,959 homes and 448,7 million euros of expected turnover as of 30 June 2020.
- Despite of the difficulties associated with the limitation of movements during 1H 2020 Grupo Quabit has delivered 410 units (an increase of 978,9% compared to the same period in 2019).

CONSTRUCTION ACTIVITY

- The revenues of the Construction activity amount to 19.6 million euros in 1H 2020. Third-party billing contribution to the Group's Consolidated Income Statement amounts 4,131 thousand euros.
- During 1H 2020 Quabit Construcción has assumed 5 works that were being carried out by external construction companies. The internalization of the construction process has made it possible to respond quickly and at a lower cost to the problems that were occurring in these works.

GENERAL SHAREHOLDERS' MEETING

On 30 July 2020, the Ordinary General Shareholders' Meeting was held, in which all the points submitted for voting were approved.

ISSUE OF CLASS B SHARES

One of the points approved at the General Shareholders' Meeting referred to the authorization of an increase in share capital for compensating credits of a maximum of 25,000,000 nominal euros with the issuance of new non-voting shares belonging to a new class B. In a decision of 30 July the Board of Directors agreed to execute the capital increase, with incomplete subscription, for a nominal value of 24,793,948.50 euros, by issuing 49,587,897 class B shares at nominal value and without premium. With the approval of this point, the suspensive condition to which the agreement signed with the funds managed by Avenue was fulfilled for its full effectiveness. Section 2 of this Report details the characteristics of the Class B shares.

APPOINTMENT OF NEW DIRECTORS

Another of the points agreed at the General Shareholders' Meeting referred to the appointments of Mr. Simon Blaxland and Ms. Carmen Recio Ferrer as members of the Board of Directors with the category of Independent Directors of the Company.

RESULTS FOR 1H 2020

Key figures of the P&L account

(in thousand euros)	1H 2020	1H 2019	Variation
Turnover	73,150	19,375	277.5%
EBITDA (*)	(7,822)	(5,285)	(48.0%)
Operating results	(46,385)	(5,888)	(687.8%)
Financial Results	(3,682)	(1,813)	(103.1%)
Earnings before tax	(50,072)	(7,702)	(550.1%)
Net results	(50,247)	798	(6,396.6%)
- Attributable Parent Company	(49,862)	850	(5,966.1%)
- Attributable to Minority Interests	(385)	(52)	(640.4%)

(*) See note on Alternative Performance Measurements (at the end of this Management Report).

- Increase of the turnover:
 - Increase of 278.9% in the turnover of residential development (69,002 thousand euros in 1H 2020 compared to 18,212 thousand euros in 1H 2019). 410 homes have been delivered (vs 38 units in 1H 2019), although with a lower average price (168.3 thousand euros / unit in 1H 2020 compared to 509.9 thousand euros / unit in 1H 2019). The 2019 average price was especially unusual due to the delivery of the majority residential development of single-family chalets with a price much higher than the average of the projects developed by Quabit.
 - Contribution from the construction activity, which was not incorporated into the Group in 1H 2019 for an amount (external sales to the Group) of 4,131 thousand euros.
- EBITDA decrease by 48.0% compared to 1H 2019. Although the volume of deliveries has increased, they correspond to promotions that contribute a lower percentage of gross margin than those delivered in 2019, mainly due to strains in construction costs and higher financial expenses due to the delay in project management deadlines, derived from the COVID 19 crisis. Consequently, the level of coverage of general expenses does not improve. This effect should be corrected in the second half of the year due to the double impact of the improvement in the percentage of gross margin and the actions to reduce overhead costs.
- The Operating result for 1H 2020 is negatively impacted by the impairment provision of the land value for a total amount of 40,125 thousand euros, most of it (37,600 thousand euros) already registered in March 2020 as a result of the estimation of the correction of planned land value, which are the ones that receive the greatest impact due to the uncertainties derived from the COVID 19 crisis.
- The financial result worsens as the amount of debt not associated with projects is higher in 1H 2020 (the cost of debt associated with projects is capitalized in the value of inventories). Also, in 1H 2019, a positive extraordinary effect was recorded in Financial

Result for an amount of 756 thousand euros because of payment in kind for debt cancellation to cancel the restructured debt in 2013.

