RESULTS
JANUARY – JUNE 2017

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

Contents:

1. BUSINESS PERFORMANCE AND GROUP SITUATION

1.1. Key highlights for S1 2017

CAPITAL INCREASE

- Quabit Inmobiliaria (Quabit or The Parent) increased its share capital in S1, generating cash contributions for a total of €38,037K.
- The first two rounds of the increase were oversubscribed, so that it was not necessary to make use of the tranche reserved for discretional allocations.
- The new shares issued were listed on the Madrid and Valencia Stock Exchanges on 20 March 2017.

DEBT CANCELLATION

- Gross debt reduction of 5.9% in S1.
- A payment of €7,182K was made under the SAREB agreement (20% of the net proceeds obtained in the capital increase).
- This payment resulted in debt relief of €10,041K (sum of principal and accrued interest payable on total debt until the moment of payment).
- Following this payment, the next maturity of SAREB debt will be for €1,909K due on 31/07/2018.
- Also, three bank loans were renewed for a total of €4,000K, resulting in a reduction in the interest rate to 1% and extension of the amortization schedule until 31/12/2020 with payments equal to 10% of the debt in each of the first three years and 70% in the fourth year. The first payment of €400K was made in 2017, representing the interest accrued up to the date of the agreement.
- Cancellation of mortgage loan associated with development following its delivery and payments in kind that resulted in debt relief of €738K .

INVESTMENTS. LAND PURCHASES

- Following the agreement made with funds advised by Avenue Europe International Management, L.P. (Avenue) in December 2016 and the capital increase carried out in the first quarter, the Group now has the necessary funding to make the investments envisaged in its 2017-2021 Business Plan.
- Up to 30 June 2017, residential building land with a total area of 119.518 square meter buildable (sqmb) have been acquired for use in developments involving approximately 1,097 homes expected to generate revenues of approximately €196.4 million.
- Other land purchases are at an advanced stage of completion in Madrid, Corredor del Henares and the Costa del Sol (Malaga), those three zones targeted in the 2017-2021 Business Plan.

DEVELOPMENTS ON SALE

- On 30 June 2017 the Quabit Group had 11 developments placed on the market comprised of 888 units, located on land plots in its portfolio and on newly acquired land plots. Four of these developments (215 housing units) were already under construction at 30 June 2017.

- During July 2017, the Group placed on the market 6 more developments that comprise another 716 units.
- Adding all of them up, at the date of publication of this statement, the Quabit Group's new developments on the market total 1,604 units, with a estimated revenue of €320.8 millions.
- Gross Margin of the new developments is expected, in the 2017-2021 Business Plan, to be of 18%, and therefore reinforcing the expectations of EBITDA generation for the next few years.

FIRST HALF OF 2017 RESULTS

Key Profit & Loss figures

(Thousands of euros)	30/06/2017	30/06/2016	Variation
Revenue	**2,818**	**21,073**	**(86.6%)**
EBITDA *(*)*	**(822)**	**(3,451)**	**76.2%**
Financial loss	**(1,815)**	**199**	**(1,012.1%)**
Profit/(Loss) before tax	**(3,525)**	**(3,315)**	**(6.3%)**
Net Profit/(Loss)	**(3,525)**	**(3,315)**	**(6.3%)**
- Attributable to the Parent Company	*(3,522)*	*(3,298)*	(6.8%)
- Attributable to Minority Interests	*(3)*	*(17)*	82.4%

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

- Revenues shrank. Having successfully reduced stocks of finished product in prior years (only 19 units remained at 31 December 2016), revenues in 2017 will be generated on selective sales of land and the remaining homes in stock. Revenue in S1 2016 comprised mainly the proceeds from a voluntary repossession operation entered with a financial institution, which were used to settle the debt.
- A net loss of €3,525K was obtained in S1 2017 compared to a loss of €3,315K in S1 2016. This result does not comprise any new developments revenue, as it will be accounted when the housing units are delivered.
- In 2017, the Quabit Group has begun laying the foundations to generate revenues and operating profits in the coming years:
    - The intensification of the investment plan will result in new acquisitions of residential building land in 2017.
    - This type of acquisitions will permit the start of new developments in 2017.
    - At 30 June 2017, construction works have begun at four of the developments, and construction license application scheme was near completion for another development at said date.
    - The pre-sales portfolio (reservations and signed contracts) for developments in the marketing stage totaled €54M at 30 June 2017, representing purchase commitments for 237 homes.
- Pending debt relief (€47.9M) and the possible capitalization of tax credits (€168.2M) offer the potential for profits both in 2017 and in subsequent years.

ISSUE OF WARRANTS

Quabit has issued warrants to certain funds advised by Avenue under the terms of the overdraft facility arranged on 28 December 2016.

These warrants grant their holders the right to subscribe new shares of Quabit issued in various tranches up to a maximum interest in the Company's share capital equal to 6%.

- In the first two years, the average subscription price would be €3.25/share.
- In the last two years, the average price would be €3.75%/share.

The use of the different tranches is conditional upon the amount drawn down on the facility granted by Avenue. The necessary amount for the execution of the warrants has not yet been reached at 30 June 2017.

CORPORATE GOVERNANCE BODIES

- Quabit has published its Annual Corporate Governance Report and Annual Directors' Remuneration Report on its website and on the website of the Spanish National Securities Market Commission (CNMV).
- The auditor's reports on the annual financial statements for 2016 (individual and consolidated) are also available on these websites.
- The Annual General Shareholders Meeting was held on 28 June 2017. Every proposal presented according to the meeting agenda was approved.

SHAREHOLDERS REMUNERATION

- The General Shareholders Meeting held on 28 June 2017 resolved the shareholders remuneration through a share capital increase with a charge to reserves, in the proportion of one free share for every 20 existing shares. The Parent is currently completing all the requirements for having listed the new shares.

ORGANISATIONAL STRUCTURE

- The Quabit Group have strengthened its organisational structure during the period, with the purpose of successfully undertaking the qualitative leap forward that this period of growth implies.

1.2. Key figures

Consolidated P&L account

(Thousands of euros)	30/06/2017	30/06/2016	Variation
Revenue	**2,818**	**21,073**	**(86.6%)**
EBITDA *(*)*	**(822)**	**(3,451)**	**76.2%**
Financial loss	**(1,815)**	**199**	**(1,012.1%)**
Profit/(Loss) before tax	**(3,525)**	**(3,315)**	**(6.3%)**
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- Attributable to the Parent Company	*(3,522)*	*(3,298)*	(6.8%)
- Attributable to Minority Interests	*(3)*	*(17)*	82.4%

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

Consolidated financial indebtedness

(Thousands of euros)	30/06/2017	31/12/2016	Variation
Non-current bank borrowings	13,658	13,784	(0.9%)
Current bank borrowings	179,943	192,000	(6.3%)
TOTAL GROSS DEBT *(*)*	**193,601**	**205,784**	**(5.9%)**
Cash and cash equivalents	(9,453)	(4,854)	94.7%
TOTAL NET DEBT *(*)*	**184,148**	**200,930**	**(8.4%)**

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

Residential developments

	30/06/2017	30/06/2016	Variation
Pre-sales for the period (units) *(1) (2)*	80	240	(66.7%)
Deeds for the period (units) *(2) (3)*	2	196	(99.0%)
Pre-sales portfolio at the end of the period (units) *(4)*	237	70	238.6%
Stock of finished houses (units) *(5)*	17	57	(70.2%)

(1) Pre-sales for the period: reservations and contracts (net of cancellations) made in the period.

(2) Pre-sales and deeds at 30/06/2016 included the sale of 150 units to a financial institution.

(3) Conveyances for the period: houses delivered.

(4) Pre-sales portfolio: reservations and contracts for houses to be delivered in the future (finished and marketing stage developments) at a given date.

(5) Stock of finished houses: finished houses (with or without reservation or contract).

Revenues

(Thousands of euros)	30/06/2017	30/06/2016	Variation
Land management	2,164	-	N.A.
Residential developments	464	20,872	(97.8%)
Rented property	190	197	(3.6%)
Other	-	4	(100.0%)
TOTAL	**2,818**	**21,073**	**(86.6%)**

1.3. Financial statements

1.3.1.- Consolidated P&L account for the period ended 30 June 2017

(Thousands of euros)	30/06/2017	30/06/2016	Variation
Revenue	2,818	21,073	(86.6%)
Procurements	(7,961)	(39,626)	(79.9%)
Other operating income	10,686	3,055	249.8%
Change in trade provisions	4,903	16,404	(70.1%)
Personnel expenses	(2,453)	(1,604)	52.9%
Reversals and allowances for impairment	845	-	N.A.
Depreciation and amortization	(873)	(35)	2,394.3%
Other operating expenses	(4,968)	(2,764)	79.7%
Gains and losses on disposals of non-current assets	-	11	(100.0%)
Valuation of investment property at fair value	(4,692)	-	N.A.
Profit from operations	**(1,695)**	**(3,486)**	**51.4%**
EBITDA *(*)*	**(822)**	**(3,451)**	**76.2%**
Net financial loss	**(1,815)**	**199**	**(1,012.1%)**
Loss from investments in associates	(15)	(28)	46.4%
Profit/(Loss) before tax	**(3,525)**	**(3,315)**	**(6.3%)**
Taxes	-	-	**-**
Net Profit/(Loss)	**(3,525)**	**(3,315)**	**(6.3%)**
Attributable to:			
Shareholders of the Parent Company	(3,522)	(3,298)	(6.8%)
Minority interests	(3)	(17)	82.4%

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

1.3.2.- Consolidated Balance Sheet at 30 June 2017

(Thousands of euros)

ASSETS	30/06/2017	31/12/2016	Variación
NON-CURRENT ASSETS			
Total non-current assets	**67,291**	**72,882**	**(7.7%)**
CURRENT ASSETS			
Inventories	252,298	236,287	6.8%
Other	55,959	46,835	19.5%
Total current assets	**308,257**	**283,122**	**8.9%**
TOTAL ASSETS	**375,548**	**356,004**	**5.5%**

LIABILITIES AND EQUITY	30/06/2017	31/12/2016	Variación
EQUITY			
Equity attributable to shareholders of the Parent Company	**143,354**	**113,258**	**26.6%**
Minority interests	80	83	(3.6%)
Total equity	**143,434**	**113,341**	**26.6%**
NON-CURRENT LIABILITIES			
Bank borrowings	13,658	13,784	(0.9%)
Other	5,513	6,661	(17.2%)
Total non-current liabilities	**19,171**	**20,445**	**(6.2%)**
CURRENT LIABILITIES			
Bank borrowings	179,943	192,000	(6.3%)
Other	33,000	30,218	9.2%
Total current liabilities	**212,943**	**222,218**	**(4.2%)**
TOTAL LIABILITIES AND EQUITY	**375,548**	**356,004**	**5.5%**

ASSETS. INVENTORIES

Inventories at 30 June 2017:

(Thousands of euros)	30/06/2017	31/12/2016	Variation
Land	216,708	222,547	(2.6%)
Developments in progress	24,804	4,572	442.5%
Finished developments	7,049	8,013	(12.0%)
Advances to suppliers	2,918	336	769.4%
Other	819	819	-
Net Book Value	**252,298**	**236,287**	**6.8%**

- Inventories of finished developments (stock) have decreased by 12.0%.
- Land decreased by 2.6% due to sales and transfers to work in progress on the start of works.
- Developments in progress increased by 442.5% due to transfers of the cost of development land on the start of works and capitalization of construction costs.

- Advances to suppliers increased by 769.4% due to down payments for land purchases.

ASSETS. OTHERS

- Other assets include cash and cash equivalents totaling €9,453K (€4,854K at 31 December 2016).

EQUITY

Changes in equity in S1:

(Thousands of euros)	
Balance at 31 December 2016	**113,341**
Total net profit for the period	(3,525)
Capital increase	38,037
Share issue expenses	(1,857)
Treasury share transactions	(2,562)
Balance at 31 March 2017	**143,434**

(1) Share capital increase wich generated total cash contributions (nominal value plus share premium) of €38,037K. First two rounds of the increase were oversubscribed, so that it was not necessary to make use of the tranche reserved for discretional allocations. The new shares issued were listed on the Madrid and Valencia Stock Exchange son 20 March 2017.

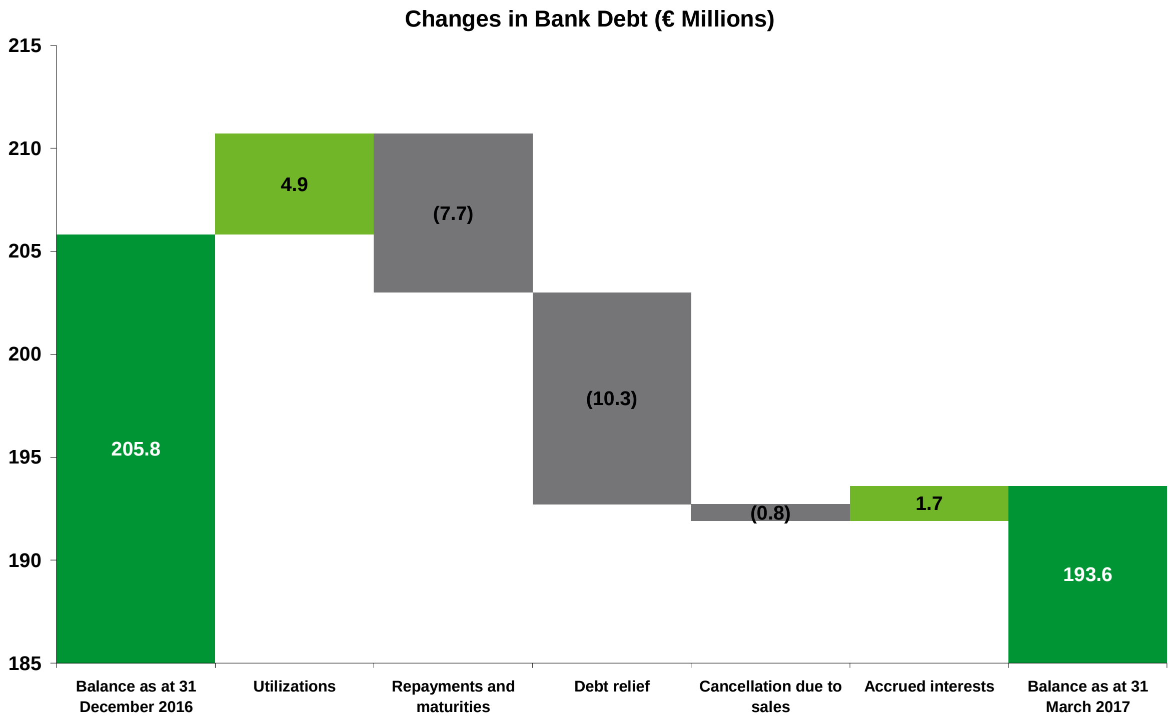
LIABILITIES. BANK DEBT

Structure of bank debt:

(Thousands of euros)	30/06/2017	31/12/2016	Variation
Non-current bank borrowings	13,658	13,784	(0.9%)
Current bank borrowings	179,943	192,000	(6.3%)
TOTAL GROSS DEBT	**193,601**	**205,784**	**(5.9%)**
Cash and cash equivalents	(9,453)	(4,854)	94.7%
TOTAL NET DEBT (*)	**184,148**	**200,930**	**(8.4%)**

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

Changes in bank debt in S1:



Utilizations

- Utilizations of developer and land loans and the lines of credit granted by funds advised by Avenue. The utilizations of the latter mentioned, t at 30 June 2017, came up with a total of €1.8 million.

Repayments and maturities

- €7.2M prepayment made to SAREB associated with the capital increase carried out in Q1.
- €0.4M interest payment on novated debt.
- Maturities of €0.1M associated with the financing of a property investment.

Debt relief

- €10.0M of principal and interest by SAREB associated with the prepayment made.
- €0. 3M associated with commercial agreements and debt renegotiations.

Cancellation due to sales

- €0.8M million associated with homes delivered in S1 and payment in kind for debt cancellation entered with a financial institution.

Structure of bank debt at 30 June 2017

(En miles de euros)

Year of maturity	2017	2018	2019	2020 and thereafter	Total
Debt with limited recourse	30,606	-	-	-	**30,606**
Debt relief associated with payments schedule	124	1,241	3,599	42,910	**47,874**
Debt cancellation on asset sales	4,976	7,748	2,145	-	**14,869**
Debt payable in cash	1,052	2,632	7,612	88,956	**100,252**
Total bank debt	**36,758**	**11,621**	**13,356**	**131,866**	**193,601**

- *Debt with limited recourse:* Debt which can be cancelled against collateral guarantees (assets with a total net book value of €42,164K).
- *Debt relief associated with payments schedule:* Agreed debt relief which will be recognized in line with scheduled payments.
- *Debt cancellation on asset sales:* Mortgage debt associated with stock and developments in progress, which will be cancelled when the related assets are sold.
- *Debt payable in cash:* Some €100,252K of the total bank borrowings of €193,601K carried on the balance sheet are payable in cash. Debt payments scheduled for 2020 and thereafter are centred in 2022 (€60,659K). This amount consists mainly of SAREB debt, as shown in the following payments schedule (comparison with 31 December 2016 after prepayment made in Q1).

Maturity	30/06/2017 (Thousands of euros)	31/12/2016 (Thousands of euros)
31 July 2017	-	500
31 July 2018	1,909	5,000
31 July 2019	7,000	7,000
31 July 2020	10,000	10,000
31 July 2021	15,000	15,000
31 July 2022	60,659	64,250
TOTAL	**94,568**	**101,750**

1.4. Business areas

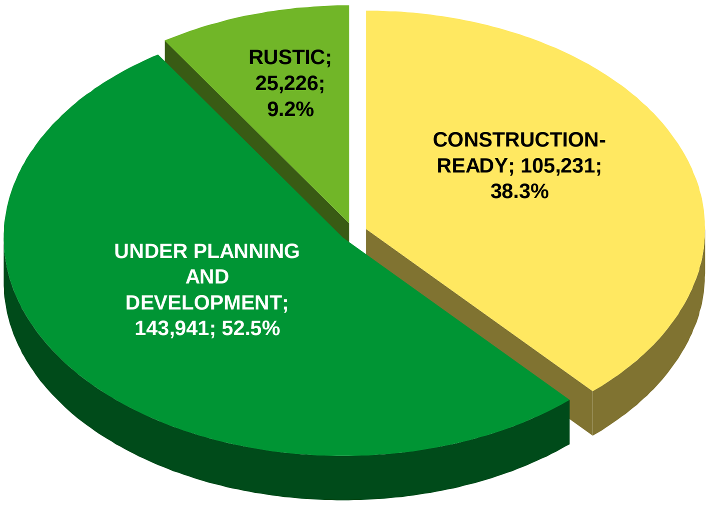
1.4.1.- Land management

Land portfolio

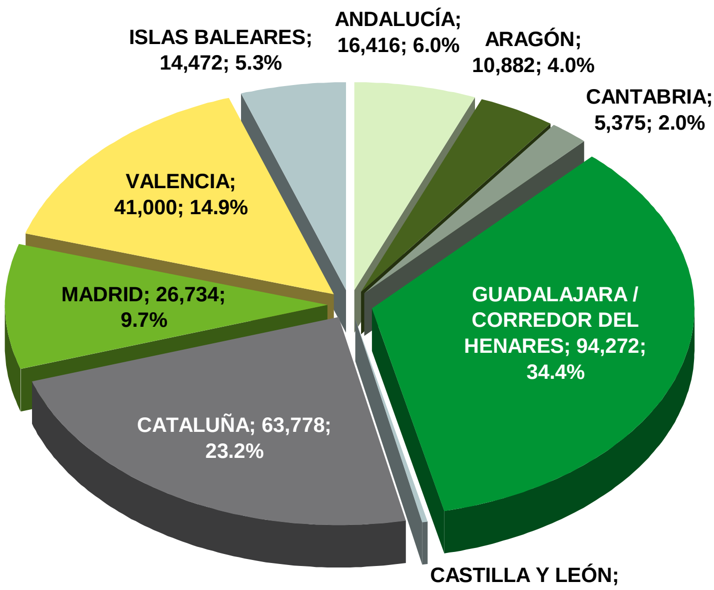
The Group arranges for independent appraisals at least once per year to verify the market value of land. The portfolio of property assets held by Quabit Inmobiliaria, S.A. and its subsidiaries at 31 December 2016 was valued by BDO Auditores S.L.P. ("BDO").

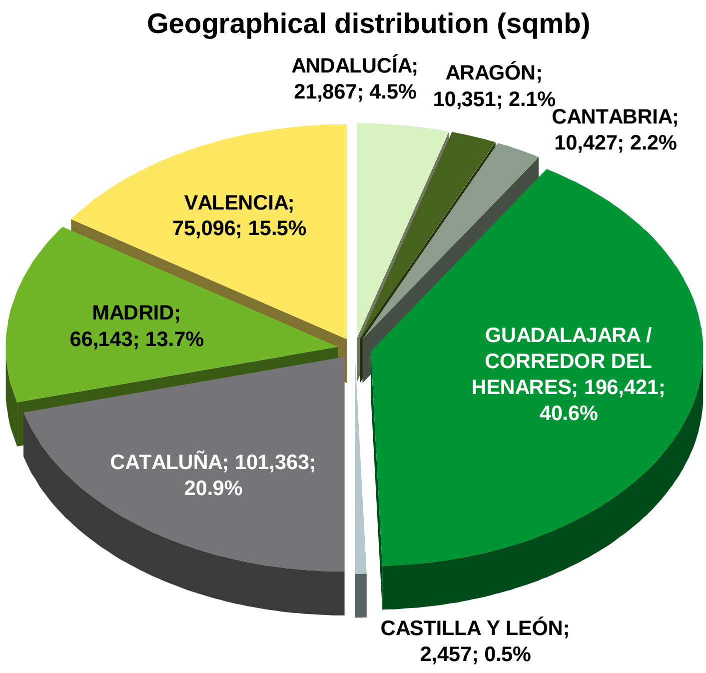
Measuring assets owned by affiliates in terms of both square metres and monetary value based on the percentage interests held in each of the investee entities concerned, the land portfolio held by the Company and its group at 30 June 2017 totalled 0.48 million sqmb land plus 5.3 million square metres of undeveloped land with a total value of €274,4M based on the aforementioned BDO appraisal at 31 December 2016. For the new incorporations to this portfolio during 2017, acquisition price was considered as market value. As shown in the following charts, the land portfolio is diversified in terms of geographical location, and it is largely made up of planning and development land and developed land:

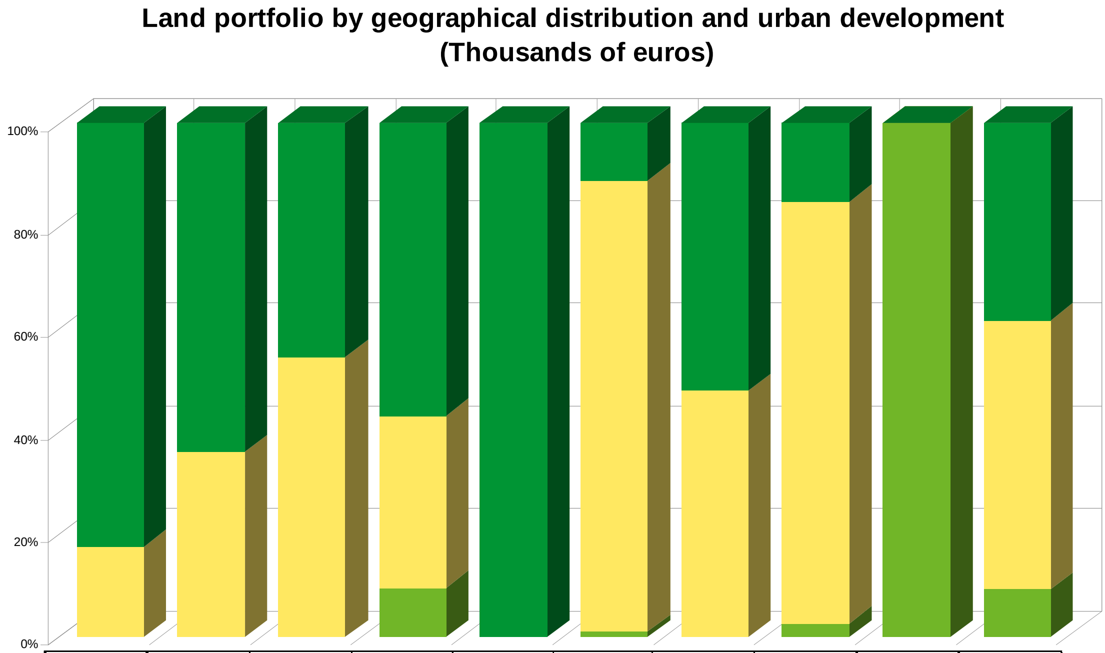
Market value according to urban development (Thousands of euros)



Geographical distribution (Thousands of euros)







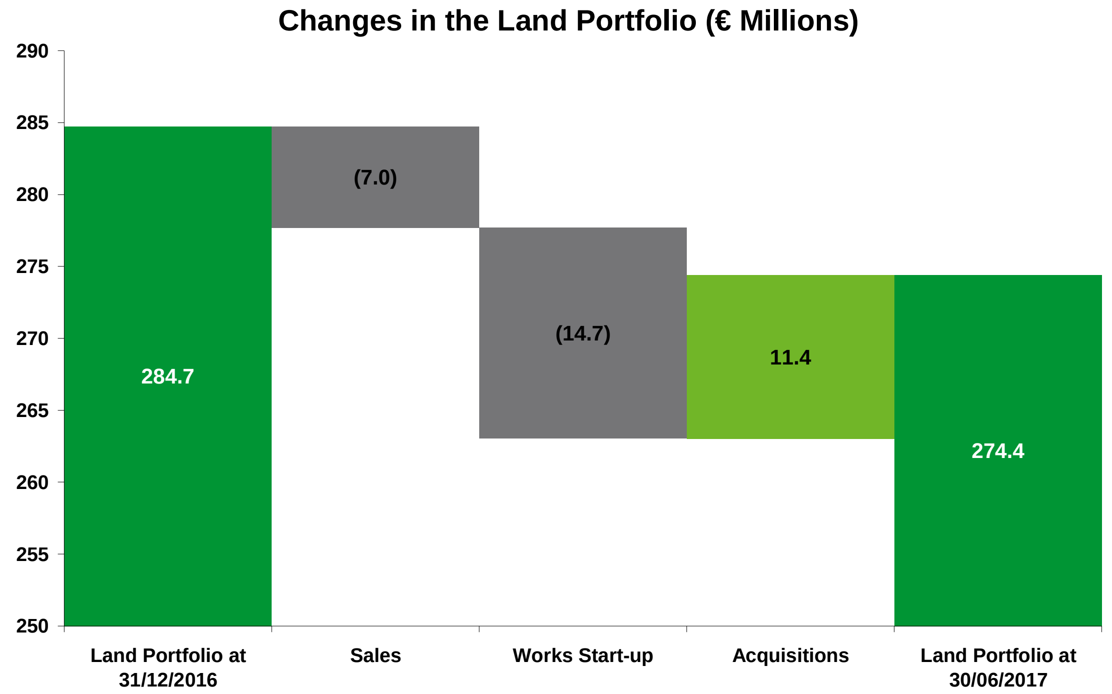
	ANDALUCÍA	ARAGÓN	CANTABRIA	CLM (*)	CASTILLA Y LEON	CATALUÑA	MADRID	VALENCIA	ISLAS BALEARES	TOTAL
CONSTRUCTION-READY	13,531	6,955	2,444	53,645	1,469	7,077	13,893	6,216	-	**105,230**
UNDER PLANNING	2,885	3,928	2,931	31,606	-	56,056	12,839	33,696	-	**143,941**
RUSTIC	-	-	-	9,021	-	645	0	1,088	14,472	**25,226**
TOTAL	**16,416**	**10,883**	**5,375**	**94,272**	**1,469**	**63,778**	**26,733**	**41,000**	**14,472**	**274,398**

(*) Guadalajara and corredor del Henares

In addition to the portfolio of landholdings, the Group also holds rights over land at different stages of the planning process. The following table summarize es the situation and market value of these land rights at 30 June 2017:

Item	(Millions of euros)
Land mortgaged to the Company or Group entities to secure debts	39,7
Unassigned planning rights	3,7
Use rights in exchange for development works	11,5
Total land rights	**54,9**

Changes in the land portfolio



Sales

During the first semester of 2017, Quabit sold industrial building land plots located in the Llevant Sector of Polinyà, Barcelona, comprised of 11,242 sqmb; and made a repossession operation entered with a financial institution for a residential use plot situated in the SNP Sector of Remate las Cañas, Guadalajara, comprised of 2,689 sqmb. Aditionally, the Quabit Group sold 2.4% of its shares in the company Mediterranea de Actuaciones Integradas, S.L. The combination of these operations represents a decrease of €7.0 Million of the land portfolio market value.

Works start-up

During the first semester of 2017, work licenses were awarded for construction at the following land plots: Sant Feliu de Llobregat (Barcelona), the C1 SP04 Las Cañas (Guadalajara) and Las Lomas (Boadilla del Monte. Madrid). Construction work has begun on these three developments, as a result of which the lands' market value of €14.7 million have been transferred to work in progress and the plot has been removed from the portfolio of developed land.

Aditionally, during 2017 the commercialization phase started for some developments located in construction-ready plots with a total market value of €23.7 million. This land plots will be derecognized from the land portfolio when construction work begins.

Investments. Land acquisitions

During the first half of 2017, the Quabit Group has concluded agreements for land purchases, Madrid, Corredor del Henares, Guadalajara and Costa del sol.

Total investment costs for these land plots are € 39.1 million. The situation of these plots is detailed in the following table, distinguishing those already deeded, and therefore included in the land portfolio reflected in the above charts, and those only having a private purchase agreement signed and a deposit paid, and therefore not included in said portfolio.

Town (Province)	Building land (sqmb)	Estimated number of houses (units)	Estimated revenue (€ M)	Situation
Guadalajara (Guadalajara)	7,898	64	12.7	Escriturado /en cartera
Alovera (Guadalajara)	9,665	90	14.8	Escriturado /en cartera
Alovera (Guadalajara)	4,680	24	5.8	Escriturado /en cartera
Guadalajara (Guadalajara)	23,400	199	29.5	Escriturado /en cartera
Madrid (Madrid)	32,490	325	61.4	Contrato privado
Málaga (Málaga)	25,894	251	46.9	Contrato privado
Estepona (Málaga)	15,491	144	25.3	Contrato privado
Total	**119,518**	**1.097**	**196.4**	

1.4.2.- Residential developments

Changes in the stock of finished houses

The process of liquidating the Group's stock of finished houses continued apace in 2016, when a total of 234 units were delivered, resulting in a stock of finished product comprising 19 houses at 31 December 2016.

Two houses were delivered in the first half of 2017, resulting in a stock of 17 units at 30 June 2017. Two of those 17 units has purchase agreements signed.

Developments at the marketing stage

The Quabit Group placed 5 residential housing developments comprising 304 units on the market in 2016.

These new developments are: Quabit Aguas Vivas (subsidized housing in Guadalajara); Quabit Las Lomas (luxury detached family homes in Boadilla del Monte, Madrid); Quabit Las Cañas (terraced family homes in Guadalajara); Quabit Sant Feliu (apartments in Sant Feliu de Llobregat, Barcelona) and Quabit Casares Golf (apartments in two phases Casares Green golf course in Casares, Malaga).

During last quarter of 2016 and first half of 2017, construction work has already begun at all of the five developments, except for Quabit Casares, whose license application scheme was nearing completion at 30 June 2017.

The following table summarizes marketing and financial data referring those five developments placed on the market during 2016, at 30 June 2017:

Development	Total development (units)	Pre-sold housing units at 30 June 2017 *(1)*	Pre-sales revenues (€ K) *(2)*	Total development revenue (€ K)	Situation
Las Lomas MADRID	12	10	12,097	14,804	Under construction
Sant Feliu BARCELONA	63	48	13,512	18,577	Under construction
Casares Golf MÁLAGA	89	28	6,524	23,044	Ready to start construction works
Las Cañas GUADALAJARA	24	18	4,711	6,471	Under construction
Aguas Vivas V.P. GUADALAJARA	116	101	12,368	15,802	Under construction
TOTAL	**304**	**205**	**49,212**	**78,698**	

(1) Pre-sales = Reservations + purchase agreements.

(2) Total sale price of pre-sold units

Throughout June 2017, the Quabit Group also placed another 6 new developments on the market, totalling 584 units with a revenue of 97.4 € Million. These new developments are: Quabit Torrejón V.P. (subsidized housing in Torrejón de Velasco, Madrid), Quabit La Peñuela (terraced family homes in Torrejón de Velasco, Madrid), Quabit Los Caprichos (terraced family homes Alovera, Guadalajara), Quabit Parque Residencial (subsidized apartments in Alovera, Guadalajara), Quabit Aparments (luxury apartments in Guadalajara) and Quabit Aguas Vivas V.P. 2 (subsidized housing in Guadalajara, second phase of Quabit Aguas Vivas V.P.).

Considering that these developments were placed on the market at the very end of the semester, the number of pre-sold housing units at 31 July 2017 is also included:

Development	Total development (units)	Pre-sold housing units at 30 June 2017 *(1)*	Pre-sales revenues (€ K) *(2)*	Pre-sold housing units at 31 July 2017 *(1)*	Total development revenue (€ K)	Situation
Torrejón V.P. MADRID	114	-	-	15	16,528	Commercialization launched
La Peñuela MADRID	93	-	-	3	18,355	Commercialization launched
Los Caprichos CORREDOR DEL HENARES	24	2	475	2	5,850	Commercialization launched
Parque Residencial CORREDOR DEL HENARES	90	3	463	5	14,746	Commercialization launched
Quabit Style GUADALAJARA	64	-	-	8	12,716	Commercialization launched
Aguas Vivas. 2 V.P. GUADALAJARA	199	25	3,374	37	29,500	Commercialization launched
TOTAL	**584**	**30**	**4,312**	**70**	**97,695**	

(1) Pre-sales = Reservations + purchase agreements.

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

Consequently, Quabit's marketing portfolio currently comprises residential units ranging in price between €89K and €1.3M, in quality from subsidized housing to luxury homes, and in location from primary residences in Madrid, Guadalajara and Barcelona to holiday homes on the Costa del Sol. All the schemes concerned are backed by agreements to finance development costs.

Additionally, at the date of publication of this report, the Quabit Group has launched the commercialization phase of the following developments, adding them up to its portfolio. These developments are, among others, Quabit Collection (36 luxury aparments, 11 professional studies and a commercial office in Zaragoza) and Quabit Cañaveral Madrid (subsidized housing and terraced family homes in Madrid).

Development	Town (Province)	Total development (units)	Average selling price per unit (€ K)	Total development revenue (€ K)	Situation
Quabit Cañaveral Málaga	Málaga (Málaga)	251	186,7	46.863	Commercialization launched
Quabit Los pedregales - Costa del Sol	Estepona (Málaga)	144	175,6	25.289	Commercialization launched
Quabit Cañaveral	Madrid (Madrid)	285	215,5	61.430	Commercialization launched
Quabit Collection	Zaragoza (Zaragoza)	36	302,1	10.875	Commercialization launched
TOTAL		**716**	**201,8**	**144.457**	

Adding these 6 new promotions to those listed at 30 June 2017, the Quabit Group's development portfolio, at the date of publication of this statement, comprises a total of 1.604 units with a estimated revenue of €320.8 millions, that will be reflected on the P&L account as the housing units are sold.