- With all this, Earnings Before Taxes (EBT) for 1H 2020 worsens by 42,370 thousand euros in relation to the EBT of 1H 2019. Excluding the effect of the impairment provisions due to the COVID crisis registered in 2020, the EBT 1H 2020 would worsen by 4,770 thousand euros compared to the same period in 2019.

CASH FLOWS

<i>(in thousands of euros)</i>	1H 2020	1H 2019	Variation
Investment in inventories	(46,186)	(61,784)	(25.2%)
Other operating cash flows	53,556	35,849	49.4%
OPERATING CASH FLOWS	7,370	(25,935)	128.4%
INVESTMENT CASH FLOWS	2,398	(59)	4,164.4%
FINANCING CASH FLOWS	(8,274)	41,546	(119.9%)
Cash and equivalents at the beginning of the period	22,978	21,132	73.6%
Cash and equivalents at the end of the period	24,472	36,684	4.1%
INCREASE / (DECREASE) CASH AND EQUIVALENTS FOR THE PERIOD	1,494	15,552	(90.4%)

The bigger volume of activity has allowed the generation of operating cash flows and has allowed the recovery of retained deposits related to the promotions delivered (positive financing flow) and the repayment of debt. On the other hand, the developer loan withdrawals (33,188 thousand euros) are providing a coverage level of 72% of the investment in Inventories, which corresponds, for the most part, to the costs of the promotions that are being carried out.

1.2. KEY FIGURES

1.2.1. FINANCIAL FIGURES

Consolidated net Debt

<i>(in thousands of euros)</i>	30/06/2020	31/12/2019	Variation
Non-current debts with credit institutions	13,119	13,007	0.9%
Debts with current credit institutions	316,450	311,389	1.6%
TOTAL GROSS DEBT	329,569	324,396	1.6%
Liquid assets	(26,215)	(25,400)	3.2%
TOTAL NET DEBT (*)	303,354	298,996	1.5%

(*) See note on Alternative Performance Measurements (at the end of this Management Report).

The classification of the debt as current and non-current on the Consolidated Balance Sheet is made based on the asset associated with the financing. A large part of the Group financing has mortgage guarantees established on the inventories, included as part of current Assets, and therefore the associated debt must be recorded as current debt, regardless of the maturity. This classification therefore bears no relation to the maturity of the operations.

1.2.2. OPERATIONAL FIGURES

Residential Development. Orderbook, deliveries and stock

Residential Development (units)	30/06/2020	30/06/2019	Variation
Presales for the period (units) (1)	223	385	(42.1%)
Deliveries for the period (units) (2)	410	38	978.9%
Portfolio of final presales for the period (units) (3)	1,498	1,423	5.3%
Finished homes stock (units) (4)	168	29	479.3%

(1) Presales for the period: Reservations and contracts (less cancellations) signed during the period

(2) Deliveries for the period: Deliveries of homes.

(3) Portfolio of presales: Reservations and contracts for homes to deliver in the future (for completed projects as well as developments being marketed) at a certain date.

(4) Finished homes stock: Finished homes (with or without reservation or contract).

Turnover

Turnover (in thousands of euros)	1H 2020	1H 2019	Variation
Residential Development	69,002	18,212	278.9%
Land management	-	1,158	(100.0%)
Construction	4,131	-	n.a.
Other	17	5	240.0%
TOTAL	73,150	19,375	277.5%