Pre-sales portfolio

The Quabit Group's pre-sales portfolio (total reservations and purchase agreements for homes marketing at a given date), comprising both stocks of finished product and new developments, changed as follows in S1 2017.

Pre-sales portfolio at 31 December 2016	**159**
Net pre-sales for the period	80
Deeds for the period	(2)
Pre-sales portfolio at 30 June 2017	**237**

Some 235 of the 237 house purchase commitments existing at 30 June 2017 refer to developments placed on the market during 2016 and 2017, while the remaining two belong to the stock of finished products. The total sale price of these 237 units is €53,973K.

Quabit Las Lomas. Boadilla del Monte, Madrid **- 12 luxury family houses**

Quabit Las Cañas. Guadalajara **- 24 family houses**

Quabit Aguas Vivas 1. Guadalajara **- 116 units.**

Quabit Sant Feliu. Barcelona **- 63 units.**

Quabit Casares Golf. Casares, Málaga **- 89 units.**

Los Caprichos. Guadalajara - 24 family homes

Quabit Collection. Zaragoza - 36 units.

1.4.3.- Rented property

All revenues earned by the Group on assets in operation consist of rents obtained on the lease of an apartment building in Guadalajara containing 86 residential units and 3 business units. The occupancy rates for residential units was 100% at 30 June 2017.

1.5. Other information

1.5.1.- Share price

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

Stock market indices	30/06/2017	30/12/2016	Var. %
Ibex 35	10,444.50	9,352.10	11.68 %
Financial and Property Services	643.50	561.08	14.69 %
Ibex Small Cap	5,885.40	5,006.20	17.56 %

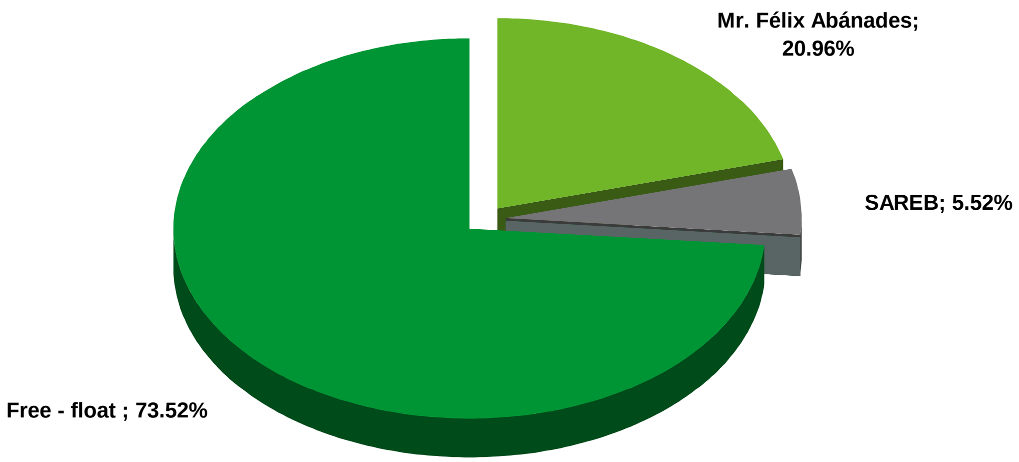
Source: *Infobolsa*

Stock market performance – 30/12/2016 to 30/06/2017	
Closing price at 30/12/2016 (€/share)	1.930
Closing price at 30/06/2017 (€/share)	1.770
% Change	(8.29%)
Closing market capitalization at 30/06/2017 (€)	130,275,200
Max. closing price (€/share)	2.8410
Min. closing price (€/share)	1.7120
Weighted average price (€/share)	2.2840
Average daily trading volume (shares)	1,049,390
Total shares traded in the period	133,272,501
Average daily trading volume (€)	2,397,130
Total cash trades in the period (€)	304,435,520
Total number of shares at 30/06/2017	73,601,808

The Company's shares are currently listed on the Madrid and Valencia Stock Exchanges. *Source: BME*

1.5.2.- Shareholders

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



The percentage shareholdings reflected in the above chart were calculated based on the voting rights held according to the public notices issued by the CNMV Registry of Significant Shareholdings up to the date of publication of this Interim Statement and the total number of voting rights in Quabit Inmobiliaria, S.A. at said date (73,601,808).

The chart above does not comprise the shares issued on the recent share capital increase, as they were not listed on the stock market at the date of publication of this statement.

Notices of voting rights in 2017 (up to the date of publication of this interim report)

KKR GMO GP Limited filed notices on 2 and 7 February 2017 reporting the transfer of a total of 1,086,400 shares of Quabit Inmobiliaria, S.A. The percentage interest owned by this shareholder fell to 0.93% (2.97% at 31 December 2016), and its holding is therefore no longer classed as significant.

Mr. Félix Abánades López filed the following notices of voting rights attached to shares with the CNMV:

- The first, dated 17 March 2017, reported the acquisition of 2,838,531 voting rights due to the subscription of the share capital increase completed in March 2017. These voting rights were subscribed via the companies Restablo Inversiones, S.L.U. and Rayet Construcción, S.A.U, both controlled by Mr. Félix Abánades López, in the former case directly and in the latter indirectly.
- The second, dated 31 March 2017, reported the indirect acquisition of 1,908,397 shares from Martibalsa, S.L. via Restablo Inversiones S.L.U.
- The third, dated 14 July 2017, have reported the sale of 200,000 shares owned indirectly through Rayet Construcción, S.A.

Following these notices, the direct and indirect interest in share capital held by Mr. Félix Abánades López is 20.95% at the date of publication of this Interim Statement (20.51% at 31 December 2016).

On 5 April 2017, Mr. Juan José Galiano Frías reported the transfer of all the voting rights he held indirectly via Martibalsa, S.L., because of which he no longer holds any interest in the Company (3.3% at 31 December 2016).

1.5.3.- Corporate governance bodies

There were no changes in the governing bodies in the first half of 2017.

Membership of the governing bodies at 30 June 2017 was as follows:

Name	Board of Directors	Audit Committee	Appointments and Remuneration Committee
D. Félix Abánades López	Chairman and Chief executive officer	n/a	n/a
D. Jorge Calvet Spinatsch	Vice-chairman and Independent director	Chairman	Member Independent
D. Alberto Pérez Lejonagoitia	Dominical Director	Member Proprietary	Member Proprietary
Dña. Claudia Pickholz	Independent Director	Member Independent	Chairman
D. Miguel Angel Melero Bowen	Secretary (Non- Director)	Secretary (Non- Director)	Secretary (Non- Director)
Dña. Nuria Díaz Sanz	Vice-secretary (Non - Director)	Vice-secretary (Non - Director)	Vice-secretary (Non - Director)

2. EVENTS AFTER THE REPORTING PERIOD

The most significant events subsequent to 30 June 2017 are detailed in Note 22 of the Interim Condensed Consolidated Financial Statements as a part of the Semestral Financial Report.

3. RISKS AND UNCERTAINITIES FOR THE 2ND HALF OF 2017

The main matters of the Systems of Control and Management of Risks of the Group are described in Section E of the Annual Corporate Governance Report for year 2016. The 26 most relevant risk areas for the Group are identified there and every risk and the systems to afford them are also described. These 26 risk areas are classified in 5 different groups: (i) risks related to the business; (ii) risks related to the shareholding composition; (iii) risk related to real estate sector; (iii) asset risks; (v) other risks.

The Group considers that those 26 risk areas continue being the most relevant facing the activity for the second half of 2017. Within them it is considered that, for that period, those of the most impact are the ones related to the capital market evolution, since the complete development of the Group's business plan depends on funding the expected investments through debt and equity instruments. All those events that could affect negatively in the evolution of the capital market (domestic and foreign) would difficult the obtaining of financial resources and, therefore, a slowdown of the planned investment of the Business Plan could take place.

4. TRANSACTIONS WITH RELATED PARTS

There is no additional significative information different to the one included in Note 20 of the Interim Condensed Consolidated Financial Statements at 30 June 2017.

NOTE ON ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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

Financial structure ratios		**Reconciliation with consolidated financial statements**		
		Description	***(Thousands of euros)***	
			30/06/2017	**30/06/2016**
EBITDA	Profit/(loss) from operations plus depreciation and amortization	Profit/(loss) from operations	(1,695)	(3,486)
		Depreciation and amortization	873	35
		EBITDA	**(822)**	**(3,451)**
			30/06/2017	**31/12/2016**
Gross debt	Current and non-current bank borrowings	Non-current bank borrowings	13,658	13,784
		Current bank borrowings	179,943	192,000
		Gross debt	**193,601**	**205,784**
			30/06/2017	**31/12/2016**
Net financial Debt	Gross financial debt minus cash and cash equivalents	Gross debt	193,601	205,784
		Cash and cash equivalents	(9,453)	(4,854)
		Net financial Debt	**184.148**	**200.930**

QUABIT INMOBILIARIA, S.A. AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements at 30 June 2017

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

CONSOLIDATED BALANCE SHEETS

(Euros)

ASSETS	Note	30/06/2017 (unaudited)	31/12/2016 (audited)
NON-CURRENT ASSETS:			
Intangible assets		11,530,997	11,505,421
Property, plant and equipment		575,373	566,901
Investment property	**4**	12,808,217	17,500,000
Investments in associates	**5**	2,850,457	2,865,713
Non-current financial assets	**6**	5,695,464	6,286,495
Deferred tax assets	**14**	33,830,871	34,157,261
Total non-current assets		**67,291,379**	**72,881,791**
CURRENT ASSETS:			
Inventory	**7**	252,298,468	236,287,056
Trade and other receivables	**8**	34,934,357	32,947,944
Current financial assets	**6**	8,962,555	8,882,431
Tax receivables	**13**	2,608,743	150,370
Cash and cash equivalents		9,452,759	4,854,176
Total current assets		**308,256,882**	**283,121,977**
TOTAL ASSETS		**375,548,261**	**356,003,768**

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

CONSOLIDATED BALANCE SHEETS

(Euros)

LIABILITIES AND NET EQUITY	**Note**	**30/06/2017 (unaudited)**	**31/12/2016 (audited)**
NET EQUITY:			
Share capital	**10**	36,800,904	26,520,669
Share premium	**10**	85,642,420	57,885,786
Treasury shares	**10**	(2,885,911)	(309,372)
Restricted reserves	**10**	4,159,535	4,159,535
Other reserves	**10**	23,159,485	17,000,342
Profit attributable to shareholders of the Parent	**10**	(3,521,973)	8,001,188
Total equity attributable to shareholders of the Parent		**143,354,460**	**113,258,148**
Non-controlling interests		79,676	82,660
Total equity		**143,434,136**	**113,340,808**
NON-CURRENT LIABILITIES:			
Deferred income		64,050	64,051
Bank borrowings	**12**	13,657,912	13,784,206
Non-current financial liabilities	**12**	223,269	920,596
Deferred tax liabilities	**14**	3,675,869	4,002,259
Provisions for contingencies and charges	**15**	1,549,810	1,673,590
Total non-current liabilities		**19,170,910**	**20,444,702**
CURRENT LIABILITIES:			
Bank borrowings	**12**	179,943,131	192,000,241
Current financial liabilities	**12**	3,185,341	2,947,101
Trade and other payables	**11**	15,003,825	13,368,205
Customer advances	**7**	6,560,427	2,300,977
Tax payables	**13**	3,112,458	6,944,939
Other current liabilities	**15**	5,138,033	4,656,795
Total current liabilities		**212,943,215**	**222,218,258**
TOTAL LIABILITIES AND NET EQUITY		**375,548,261**	**356,003,768**