1.3. FINANCIAL STATEMENTS

1.3.1. CONSOLIDATED P&L ACCOUNT FOR THE PERIOD ENDED AT 30 JUNE 2020 AND 2019

<i>(In thousand euros)</i>	1H 2020	1H 2019	Variation
Turnover	73,150	19,375	277.5%
Procurements	(65,958)	(11,546)	471.3%
Other operating income	652	851	(23.4%)
Variation in traffic provisions	(34,451)	2,070	(1,764.3%)
Personal expenses	(6,603)	(4,050)	63.0%
Amortization	(963)	(603)	59.7%
Other operating expenses	(12,211)	(11,985)	1.9%
Operating results	(46,385)	(5,888)	(687.8%)
EBITDA	(7,822)	(5,285)	(48.0%)
Financial result	(3,682)	(1,813)	(103.1%)
Income from investments in associates	(5)	(1)	(400.0%)
Earnings Before Taxes	(50,072)	(7,702)	(550.1%)
Taxes	(175)	8,500	102.1%
Net result	(50,247)	798	(6,396.6%)
Attributable to:			
Shareholders of the Parent Company	(49,862)	850	(5.966.1%)
Minority interests	(385)	(52)	(640.4%)

(*) See note on Alternative Performance Measurements (at the end of this Management Report).

1.3.2. CONSOLIDATED BALANCE SHEET AT 30 JUNE 2020 AND 31 DECEMBER 2019

(in thousands of €)

ASSETS	30/06/2020	31/12/2019	Variation
NON-CURRENT ASSETS:			
Total non-current assets	93,972	94,183	(0.2%)
CURRENT ASSETS:			
Stock	503,820	551,580	(8.7%)
Others	56,613	60,795	(6.9%)
Cash and other liquid assets	26,215	25,400	3.2%
Total current assets	586,648	637,775	(8.0%)
TOTAL ASSETS	680,620	731,958	(7.0%)
LIABILITIES AND NET EQUITY	30/06/2020	31/12/2019	Variation
NET SHAREHOLDERS EQUITY:			
Total equity attributable to the shareholders of the Parent Company	231,211	281,071	(17.7%)
Minority interest	4,419	4,803	(8.0%)
Total net equity	235,630	285,874	(17.6%)
NON-CURRENT LIABILITIES:			
Financial debt	13,119	13,007	0.9%
Others	17,159	16,769	2.3%
Total non-current liabilities	30,278	29,776	1.7%
CURRENT LIABILITIES:			
Financial debt	316,450	311,389	1.6%
Others	98,262	104,919	(6.3%)
Total current liabilities	414,712	416,308	(0.4%)
TOTAL LIABILITIES AND NET EQUITY	680,620	731,958	(7.0%)

The main variations are as follows:

Current assets (EUR -51.1 million)

The main variation (-47.8 million euros) is in inventories. The decrease is explained by the impairment provision for land in planning registered in the first half of the year (40,1 million euros). Most of the deterioration (37.6 million euros) was registered in March 2020 due to the re-estimation of the value of land in planning, to the extent that they will be the most affected by the crisis caused by the COVID-19 pandemic. The difference in the asset value is 42.0 million euros with an impact on the net book value of the aforementioned 37.6 million euros.

The evolution of the different items of Inventories (net book value) is as follows:

<i>(In thousands of euros)</i>	30/06/2020	31/12/2019	Variation
Land	260,239	301,907	(13,8%)
Development under construction	194,937	212,044	(8,1%)
Stock	47,662	33,569	42,0%
Advances to suppliers	981	4,059	(75,8%)
Others	1	1	-
Net book value	503,820	551,580	(8,7%)

Net equity (EUR -50.2 million)

The decrease in Net Equity is due to Net Income for the period.

Liabilities. Debt with credit institutions

Debt with credit institutions is 74.1% of total liabilities. Breakdown of the debt with credit institutions as at 30 June 2020 compared with 31 December 2019 is as follows:

<i>(in thousands of euros)</i>	30/06/2020	31/12/2019	Variation
Non-current debts with credit institutions	13,119	13,007	0.9%
Debts with current credit institutions	316,450	311,389	1.6%
TOTAL GROSS DEBT	329,569	324,396	1.6%

Variations in the year

The movement in Gross Debt in the first half of the year is as follows:

<i>(In thousands of Euros)</i>	
Balance as of 31 December 2019	324,396
Drawdowns of development loans	33,188
Drawdowns of Avenue III	5,359
Drawdowns of other loans	3,543
Adjustment to amortized cost	37
Amortization of maturities	(3,335)
Cancellation for sales	(45,167)
Accrued interest	11,549
Balance as of 30 June 2020	329,569

Details the conditions of the renegotiations that have been signed with two financial creditors and that have come into effect after 30 June 2020 are detailed in Section 2 of this Management Report

1.4 - BUSINESS AREAS

1.4.1 - RESIDENTIAL DEVELOPMENT

DEVELOPMENTS IN EXECUTION

Developments underway are in the following stages:

- Finished developments: The construction project is finished and the first occupation license has been obtained.
- In construction: Project licence obtained.
- In marketing: with formalisation of reservations and/or sales contracts.
- Pre-marketing: basic sales information exists (such as typologies or features) and a client waiting list is created before moving on to the marketing stage.
- Design: preliminary design of the building and facades based on the needs project created by the company in accordance with the market analysis of supply and demand.

The following table details the status of active developments as at 30 June 2020.

STATUS	No. of developments	Province	No. of total homes of the development	Total billing (thousands of euros)	Portfolio of final presales for the period (units)
	1	GUADALAJARA	8	1,538	2
	2	MADRID	7	3,512	6
	2	MÁLAGA	101	24,636	79
	1	ZARAGOZA	6	3,433	6
		STOCK ANTERIOR A 2020	46	9,167	14
Finished developments	6		168	42,287	107
	7	GUADALAJARA	507	97,536	290
	8	MADRID	630	142,050	501
	8	MÁLAGA	485	116,435	338
	1	MENORCA	50	30,060	8
	2	VALENCIA	119	20,293	52
Developments under construction	26		1,791	406,374	1,189
	4	GUADALAJARA	350	62,945	101
	2	MADRID	164	47,386	59
	4	MÁLAGA	238	59,549	42
Developments in marketing	10		752	169,880	202
	1	GUADALAJARA	83	12,642	0
	2	MÁLAGA	150	40,975	0
	1	VALENCIA	40	7,130	0
Developments in pre-marketing (*)	4		273	60,747	0
	5	GUADALAJARA	559	104,746	0
	1	MÁLAGA	93	20,710	0
Projects in design (*)	6		652	125,456	0
TOTAL	52		3,636	804,744	1,498

Evolution of the project portfolio

The launch and level of progress of the projects under execution in 1H 2020 has been conditioned by the situation created by the COVID 19 pandemic. The Group has paralyzed some works and has delayed some of the launches that were planned in the year in order to apply the resources to those projects with greater immediacy and visibility

in the short term. With this, the following aspects should be highlighted in relation to the evolution of the project portfolio in 1H 2020:

- The total number of homes in operation (3,636 homes) is lower than as at 31 December 2019 (4,158 homes). The selection of projects has supposed that the 410 homes delivered in the year have not been replaced by new launches.
- The commercial portfolio pending of sale (homes in delivery, under construction and in commercialization minus the pre-sale portfolio) has been reduced (1,213 homes as of 30 June 2020 compared to 1,723 as at 31 December 2019), breaking the ascending line that had been maintaining until the fourth quarter of 2019.
- The construction works of those developments that did not have a sufficient level of pre-sales to obtain financing via developer loan have been stopped. This has affected 4 promotions of those included in the promotions under construction in the previous table. The main data of these 4 works are the following:

No. of homes	Total billing (thousands of euros)	Presales orderbook	
		Units	Amount (Thousan euros)
185	56,693	30	7,946

ORDERBOOK

The movement of the presales portfolio of Grupo Quabit in 1H 2020 has been as follows:

Pre-sales as at 31 December 2019	1.685
Presales for the period	223
Deliveries for the period	(410)
Pre-sales as at 30 June of 2020	1.498

The total turnover for these 1,498 units of the portfolio is EUR 310.1 million and 87.0% corresponds to promotions that are in the construction or delivery phase.