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

CONSOLIDATED INCOME STATEMENTS

(Euros)	Note	30/06/2017 (unaudited)	30/06/2016 (unaudited)
Net turnover	17	2,818,237	21,072,838
Procurements		(7,961,420)	(39,625,808)
Other operating income	17	10,686,506	3,055,404
Changes in operating provisions		4,903,195	16,404,265
Staff costs	17	(2,453,495)	(1,604,346)
Reversal of and provision for impairment losses		845,277	-
Depreciation and amortisation charge		(872,757)	(35,236)
Other operating expenses	17	(4,968,271)	(2,764,200)
Gains/(losses) on disposal of non-current assets		-	10,911
Valuation of investment property at fair value		(4,691,783)	-
Profit/(loss) from operations		**(1,694,511)**	**(3,486,172)**
Finance income	18	204,115	2,751,977
Finance costs	18	(1,946,965)	(2,552,613)
Gains/(Losses) on financial instruments at fair value		(72,340)	-
Net financial profit/(loss)		**(1,815,190)**	**199,364**
Gains/(losses) on investments in associates and joint ventures	5	(15,256)	(28,188)
Profit/(loss) before tax		**(3,524,957)**	**(3,314,996)**
Taxes		-	-
Net profit		**(3,524,957)**	**(3,314,996)**
Attributable to:			
Shareholders of the Parent		(3,521,973)	(3,297,800)
Non-controlling interests		(2,984)	(17,196)
Earnings per share attributable to the shareholders of the Parent (Euros per share)			
Basic	19	(0.055)	(0.065)
Diluted	19	(0.055)	(0.065)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	30 June 2017 (unaudited)			30 June 2016 (unaudited)		
	The Parent	Non-controlling interests	Total	The Parent	Non-controlling interests	Total
Net profit/(loss) for the year	(3,521,973)	(2,984)	(3,524,957)	(3,297,800)	(17,196)	(3,314,996)
Other global gains or losses	-	-	-	-	-	-
Total comprehensive income for the year	**(3,521,973)**	**(2,984)**	**(3,524,957)**	**(3,297,800)**	**(17,196)**	**(3,314,996)**

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 10)	Share premium (Note 10)	Treasury shares (Note 10)	Restricted reserves	Other reserves	Profit attributable to shareholders of the Parent	Non-controlling interests	Total equity
Balances at 31 December 2015 (audited)	**25,258,468**	**57,885,786**	**(365,880)**	**2,927,231**	**(2,003,997)**	**21,687,154**	**325,396**	**105,714,158**
Total comprehensive income	-	-	-	-	-	8,001,188	(245,946)	7,755,242
Capital reduction	(8)	-	8	8	(8)	-	-	-
Distribution of profit	-	-	-	1,232,296	20,454,858	(21,687,154)	-	-
Treasury share transactions	-	-	56,500	-	(274,276)	-	-	(217,776)
Acquisition of ownership interest from non-controlling interests (Note 1.1)	-	-	-	-	(3,450)	-	3,210	(240)
Other changes	-	-	-	-	153,501	-	-	153,501
Issue of bonus shares (Note 8)	1,262,209	-	-	-	(1,326,286)	-	-	(64,077)
Balances at 31 December 2016 (audited)	**26,520,669**	**57,885,786**	**(309,372)**	**4,159,535**	**17,000,342**	**8,001,188**	**82,660**	**113,340,808**
Total comprehensive income	-	-	-	-	-	(3,521,973)	(2,984)	(3,524,957)
Distribution of profit	-	-	-	-	8,001,188	(8,001,188)	-	-
Capital increase (Note 10)	10,280,235	27,756,634	-	-	(1,856,802)	-	-	36,180,067
Treasury share transactions (Note 10)	-	-	(2,576,539)	-	14,757	-	-	(2,561,782)
Balances at 30 June 2017 (unaudited)	**36,800,904**	**85,642,420**	**(2,885,911)**	**4,159,535**	**23,159,485**	**(3,521,973)**	**79,676**	**143,434,136**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	30/06/2017 (unaudited)	30/06/2016 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES	**-**		
Profit/(loss) before tax and non-controlling interests		(3,524,957)	(3,314,996)
Adjustments for:			
Depreciation of non-current assets		872,757	35,236
Impairment losses and changes in provisions	**7 and 15**	(5,676,132)	(16,404,255)
Income and expenses without cash flows		(9,943,567)	(2,702,425)
Net financial profit/(loss)	**18**	1,742,851	(199,364)
Gains/(losses) on investments in associates and joint ventures	**5**	15,256	(10,911)
Discounting of investment property at fair value		4,691,783	28,188
Adjusted loss		**(11,822,009)**	**(22,568,537)**
Other changes in accounts payable to and receivable from public authorities		(626,967)	(279,414)
Increases/decreases in accounts payable to and receivable from public authorities		**(626,967)**	**(279,414)**
Inventory and prepayments	**7**	(8,394,857)	35,887,122
From receivables and deposits	**8**	(4,336,279)	(706,622)
From payables and customer advances	**06-sep**	1,228,325	(2,159,356)
Increase/decrease in current and non-current operating assets and liabilities		**(11,502,811)**	**33,021,144**
Total net cash flows from operating activities		**(23,951,787)**	**10,173,193**
CASH FLOWS FROM INVESTING ACTIVITIES	**-**		
Investments			
Financial assets	**6**	(1,753,941)	(32,375)
Property, plant and equipment, investment property and other intangible assets		(37,617)	(5,682)
Acquisition of subsidiaries		-	(137,324)
		(1,791,558)	**(175,381)**
Divestments			
Interest received		-	183
Property, plant and equipment, investment property and intangible assets		-	3,306
Financial assets and other investments	**6**	(405,207)	66,572
		(405,207)	**70,061**
Total net cash flows from investing activities		**(2,196,765)**	**(105,320)**
CASH FLOWS FROM FINANCING ACTIVITIES	**-**		
Interest paid	**12**	(625,473)	(515,959)
Repayment of bank borrowings	**12**	(8,446,667)	(17,420,149)
New bank borrowings obtained	**12**	4,892,338	2,582,368
Repayment of other financing	**12**	(644,596)	(504,507)
Other financing obtained	**12**	96,446	192,977
Capital increases and/or reductions	**10**	38,036,869	(8)
Payments of acquisition of non-controlling interests			(240)
Treasury share transactions		(2,561,782)	(124,343)
Total net cash flows from financing activities		**30,747,135**	**(15,789,861)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,595,583**	**(5,721,988)**
Cash and cash equivalents at beginning of year		**4,854,176**	**8,561,218**
Cash and cash equivalents at end of year		**9,452,759**	**2,839,230**

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 2017, along with the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows for the first half of 2016.

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

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

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

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

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

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

1.1. Changes in the scope of consolidation

The changes in the scope of consolidation that took place in 2017 in relation to the scope of consolidation at 31 December 2016 are as follows:

a) Inclusions in the scope of consolidation:

- *Quabit Alcarria, S.L.U.:* This company was incorporated on 6 April 2017 with a monetary contribution of EUR 30,000, fully subscribed and paid by the Company Global Quabit, S.L.U. (formerly named Global Mebsuta, S.L.), which, at the same time, is fully owned by the Parent.

- *Quabit Distrito Centro, S.L.U.:* This company was incorporated on 6 April 2017 with a monetary contribution of EUR 30,000, fully subscribed and paid by the Company Global Quabit, S.L.U. (formerly named Global Mebsuta, S.L.), which, at the same time, is fully owned by the Parent

- *Quabit Corredor Henares, S.L.U.:* This company was incorporated on 6 April 2017 with a monetary contribution of EUR 30,000, fully subscribed and paid by the Company Global Quabit, S.L.U. (formerly named Global Mebsuta, S.L.), which, at the same time, is fully owned by the Parent.

- *Quabit Hortaleza, S.L.U.:* This company was incorporated on 6 April 2017 with a monetary contribution of EUR 30,000, fully subscribed and paid by the Company Global Quabit, S.L.U. (formerly named Global Mebsuta, S.L.), which, at the same time, is fully owned by the Parent.

- *Quabit Moncloa, S.L.U.:* This company was incorporated on 3 May 2017 with a monetary contribution of EUR 30,000, fully subscribed and paid by the Company Global Quabit, S.L.U. (formerly named Global Mebsuta, S.L.), which, at the same time, is fully owned by the Parent.

- *Quabit Sureste, S.L.U.:* This company was incorporated on 3 May 2017 with a monetary contribution of EUR 30,000, fully subscribed and paid by the Company Global Quabit, S.L.U. (formerly named Global Mebsuta, S.L.), which, at the same time, is fully owned by the Parent.

- *Quabit Remate, S.L.U.:* This company was incorporated on 3 May 2017 with a monetary contribution of EUR 30,000, fully subscribed and paid by the Company Global Quabit, S.L.U. (formerly named Global Mebsuta, S.L.), which, at the same time, is fully owned by the Parent.

2. Basis of presentation

2.1. Accounting standards applied

These interim condensed consolidated financial statements for the six-month period ended 30 June 2017have 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 2016.

The Group's consolidated financial statements for 2016 were formally prepared by the Parent's directors on 29 March 2017 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 2016 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 2015 were approved by the shareholders at the Annual General Meeting held on 28 June 2017.

The Group's consolidated financial statements at 30 June 2017 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 2017.

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 16 August 2017.

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 2016.

2.3. Entry into force of new accounting standards

The accounting policies used in preparing these interim condensed consolidated financial statements are the same as those used in the consolidated financial statements for the year ended 31 December 2016, since no new standard issued by IASB for first application in the current Fiscal Year has yet been approved by European Union.

The Group intends to adopt the standards, interpretations and amendments issued by the IASB, which are not of mandatory application in the European Union at the date of preparation of these interim condensed consolidated financial statements, when they enter into force, if applicable. The Group is currently analysing their impact. Based on the analyses performed to date, the Group estimates that initial application thereof will not have a significant impact on the interim condensed consolidated financial statements.

2.4. Comparative information

In accordance with current legislation, in addition to the figures at 30 June 2017 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 2016 for balance sheet and consolidated statement of comprehensive income and those at 30 June 2016 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 2016.

3. Financial segment reporting

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

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

- Land management
- Property development
- Property rentals
- Corporate Unit

At 30 June 2017, the Group had the following basic lines of business:

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

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

C. Property rentals Includes those activities aimed at managing the real estate portfolio formed by residential properties, and obtaining gains on the sale of real estate once the rental income is optimised without reforms.

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

The results for the six-month periods ended 30 June 2017 and 30 June 2016 and the consolidated balances at 30 June 2017 and 31 December 2016 by segments are detailed as follows:

SEGMENT REPORTING. CONSOLIDATED PROFIT OR LOSS AT 30 JUNE 2017

CONCEPT	A	B	C	D	TOTAL
Net turnover	2,164,003	464,100	190,134	0	2,818,237
Profit/(loss) from operations	8,235,798	(356,240)	(4,771,699)	(4,802,370)	(1,694,511)
Net financial profit/(loss)	(1,621,890)	(188,938)	(161,935)	157,573	(1,815,190)
Gains/(losses) on investments in associates	(14,945)	(311)	-	-	(15,256)
PROFIT/(LOSS) BEFORE TAX	**6,598,963**	**(545,489)**	**(4,933,634)**	**(4,644,797)**	**(3,524,957)**

SEGMENT REPORTING. CONSOLIDATED PROFIT OR LOSS AT 30 JUNE 2016

CONCEPT	A	B	C	D	TOTAL
Net turnover	-	20,872,351	196,710	3,777	21,072,838
Profit/(loss) from operations	(388,289)	241,750	(256,114)	(3,083,519)	(3,486,172)
Net financial profit/(loss)	(2,220,773)	(178,683)	(127,631)	2,726,451	199,364
Gains/(losses) on investments in associates	(28,188)	-	-	-	(28,188)
PROFIT/(LOSS) BEFORE TAX	**(2,637,250)**	**63,067**	**(383,745)**	**(357,068)**	**(3,314,996)**

All transactions for the six-month periods ended 30 June 2017 and 2016 were carried out in Spain.

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

SEGMENT REPORTING. CONSOLIDATED BALANCE SHEET AT 30 JUNE 2017

CONCEPT	A	B	C	D	TOTAL
BALANCE SHEET					
Investment property	-	-	12,808,217	-	**12,808,217**
Property, plant and equipment and intangible assets	11,750,518	45,710	9,072	301,070	**12,106,370**
Inventory	220,022,567	32,275,901	-	-	**252,298,468**
Other	82,216,382	11,465,377	4,546,650	106,797	**98,335,206**
TOTAL ASSETS	**313,989,467**	**43,786,988**	**17,363,939**	**407,867**	**375,548,261**
Segment liabilities	188,489,295	24,274,634	12,808,217	6,541,979	**232,114,125**
TOTAL LIABILITIES	**188,489,295**	**24,274,634**	**12,808,217**	**6,541,979**	**232,114,125**

SEGMENT REPORTING. CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2016

CONCEPT	A	B	C	D	TOTAL
BALANCE SHEET					
Investment property	-	-	17,500,000	-	**17,500,000**
Property, plant and equipment and intangible assets	11,717,471	45,581	9,046	300,224	**12,072,322**
Inventory	223,701,638	12,585,418	-	-	**236,287,056**
Other	69,891,668	15,325,524	4,760,101	167,097	**90,144,390**
TOTAL ASSETS	**305,310,777**	**27,956,523**	**22,269,147**	**467,321**	**356,003,768**
Segment liabilities	211,572,078	9,869,247	14,679,656	6,541,979	**242,662,960**
TOTAL LIABILITIES	**211,572,078**	**9,869,247**	**14,679,656**	**6,541,979**	**242,662,960**

4. Investment property

The Group has booked an adjustment for impairment of the Investment Property, as a consequence of the existing commitment with a financial entity for the payment in kind of a debt through the delivery of the rental asset included in this epigraph. As a consequence of this commitment, the Group has adjusted the fair value of the asset to the value of the debt to be paid, and this provokes a negative impact amounting to EUR 4,692 thousand, that has been registered in the epigraph “Discounting of investment property at fair value” impacting the Result from operations in the attached Consolidated Income Statement. The formalization of this payment in kind is not yet signed at the date of issuing these Interim Financial Statements.

5. 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 2017 compared with first half of 2016 are as follows:

	30/06/2017	31/12/2016
Beginning balance	**2,865,713**	**2,967,815**
Dividends received	-	(60,000)
Share of profit/(loss)	(15,256)	(42,102)
Ending balance	**2,850,457**	**2,865,713**

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

	30/06/2017	31/12/2016
Investment in associates	643,862	667,442
Investment in joint arrangements	2,206,595	2,198,271
	2,850,457	**2,865,713**

In the six-month period ended 30 June 2017, the Group recognised a total loss on investments in associates and joint arrangements of EUR 15 thousand (a loss of EUR 42 thousand in 2016), the breakdown of which is included in the following table:

	30/06/2017	31/12/2016
Investment in associates	(23,580)	(16,851)
Investment in joint arrangements	8,324	(25,251)
	(15,526)	**(42,102)**

The Group’s associates and joint arrangements were incorporated in Spain, and none of them were listed on the stock market at 30 June 2017 or at 31 December 2016.

The companies that individually had a positive fair value at 30 June 2017, with an overall amount of EUR 2,850 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 2016 with an overall amount of EUR 2,866 thousand.

6. Financial assets

The detail of current and non-current financial assets at 30 June 2017 and 31 December 2016 is as follows:

	30/06/2017		31/12/2016	
	Non-current assets	**Current assets**	**Non-current assets**	**Current assets**
Available-for-sale financial assets	2,507,254	-	3,079,594	-
Loans and receivables	3,071,776	8,636,005	3,059,774	8,620,643
Held-to-maturity investments	116,434	326,550	147,127	261,788
	5,695,464	**8,962,555**	**6,286,495**	**8,882,431**

The decrease in the Available-for-.sale financial assets figure by an amount of EUR 572 thousand is due to the sale of a part of the stake in the company Mediterránea de Actuaciones Integradas, S.L. This sale has provoked a loss by an amount of EUR 72 thousand which has been booked in the accounting epigraph “Gains/(Losses) on financial instruments at fair value” of the Consolidated Income Statement. The Group´s share in this company has become 4.84% (formerly 7.26%).

All current financial assets mature within twelve months.

7. Inventory

The detail, by classification and degree of completion, of inventory at 30 June 2017 and 31 December 2016 is as follows:

	30/06/2017	31/12/2016
Land	216,707,796	222,546,736
Developments in progress	24,804,533	4,572,141
Completed developments	7,048,868	8,013,277
Advances to suppliers	2,918,021	335,652
Other	819,250	819,250
Net Book value	**252,298,468**	**236,287,056**

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

Mortgage guarantees are arranged on a portion of the inventory to secure the bank debt detailed in Note 12 (bilateral loans for developers and land) and the payment of the debt with the tax authorities relating to deferred payments for various taxes..

EUR 23,722 thousand of the amount recognised under “Land” relate to land on which seven residential property developments were begun. Once the construction permit is obtained, this cost will be transferred to “Developments in progress”, under which the remaining cost of the projects will be recognised

The cost of the development in progress relates to the cost of the land and expenses incurred in completing four residential projects: Quabit Aguas Vivas and Las Cañas in Guadalajara, Quabit Sant Feliu in Barcelona and Quabit Las Lomas in Boadilla del Monte (Madrid).

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

The net book value on advances to suppliers amounted to EUR 2,918 thousand and refer to payments made for acquisition of land. The committed pending amount related to these acquisitions amounts to EUR 25,053 thousands.

Net assets value of Inventories includes corrections due to impairment, considering the comparison with market value.The market value is determined based on the appraisal carried out by the independent expert appraisers. BDO Auditores, S.L., appraised the property assets in the Group's asset portfolio, the appraisal date of which was 31 December 2016. 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.

Market value is defined as the estimated amount for which an asset or right should be exchanged on the date of valuation between a seller and a buyer, both of which are willing and independent, after a reasonable marketing period, and wherein the parties have acted knowledgeably, prudently and without compulsion.

The methodology applied to calculate fair value is based on the comparison method or on the discounted cash flow method, when the former cannot be used if there are no comparable values. The discounted cash flow method is based on predicting the net income likely to be generated by the inventory during a certain period of time, taking into consideration the residual value thereof at the end of this period. The cash flows are discounted at an internal rate of return in order to come up with the present value. This internal rate of return is adjusted to reflect the risk associated with the investment and the assumptions made.

The key variables therefore include net income, the estimated residual value and the internal rate of return.

In the six-month period ended 30 June 2017 a total of EUR 87 thousand in finance costs were capitalised.

The breakdown of "Customer advances" on the liability side of the consolidated balance sheet at 30 June 2017 and 31 December 2016 is as follows:

	30/06/2017	**31/12/2016**
Advances for property developments	6,162,337	1,981,233
Advances for the sale of land	360,746	282,346
Other	37,344	37,398
	6,560,427	**2,300,977**

Sale commitments for certain land and property developments at 31 December 2016 amounted to EUR 53,972 thousand (EUR 35,695 thousand at 31 December 2016), and the advances received for said commitments amounted to EUR 6,523 thousand (EUR 2,264 thousand at 31 December 2016).

8. Trade and other receivables

The detail of "Trade and other receivables" at 30 June 2017 and at 31 December 2016 is as follows:

	30/06/2017	**31/12/2016**
Trade receivables from related companies (Note 19)	720	720
Trade receivables	9,166,756	7,205,967
Sundry accounts receivables	26,591,037	26,565,413
Doubtful trade receivables	7,984,614	7,987,079
Impairment loss on accounts receivable	(8,808,770)	(8,811,235)
	34,934,357	**32,947,944**

The increase in receivables in 2017 is due mainly to the amount to be collected for the contracts of sale of houses.

9. Construction contracts

No relevant changes in this epigraph have happened when comparing with the information included in the Consolidated Annual Accounts for the fiscal year 2016.

10. Equity

10.1. Share capital and share premium

At 30 June 2017 and 31 December 2016 the breakdown of share capital and the share premium of Quabit Inmobiliaria, S.A. is as follows:

	30/06/2017		**31/12/2016**	
	Share capital	**Share premium**	**Share capital**	**Share premium**
Registered capital	36,800,904	85,642,420	26,520,669	57,885,786
	36,800,904	**85,642,420**	**26,520,669**	**57,885,786**

The changes in registered share capital and the share premium in the first half of 2017 have been as follows:

	Number of shares	**Nominal value**	**Share capital**	**Share premium**
Balance at 1 January 2017	**53,041,338**	**0.50**	**26,520,669**	**57,885,786**
Capital increase of 14/03/2017	20,560,470	0.50	10,280,235	27,756,634
Balance at 30 June 2017:	**73,601,808**	**0.50**	**36,800,904**	**85,642,420**

Capital increase of 14 March 2017

On 31 January 2017, the National Securities Market Commission (CNMV) approved the Securities Note which, together with the Registration Document approved by the CNMV on 17 January 2017, constitute the Prospectus of the capital increase approved by the Board of Directors on 30 January 2017, by virtue of the authorisation granted by the shareholders at the Annual General Meeting held on 14 April 2016. The terms and conditions of the transaction are as follows:

- Capital increase for a nominal amount of EUR 10,280,235 and for a total cash amount of EUR 38,036,869.50 through the issue of 20,560,470 new shares with a par value of EUR 0.50 each, with a share premium of EUR 1.35 per share and, therefore, a unit issue rate of EUR 1.85, of the same class and series as those shares currently outstanding and represented through book entries of the Company. The capital increase will be paid through monetary contributions and pre-emptive subscription rights will be recognised for shareholders evidenced as such.

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

- The pre-emptive subscription and additional share request period began on 4 February 2070 and ended on 20 February 2017.

The additional share allocation period began on 21 February and ended on 27 February 2017. On 27 February 2017, the Parent reported the subscription results for these two initial periods:

- Subscription corresponding to the pre-emptive subscription period: EUR 36,034,035.45 were subscribed (19,477,857 shares).

- Allocation of additional shares: EUR 2,002,834.05 were subscribed corresponding to 1,082,613 shares.

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

The public deed was entered in the commercial register on 14 March 2017 and the new shares started their listing in Stock Markets of Madrid and Valencia on 20 March 2017.

Expenses amounting to EUR 1,857 thousand related to this capital increase have been booked minoring the epigraph “Other reserves” of the Equity.

Significant ownership interests

The only shareholding greater than 10% of the Parent’s registered share capital at 30 June 2017 is that directly and indirectly held by Mr. Félix Abánades López through Restablo Inversiones, S.L.U. Grupo Rayet, S.A.U. and Rayet Construcción, S.A., respectively. The total ownership interest in the Parent’s registered share capital at 30 June 2017 was 21.23%. The only shareholding greater than 10% at 31 December 2016 was also the one of Mr. Abánades who owned, direct and indirectly, 20,51% of registered share capital.

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

Treasury shares

The table below details the changes in the Parent’s treasury shares that took place in first half of 2017:

	Number of shares		
	Treasury shares	**Liquidity agreement**	**Total shares**
Total treasury shares at 31 December 2016	**24,200**	**126,523**	**150,723**
-Purchases made	1,290,736	436,030	1,726,766
-Sales made	-	(443,644)	(443,644)
Total treasury shares at 31 December 2016	**1,314,936**	**118,909**	**1,433,845**

At 30 June 2017, the cost of treasury shares amounted to EUR 2,885,911 (EUR 309,372 at 31 December 2016). The net cost of purchases and sales made for EUR 2,576,539 and the earnings of EUR 14,757, as a result of measuring the sales at the average cost of acquisition of the treasury shares, taking into consideration those acquired in previous years, are included under “Treasury share transactions” in the statement of changes in equity.

The acquisitions of treasury shares have been made in those periods in which the liquidity agreement has been suspended.