Net pre-sales for the period have decreased by 41.6% compared to 1H 2019. This reduction has several elements to consider:

- There is a clear incidence due to the beginning of the health crisis. The positive trend of presales in the first two months (+ 6%) was reversed in March (-74%). Even Though after the end of the alarm state a recovery in pre-sales levels has been observed, this has not been enough to recover the previous fall.
- There have been almost no resolutions of sale contracts.
- The stoppage of some of the projects planned to be launched in 2020 has slowed down the replenishment of the commercial portfolio (it has gone from a commercial portfolio of 1,723 homes as of December 31, 2019 to 1,213 as of June 30, 2020)

Deliveries for the period have increased by 978.9% compared to 1H 2019. Despite the situation experienced in these first 6 months, it has been possible to finish works, obtain the LPOs and materialize the delivery of 410 units.

STOCK OF FINISHED HOMES

The evolution of the finished homes stock in 1H 2020 was as follows:

Stock as at 31 December 2019 (units)	180
Homes finished in the period (units)	398
Homes delivered in the period (units)	(410)
Stock as at 30 June 2020 (units)	168

The units finished in the year correspond to 7 developments: one in Guadalajara (Málaga (142); Comunidad de Madrid (96); Guadalajara (66); Costa del Sol (58) y Zaragoza (36).

Additionally to the 398 homes, another 187 homes are at 30 June 2020 in the process of obtaining the First Occupation Permit (FPO).

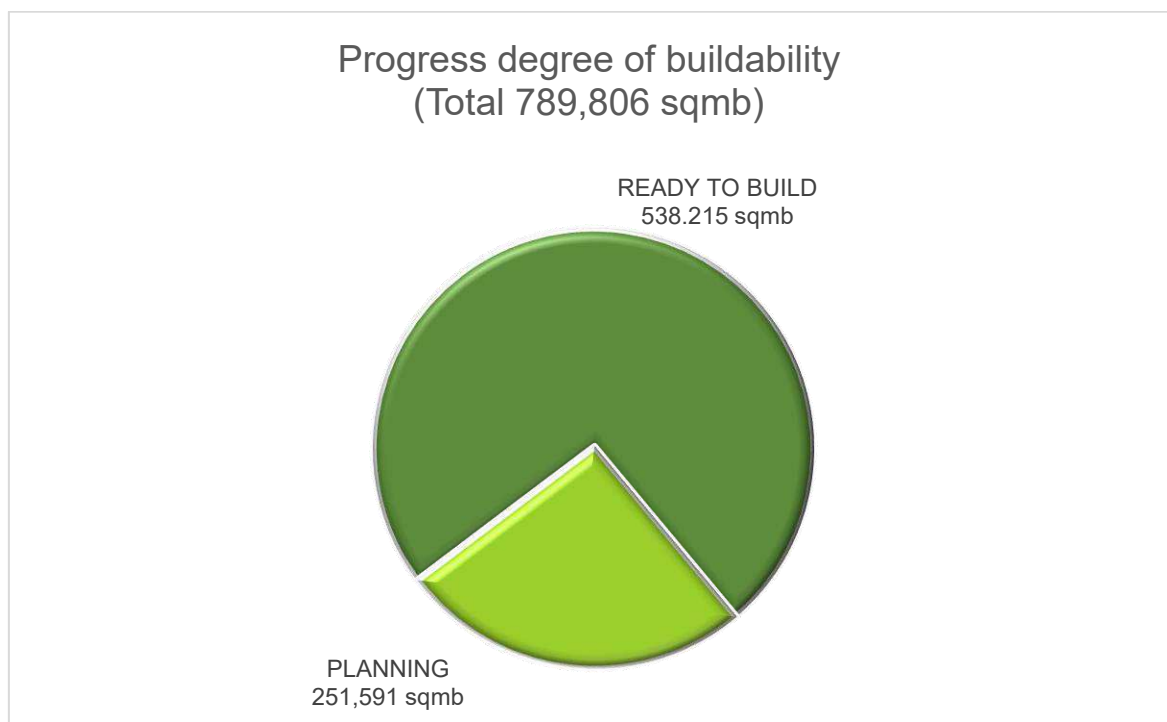
1.4.2. LAND MANAGEMENT

LAND PORTFOLIO

The Group has a land portfolio (in the case of investees not integrated by global consolidation taking the meters based on the percentage of participation in them), with a building area of 789.8 thousand square meters of buildable height (sqmb) at 30 June 2020, plus 5,352 thousand square metres of non-developable land.