As a result of the various transactions described in the previous paragraphs, at 30 June 2017 the Parent had 118,909 shares assigned to the liquidity agreement and 1,314,936 treasury shares, making a total of 1,433,875 securities (equal to EUR 2,538 thousand according to the market value at 30 June 2017), which is therefore below the maximum limit of 10% of share capital established for companies listed on the stock market with regard to holding treasury shares.

10.2. Equity of the Parent

The equity of the Parent amounted to EUR 134,106 at 30 June 2017 (EUR 99,348 thousand at 31 December 2016).

11. Trade and other payables

The detail of "Trade and other payables" at 30 June 2017 and 31 December 2016 is as follows:

	30/06/2017	31/12/2016
Payable to related parties (Note 19)	1,337,077	946,987
Trade and other payables	13,666,748	12,421,218
Total	**15,003,825**	**13,368,205**

At 30 June 2017, EUR 1,317 thousand of the balance under "Payable to related parties" correspond to the amount payable arising from the construction work and other services provided by companies that form part of the Rayet Group (see Note 20).

12. Borrowed funds

12.1. Bank borrowings

The detail of the Group's bank borrowings at 30 June 2017 and at 31 December 2016 is as follows:

	30/06/2017		31/12/2016	
	Current	Non-current	Current	Non-current
Mortgage loans	164,683,905	13,657,912	176,314,416	13,784,206
Credit facilities	8,399,830	-	3,645,022	-
Interest	6,859,396	-	12,040,803	-
Total	**179,943,131**	**13,657,912**	**192,000,241**	**13,784,206**

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

Movements of bank borrowings in first half 2017

The table below summarises the changes under this heading in the first semester of 2017:

Balance at 31 December 2016	**205,784,447**
Drawdowns	4,892,338
Repayments at maturity	(7,708,197)
Cancellations due to debt reductions	(10,319,911)
Cancellations due to sales and payments in kind	(738,470)
Accrued interest	1,755,504
Adjustments to liabilities at fair value	(64,668)
Balance at 30 June 2017	**193,601,043**

Drawdowns

The drawdowns relate to amounts granted by land and developer loans and for the line of credit with funds managed by Avenue Europe International Management, L.P ("Avenue"). The drawdowns proceeding for this line amount EUR 1,788 thousand as per 30 June 2017.

Repayments at maturity

- EUR 7.2 million of advance payment to Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB), associated to the capital increase made in March 2017.

- EUR 0.4 million of interest payment corresponding to a novated financial debt.

- EUR 0.1 million as payment for maturities corresponding to the financing of an investment property .

Cancellations due to debt reductions

- EUR 10.0 million of Capital and interest of SAREB relating to the advanced payment detailed above.

- EUR 0.3 million related to commercial agreements of sale of stock and other agreements of novated debt.

Cancellations due to sales and payments in kind

- EUR 0.7 million corresponding to the debt attached to the stock sold in first half 2017 and a payment in kind agreed with a financial entity.

Interest accrued

- EUR 1.8 million. Interests corresponding to the financial debt for the first half of 2017. The interest for the whole debt are accrued independently of the fact that they could be eventually be cancelled according to the debt reduction agreements.

Adjustments to liabilities at fair value

Adjustment of the value of debt with limited recourse.

Bank debt structure at 30 June 2017

The structure of the bank debt at 30 June 2017, which amounts to EUR 193,6 million, is as follows:

- Debt in the amount of EUR 30.6 million corresponding to four institutions that have limited recourse agreements in force and, therefore, the Quabit Group may cancel the debt by delivering the assets provided as collateral. The carrying amount of the assets securing this debt (mainly inventory) is EUR 42.2 million.

  The Group is currently in the process of cancelling its debt with three of these institutions through the delivery of assets.

  With regard to the remaining institution, new terms and conditions are being negotiated which, while maintaining the resource limitation, would allow the assets provided as collateral to be developed, taking into account the current favourable performance of the real estate sector.

- The debt with Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB) in the amount of EUR 141.4 million will be cancelled through payments totalling EUR 94.6 million. The discounts associated with this payment schedule will be consolidated to the extent that the maturities are met. The table below includes the schedule of ordinary payments:

Maturity	**Repayment (Thousands of euros)**
31 July 2018	1,909
31 July 2019	7,000
31 July 2020	10,000
31 July 2021	15,000
31 July 2022	60,659
TOTAL	**94,568**

  The Parent must allocate the net amounts received because of the following to the early repayment of this financial debt: 20% of operating cash for each financial year; and 20% of the amounts received in connection with any capital increase with monetary contributions. A payment related to the capital increase described in Note 10.1 has been made in 2017.

- A payment schedule for the bank debt hold with three financial entities amounting to EUR 6.7 million has been agreed, so that an associated discount of EUR 1.0 million will be of application. The discounts associated with this payment schedule will be consolidated to the extent that the maturities are met.

- The debt amounting to EUR 14.9 million, corresponding to the loans secured with stock of finished goods, will be cancelled with the sale of the housing units provided as collateral. In the case of the sales of stock, this will be based on certain sale prices that enable the debt associated with the asset to be cancelled in full even when it is greater than the sale price obtained.

Maturity of bank debt

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

(Thousand Euro)	Year of maturity 2017	2018	2019	2020 and subsequent years	Total
Debt with limited recourse agreements	30,606	-	-	-	**30,606**
Discounts associated to the schedule of payments	124	1,241	3,599	42,910	**47,874**
Debt to be cancelled by sales of assets	4,976	7,748	2,145	-	**14,869**
Debt to pay with cash flow generated	1,052	2,632	7,612	88,956	**100,252**
Total Bank debt	**36,758**	**11,621**	**13,356**	**131,866**	**193,601**

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

Maturities and associated discounts scheduled for 2020 and thereafter are concentrated on 2022 with an amount of EUR 60,659 thousand that year.

Additional information on bank debt

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

12.2. Line of credit with funds managed by Avenue Europe International Management, L.P ("Avenue")

On 28 December 2016, the Parent entered into a line of credit agreement for up to EUR 60 million with certain funds managed by Avenue.

The most significant terms of this agreement are as follows:

- The drawdowns on this line of credit will finance 70% of the amount of the land acquisitions. The remaining 30% will be financed by Quabit.

- The drawdowns must be made within the first year of the agreement, with the funds drawn down at maturity of the line of credit returned after four years and the possibility of: (i) making early repayments, and (ii) reusing the funds to make new investments, which may increase the actual amount of the aforementioned line of credit to eighty-five million euros (EUR 85,000,000).

- An investee, which will be indirectly wholly owned by Quabit, will be incorporated for each of the projects finance. The ownership interest in this company will be the guarantee for the loans, and the land will be available for the bank financing of the development.

- Interest rate: Interest will be accrued at an annual rate of 16% on the amount drawn down, which may be paid upon maturity of the loan.

- The companies may obtain bank financing on the land acquired at mortgage market rates, which would considerably reduce the cost of the financing and could significantly increase the financing capacity of the agreement.

- Warrants: Warrants on Quabit shares will be granted in favour of said funds managed by Avenue, which will enable Quabit to reach up to 6% of its share capital through the subscription of new shares in various tranches: (i) the average subscription price would be EUR 3.25/share during the first two years of the agreement, and (ii) the average price would be EUR 3.75/share during the last two years of the agreement. The use of the different tranches of warrants is conditional on the amount drawn down from the line of credit. Total disposals of the line of credit up to 30 June 2017 amounts to EUR 1,788 thousand, so that the minimum has not yet reached and the warrants are nor effective for execution at that time.

12.3. Other non-trade payables

The detail of the Group's other non-trade payables at 30 June 2017 and 31 December 2016 is as follows:

	30/06/2017		31/12/2016	
	Current	**Non-current**	**Current**	**Non-current**
Payable to related companies: Other loans (Note 20)	420,034	167,247	381,221	858,193
Loans from third parties	292,873	-	93,446	-
Deposits and guarantees	2,472,434	56,022	2,472,434	62,403
Total	**3,185,341**	**223,269**	**2,947,101**	**920,596**

Main variation occurs in "Payable to related companies: Other loans" , due to the payment of a debt attached to a land acquired in Guadalajara (Note 20).

13. Tax receivables and payables

The detail of the tax receivables and tax payables at 30 June 2017 and 31 December 2016 is as follows:

Receivables	**30/06/2017**	**31/12/2016**
Income tax	2,809	9,484
VAT	2,527,955	64,956
Withholdings	79	76
Other	77,900	75,854
	2,608,743	**150,370**

Payables	**30/06/2017**	**31/12/2016**
Income tax	300,414	692,498
VAT	2,673,689	6,102,464
Social security costs	48,729	44,453
Withholdings	89,626	105,524
	3,112,458	**6,944,939**

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

The balance of income tax payable relates to the outstanding balance of the deferred amount of income tax for 2006 of a company absorbed by the Parent in 2008. VAT payable included at 31 December 2016 a deferred amount of EUR 5,770 thousand. The balance due to this concept at 30.06.2017 amounts to EUR 2,528 thousand. The payment schedule established in the concession authorisation includes the cancellation of this debt at the end of 2017.

The reduction in tax payables corresponds mainly to the reduction in the amount payable in relation to deferred taxes as a result of the payments made in 2017 in accordance with the schedule of the deferrals granted.

14. Deferred taxes

14.1. Deferred tax liabilities

Main component of the Deferred tax liabilities of Consolidated Balance Sheet at 30 June 2017 and 31 December 2016 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 2017 and of their corresponding impairment corrections.

14.2. Deferred tax assets

Some EUR 31.8 million of deferred taxes at 30 June 2017 correspond to tax assets, of which EUR 30 million come from the Parent.

This is a minor amount of the credit of the Parent in concept of tax income. Total credits for this concept come not only from tax losses carry forward but also from other temporary or permanent adjustments pending to register.

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

Amounts in millions of euros	**31/12/2016**
Tax losses carry forward of the Tax Group	514
2008 merger difference not allocated to assets yet to be adjusted	211
2008 merger difference allocated to assets yet to be reversed	8
Non-deductible finance costs of the tax group	67
	800

The tax assets that may potentially be recognised for all taxes calculated at a tax rate of 25% (applicable as of 2016 according to that set forth in Corporate Income Tax Law 27/2014, of 27 November) amounted to EUR 200 million, of which the Group had recognised EUR 31.8 million as assets.

15. Provisions for contingencies and charges

The detail, by nature, of provisions and other current and non-current liabilities at 30 June 2017 and 31 December 2016 is as follows:

	30/06/2017		**31/12/2016**	
	Other current liabilities	**Long-term provisions for contingencies and charges**	**Other current liabilities**	**Long-term provisions for contingencies and charges**
By nature:				
Provisions for litigation and third-party liability	1,633,789	1,549,810	1,659,051	1,673,590
Provisions for other liabilities	3,504,244	-	2,997,744	-
	5,138,033	**1,549,810**	**4,656,795**	**1,673,590**

15.1. Provisions for litigation and third-party liability

The changes in "Provisions for contingencies and charges" in first half of 2017 and year 2016 in the epigraph Provisions for litigations and third-party liability" are as follows:

	Current	Non-current
At 31 December 2015	**2,208,243**	**3,720,082**
Transfers to the consolidated income statement	302,901	-
Recoveries of provisions and other liabilities	(830,369)	(29,000)
Transfers from non-current to current	419,899	(419,899)
Amount used	(441,623)	(1,597,593)
At 31 December 2016	**1,659,051**	**1,673,590**
Transfers to the consolidated income statement	-	-
Recoveries of provisions and other liabilities	-	-
Transfers from non-current to current	-	-
Amount used	(25,262)	(123,780)
At 30 June 2017	**1,633,789**	**1,549,810**

The provisions recognised at 30 June 2017 and 31 December 2016 and 2015 correspond to the estimated amount required for probable third-party liabilities and losses, none of which have significant individual amounts, the exact amount and date of payment of which cannot be determined. The provision is made using the best estimates at the time the potential obligation becomes known, based on independent expert legal reports to hedge any risks arising from the real estate activities carried out by the Group in various projects.