The following chart details the distribution of the buildability considering the following classification, in accordance with the degree of development:

- Planned and/or urban development land: land in which the instruments for planning are currently being processed or have been approved, or that which development projects have already started.
- Ready to build land: Land in which you can complete the procedures to obtain a building license and start work.



206.2 thousand of sqmb correspond to land in which projects are being developed, which are included in the table of developments in execution included in section 1.4.1. (buildability for the projects in design, pre-marketing and marketing stages), the Group has 583.6 thousand sqmb available for future development or for sale.

In addition to this consolidated land portfolio, the Group has land rights in different stages of planning for different items. The following table sums up these situations and the market value as at 31 December 2019 for the lands:

Item	Million euros
Mortgaged land in favour of the Company or companies of its Group in guarantee of debts	31.8
Private contracts pending notarize	3.6
Use in exchange for development projects	11.5
Total land rights	50.0

The total buildable area associated with these rights is 75,002 m² (62,934 m² of land mortgaged as collateral and 12,068 m² of private purchase and sale contracts pending the property transfer deed). As for the uses in exchange for urbanization works, they will become buildable as the works progress.

CHANGES IN LAND PORTFOLIO IN 1H 2020

Transfers to work in progress: During 1H 2020, the buildable area corresponding to the 5 developments (286 homes in the Community of Madrid and Valencia) for which the building license has been obtained has been removed from the land portfolio, for a total of 32,810 m² in 1H 2020.

Acquisitions: The Group has decided to temporarily freeze new investments in land. During 1H 2020, lands with a buildable area of 14,347 m² were added to the portfolio. Almost all of these acquisitions were committed as at 31 December 2019.

2. EVENTS AFTER THE REPORTING PERIOD

AGREEMENT WITH FUNDS MANAGED BY AVENUE EUROPE INTERNATIONAL MANAGEMENT, L.P. ("Avenue")

On 24 June 2020, the documents of the agreement to renegotiate conditions agreed with the funds managed by Avenue were signed. The most relevant terms of this agreement are the following:

- The total amount renegotiated in the agreement is 135 million euros (123.2 million euros of senior debt and 11.8 million euros derived from the acquisition by Quabit of the capital and participating loan owned by the funds advised by Avenue in the investments of Line 2 for an amount of 11.8 million euros that had been contributed by said funds).
- The final payment due date is postponed until December 2022, to adapt it to a probably more conservative scenario for the development of promotions.
- The interest rate applicable to financing is reduced to 9% (compared to the current 16% on Line 1 and 12% on Lines 2 and 3). This reduction in the interest rate will be consolidated as the payment schedule established in the agreement is attended.
- The capitalization of 25 million euros of current debt, through the issue of Class B shares without voting rights that will entitle their holders to receive a preferred dividend of 0.03 euros / share.
- The release of guarantees on certain Land.
- The commitment to modify the conditions of execution of the warrants on Quabit shares already granted in favor of said funds advised by Avenue is assumed, extending the exercise period to 3 years from 24 June 2020 and establishing new exercise prices of € 1.25 / share for 50% and € 1.35 / share for the remaining 50%, leaving without effect the commitment to issue additional warrants granted on Line 3, with this, the warrants issued to the funds advised by Avenue would allow them to reach a maximum of 5.06% of Quabit's capital by subscribing for new shares.

Various points of the signed agreement were subject to a condition precedent to the approval by the Ordinary General Shareholders' Meeting of the capital increase for compensation of credits, the agreement in its entirety has gained its effectiveness on 30 July 2020, date on which said capital increase was approved.

ISSUE OF CLASS B SHARES

The General Shareholders' Meeting of 30 July 2020 agreed an increase in share capital for compensation of credits of a maximum amount of 25,000,000 euros in nominal terms with the issuance of new non-voting shares belonging to a new class B. In today's decision On July 30, the Board of Directors agreed to execute the capital increase, with incomplete subscription, for a nominal value of 24,793,948.50 euros, by issuing 49,587,897 Class B shares at nominal value and without premium. The approval of this point met the suspensive condition to which the agreement signed with the funds managed with Avenue was subject for its full effectiveness.

Class B shares do not have voting rights and entitle their holder to receive a fixed annual preference dividend equivalent to 0.03 euros per Class B Share, provided that there are distributable profits. Said Preferred Dividend will be paid out of the distributable profits for each year and will correspond to all Class B Shares that were issued at the end of the year in question.

As an exception to the previous rule, the first Preferred Dividend to be received by the holder of each Class B Share out of the distributable profits for the year ended 31 December 2020, will be equivalent to 0.015 euros per share.

An option to purchase Class B shares was granted in favor of Quabit. The Purchase Option may be exercised by the Company only once and with respect to all the Class B Shares, for the price and within the following time windows described below, which are indicated for each of them:

- (i) During the 12 months following the issuance of Class B Shares, for the greater of (a) the issue price of Class B Shares plus 20% annual interest on the Issue Price calculated up to the date on which the effective payment of the option price is made, and (b) the amount equivalent to multiplying the Issue Price by 1.20;
- (ii) from month 13 to month 24, both inclusive, counted from the issuance of the Class B Shares, for an amount that is equivalent to 120% of the Issue Price plus 25% of the annual interest on the Issue Price calculated until the date the effective payment of the option price is made; and
- (iii) During the 37th month following the issuance of the Class B Shares, for an amount that is equivalent to multiplying the Issue Price by 1.95 and, provided that the holder has not exercised the right to convert the Class B Shares B in ordinary shares of the Company.

To the extent that the Purchase Option is exercised, the Company will proceed to redeem the Class B Shares. The existence of the Purchase Option and its exercise by the Company will not imply any dilution for the shareholders who, at the time of the exercise of the Purchase Option, are holders of shares of the Company.

The holder of Class B shares has the right to convert each Class B share into a Class A share:

- (i) The First Conversion Right may be exercised at any time from the day of the second anniversary of the issuance and payment of Class B Shares, and for a period of one year
- (ii) The Second Conversion Right may be exercised at any time from the second month following the end of the First Conversion Period.

The conversion right must be carried out in relation to all the Class B shares, and it cannot be partially exercised.

AGREEMENT WITH SAREB

On 29 July 2020, payment in kind agreement was signed with SAREB. The most relevant terms of the agreement are the following:

- Payment in kind of a total of 19,970 thousand euros of the outstanding debt with SAREB through the delivery of certain land located in Es Mercadal, Menorca, owned by the subsidiary company Quabit Menorca Desarrollos Inmobiliarios, S.L.U.
- The total amount of the debt to be canceled will be applied in 10,000 thousand euros to the payment of the ordinary amortization of 2020, in the sum of 1,913 thousand euros to the payment of the mandatory early amortizations of 2020, and in the sum of 8,057 thousand of euros to the partial payment of the ordinary amortization of 2021.
- With this, the outstanding balance with SAREB is reduced from 76,763 thousand euros as of 31 December 2019 to 56,793 thousand euros as of today, payable according to the following ordinary amortization schedule:

Maturity date	Amount (thousand euros)
31 july 2021	5,030
31 july 2022	51,763
Total	56,793

- Quabit assumes the commitment to issue warrants on Quabit shares in favor of SAREB, with an exercise period of 3 years from the day the conditions precedent indicated below are met, and with exercise prices of 1.25€ / share for 50% and € 1.35 / share for the remaining 50%. The warrants issued to SAREB would allow it to reach a maximum of 1% of Quabit's capital by subscribing for new shares.

- The operation has been subject to suspensive condition of the release of charges affecting the land and the effective registration of the land in the name of SAREB. This condition was materialized on 6 August 2020, therefore the agreement has become fully effective.

DEBT MATURITIES

As consequence of the agreements signed with the funds managed with Avenue and SAREB:

- Maturities of the years 2020 and 2021 associated with the different lines of financing granted by the funds managed by Avenue for a total amount of 60.8 million euros have been postponed.
- SAREB debt with maturities in 2020 and 2021 has been canceled for a total amount of 19.9 million euros.

3. RISKS AND UNCERTAINTIES FOR THE SECOND HALF OF 2020

The main matters of the Systems of Control and Management of Risks of the Group are described in Section E of the Annual Corporate Governance Report ("IAGC") for year 2019. The 26 most relevant risk areas for the Group are identified there and every risk and the systems to afford them are also described. These 26 risk areas are classified in 5 different groups: (i) risks related to the business; (ii) risks related to the shareholding composition; (iii) risk related to real estate sector; (iv) asset risks; (v) other risks.

Within the risk structure described in said section E of the IAGC, the risk related to the global pandemic that materialized in the first quarter of 2020 with the epidemic of COVID-19 was not considered as a risk with a high probability of occurrence, with its devastating effects on global health and economy.

Although the Group has taken mitigating measures of the effects that this pandemic has had on its activity, which are described in section 1.1 of this report, it considers that the main risks to be faced in the second half of 2020 are associated with the evolution of the pandemic and to the containment or regrowth scenario that it has in the fall of 2020.

NOTE ON ALTERNATIVE PERFORMANCE MEASURES

In addition to the financial information contained in this Consolidated Management Report prepared in accordance with the applicable International Financial Reporting Standards, certain "Alternative Performance Measurements" (APM) are included, as defined by the directives regarding APM published by the European Securities Markets Authority on 5 October 2015 (ESMA/2015/1057)) ("ESMA Directives"), which entered into force on 3 July 2017.

The ESMA directives define the APM as financial measurements of past or future financial performance of a financial position or cash flows, except for financial measurements defined or detailed within the framework of applicable financial information.

Grupo Quabit uses certain Alternative Performance Measurements that have not been audited with the objective of them contributing a greater comprehension of the financial evolution of the company. The APM as a whole must take into account the latest audited financial statements, which must be considered as additional information, and in no case may substitute the financial information prepared under the International Financial Reporting Standards. Likewise, these measurements may, both in their definition and in their calculation, differ from other similar measurements calculated by other companies, and therefore may not be comparable.

The Company considers that it follows and complies with the ESMA recommendations regarding the APM. In adherence with the recommendations of the aforementioned directives, below is attached the details of the APM used, as well as the reconciliation of certain management indicators with those presented in the Financial Statements.

Ratios and magnitudes of financial structure		Reconciliation with the Consolidated Financial Statements	
		Description	(In thousands of euros)
EBITDA	Operating profit plus depreciation allowance		30/06/2020 30/06/2019
		Operative result	(46,385) (5,888)
		Amortization and impairment	963 603
		Impairment on inventories	37,600 -
		EBITDA	(7,822) (5,285)
Gross financial debt	Sum of the current and non-current debt with credit institutions		30/06/2020 31/12/2019
		Debts with credit int. - Non-current	13,119 13,007
		Debts with credit int. - Current	316,450 311,389
		Gross financial debt	329,569 324,396
Net financial debt	Gross financial debt less liquid assets		30/06/2020 31/12/2019
		Gross financial debt	329,569 324,396
		Liquid assets	(26,215) (25,400)
		Net financial debt	303,354 298,996
Liquid assets	Immediate liquidity assets		31/03/2020 31/12/2019
		Cash and other liquid assets	24,472 22,978
		Current financial assets at fair value with change in Profit and Loss	1,743 2,422
		Liquid assets	26,215 25,400