15.2. Provisions for other liabilities

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

Additionally, this concept includes, at 30 June 2017 amounting to EUR 427 thousand, the negative impact expected for the existing commitment of selling the shares that the Group holds in the company Mediterránea de Actuaciones Integradas. Such commitment is pending to execute at the time in which these Interim Financial Statements are being issued.

16. Guarantees

At 30 June 2017, the guarantees provided to the Group by financial institutions in relation to municipal councils, individuals and private companies amounted to EUR 17.103 thousand (EUR 9,345 thousand at 31 December 2016). EUR 4,172 thousand of that amount refers to guarantees provided to the customers for covering the prepayments made related to transactions of sales of houses.

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

	30/06/2017	31/12/2016
Guarantees provided to Group companies by the Parent	4,418,116	4,418,116
Guarantees provided to third parties	4,897,500	8,738,800
	9.315,616	**13,156,916**

The guarantees provided at 30 June 2017 to Group companies by the Parent include EUR 3,878 thousand relating to guarantees provided to subsidiaries (EUR 3,878 thousand at 31 December 2016) and EUR 540 thousand provided to associates and joint ventures (EUR 540 thousand at 31 December 2016). All guarantees relate to credit facilities and loans.

Lastly, the guarantees provided by the Group to third parties as collateral for certain transactions amounted to EUR 716 thousand (EUR 716 thousand at 31 December 2016).

17. Operating income and expenses

a) Net turnover

The detail of the Group's Net turnover at 30 June 2017 and 2016 is as follows:

	30/06/2017	30/06/2016
Land sales	2,164,003	-
Sale of building constructions	464,100	20,872,351
Property rental	190,134	196,710
Services provided	-	3,777
	2,818,237	**21,072,838**

EUR 12,073 thousand in 2016 corresponding to the sale of building constructions related to sales for the cancellation of debt with a financial institution. There are not operations of this kind in the sale of building constructions in year 2017.

b) Other operating income

"Other operating income" in the consolidated income statement includes mainly the amount of the debt reductions applied in executing the agreements with financial institutions, either through the application of the portion corresponding to the maturity schedules or the debt reduction associated with the sale of assets.

c) Other operating expenses

The detail of the Group's other operating expenses at 30 June 2017 and 2016 is as follows:

	30/06/2017	30/06/2016
Leases	199,726	219,972
Professional services	1,016,269	598,035
Other professional services	250,494	359,679
Advertising and publicity	430,635	414,967
Taxes other than income tax	1,731,232	593,827
Repairs and maintenance	45,152	82,004
Insurance premiums	180,612	180,176
Utilities and supplies	55,657	61,321
Other	1,058,494	254,219
	4,968,271	**2,764,200**

d) Staff costs

The detail of "Staff costs" is as follows:

	30/06/2017	30/06/2016
Wages and salaries	1,267,213	903,868
Employer social security costs	233,418	197,037
Remuneration of directors (Note 19)	920,508	420,000
Other employee benefit costs	32,356	83,441
	2,453,495	**1,604,346**

18. Finance income and costs

Financed Income decrease EUR 2,548 thousand when compared with the first half of 2016, due to the fact that the balance for 2016 included a income proceeding of the purchase of a loan to the subsidary Residencial Nuevo Levant, which was granted by its minority shareholder.. This acquisition meant a financial income amounting to EUR 2,728 thousand. Financial income at 30 June 2017 include mainly the capitalization of financial expenses associated to the work in progress.

The decrease in the financial costs by an amount of EUR 606 thousand is due to the reduction in financial debt compared to that of first half 2016..

19. 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 10.1).

	30/06/2017	30/06/2016
Profit attributable to shareholders of the Parent according to the accompanying consolidated income statement	(3,521,973)	(3,297,800)
Weighted average number of shares outstanding	64,090,608	50,431,092
Basic earnings per share (euros)	**(0.055)**	**(0.065)**

(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. At 30 June 2017 and 31 December 2016, there were no dilutive effects on basic earnings per share.

20. 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 2017

	Grupo Rayet, S.A. and Subsidiaries	Joint Arrangements and UTE´s	Associates	Key personnel	Total
ASSETS					
Non-current financial assets (Note 6)	3,101,600	-	-	-	**3,101,600**
Current financial assets (Note 6)	4,721	48,960,763	8,438,524	-	**57,404,008**
Trade receivables (Note 8)	720	-	-	-	**720**
	3,107,041	**48,960,763**	**8,438,524**	-	**60,506,328**
LIABILITIES					
Non-current financial liabilities (Note 12.3)	167,247	-	-	-	**167,247**
Current financial liabilities (Note 12.3)	107,281	1,027	77,500	234,226	**420,034**
Trade and other payables (Note 11)	1,317,077	-	-	20,000	**1,337,077**
	1,591,605	**1,027**	**77,500**	**254,226**	**1,924,358**

BALANCES WITH RELATED COMPANIES AT 31 DECEMBER 2016

	Grupo Rayet, S.A. and Subsidiaries	Joint Arrangements and UTE´s	Associates	Key personnel	Total
ASSETS					
Non-current financial assets (Note 6)	3,089,596	-	-	-	**3,089,596**
Current financial assets (Note 6)	-	48,965,925	8,436,444	-	**57,402,369**
Trade receivables (Note 8)	720	-	-	-	**720**
	3,090,316	**48,965,925**	**8,436,444**	-	**60,492,685**
LIABILITIES					
Non-current financial liabilities (Note 12.3)	858,193	-	-	-	**858,193**
Current financial liabilities (Note 12.3)	107,281	1,028	-	272,912	**381,221**
Trade and other payables (Note 11)	808,269	-	-	138,718	**946,987**
	1,773,743	**1,028**	**-**	**411,630**	**2,186,401**

The transactions performed with related parties in the first half of 2017 and 2016 are as follows:

30 June 2017

In euros	**Grupo Rayet, S.A. and Subsidiaries**	**Joint Arrangements and UTE´s**	**Associates**	**Key management personnel**	**Total**
Purchases and other expenses:	7,654,529	**-**	**-**	24,600	**7,679,129**
Procurements	*7,507,772*	-	-	-	***7,507,772***
Other operating expenses (Note 17)	*115,104*	-	-	*24,600*	***139,704***
Non-current asset acquisitions	*31,653*	-	-	-	***31,653***
Finance costs (Note 18)	6,279	-	-	-	**6,279**
Remuneration paid to directors (*)	-	-	-	920,508	**920,508**
Remuneration paid to management personnel	-	-	-	551,655	**551,655**

(*) This amount includes EUR 200 thousand as an estimate of the variable remuneration linked to the fulfilment of objectives. The evaluation of the fulfilment is made in yearly basis.

30 June 2016

In euros	**Grupo Rayet, S.A. and Subsidiaries**	**Joint Arrangements and UTE´s**	**Associates**	**Key management personnel**	**Total**
Purchases and other expenses:	1,015,079	**-**	**-**	75,800	**1,090,878**
Procurements	*841,806*	-	-	-	***841,806***
Other operating expenses (Note 17)	*173,272*	-	-	*75,800*	***249,072***
Remuneration paid to directors	-	-	-	460,000	**460,000**
Remuneration paid to management personnel	-	-	-	286,712	**286,712**

Related party balances

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

Grupo Rayet, S.A.U. and Subsidiaries

Non-current financial assets

Non-current financial assets decrease as the consequence of the payment of the debt attached to a land in which the Group is currently working in a development.

Trade and other payables

The increase of the balance arise from the invoices pending of payment corresponding, mainly, to construction works executed by Rayet Construcción, S.A.

Transactions with related parties in 2017

Grupo Rayet, S.A.U. and Subsidiaries

Procurements: This amount relates to the acquisition of two lands in Alovera (Guadalajara), the progress billings for 2017 in relation to two developments and to the repair on several developments

Other operating expenses: these relate to computer, advertising and office cleaning services provided according to the agreements with subsidiaries of Grupo Rayet, S.A.U.

Key management personnel

Other operating expenses: These expenses refers to services provided by a company related with one of the managers of the Parent.

Obligations to Grupo Rayet, S.A.U. and Subsidiaries

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

- Two construction contracts with the supply of materials, for the construction of two buildings in Guadalajara: a building with 116 housing units and 24 semi-detached houses. The total budget for the work amounts to EUR 12,508 thousand, of which EUR 4,342 thousand had been invoiced in 2016 (EUR 3,541 Thousand in 2017), so that the value of the works pending to be executed amounts to EUR 8,166 thousand.

- Several agreements for providing computer and office cleaning services for a yearly total amount of EUR 186 thousand.

21. Contingencies

There has not been any significative variation in 2017 for the contingencies described in Note 29 of the Consolidate Financial Accounts for 2016.

22. Events after the reporting period

Bonus issue charged to reserves:

On 6 July 2016 the Board of Directors resolved to increase share capital with a charge to reserves by virtue of that agreed upon at the Annual General Meeting of 14 April 2016.

The shareholders of the Parent at the General Meeting hold on 28 June 2017 resolved, among other issues, to increase the Company's share capital with a charge to reserves through the issue and listing of shares of the same class and series which will be freely allocated to the shareholders, in the proportion of one free share for every 20 existing shares, up to a maximum of 3,680,090 new shares. After the period of negotiating the issue rights (5 to 19 Jully) the total number of shares assigned has been 3,677,871, which supposes a capital increase amounting to EUR 1,838,935.5. On 27 Jully 2017 the Parent executed the public deed for the capital increase resulting from this transaction. Currently the Parent is completing all the requirements for having listed the new shares, which is expected should happen early September.

Significant ownership interests

Mr. Félix Abánades issued one notice, on 14 Jully 2017, with regard to the transfer of voting rights attributed to shares and other transactions involving shares of listed companies. Mr. Abánades reported in this notice the sale of 200,000 shares owned by him indirectly through the company Rayet Construcción, S.A. The sharholding of Mr. Abánades after this notice is 20.95%.

Termination of liquidity contract

Quabit has published a Significant event on 10 Jully 2017 in which notifies the termination, on mutual agreement by the parties, of the liquidity contract with Renta4 Banco, S.A.

Acquisitions of land

During Jully 2017 the Group has completed the following transactions of acquisitions of land:

On the one hand, an agreement has been signed for the acquisition of a land ready to build in Guadalajara, with 7,278 square meters buildable for promoting 70 houses.

On the other hand, it has been signed the public deed for the acquisition of two lands in which a private agreement existed at 30 June 2017. The prepayments made were included in the epigraph "Advances to Suppliers" of Inventory (Note 7) for an amount of EUR 903 thousand. The pending to pay amount at 30 June 2017 for this operation was EUR 12,922 thousand.

Transfers of treasury shares

The Parent has transferred 1,111,111 treasury shares to Inmobiliaria Guadalmedina, S.A (IGSA) in fulfilment of the agreement for payment of debt reached with that company on August 2016. The transfer is made as payment in kind of an amount of EUR 2,500,000.

Appendix I

Subsidiaries included in the scope of consolidation

Denominación Social	Registered office	Direct ownership interest	Indirect ownership interest	Consolidation method	Company holding the interest
Quabit Inmobiliaria Internacional, S.L.	Madrid	99.56%		a	(i)
Grupo Mediterráneo Costa Blanca, S.L.U.	Madrid	100.00%		a	(i)
El Balcón de las Cañas, S.L.U.	Madrid	100.00%		a	(i)
Residencial Nuevo Levante, S.L.U.	Valencia	100.00%		a	(i)
Quabit Comunidades, S.L.	Madrid	60.00%		a	(i)
Parque Las Cañas, S.L.U.	Madrid	100.00%		a	(i)
Iber Activos Inmobiliarios, S.L.	Madrid	97.16%		a	(i)
Bulwin Investments SOCIMI, S.A.	Madrid	100.00%		a	(i)
Quabit Quality Homes, S.L.U.	Madrid	100.00%		a	(i)
Quabit Premier, S.L.U.	Madrid		100.00%	a	(ii)
Quabit Assets, S.A.	Madrid	100.00%		a	(i)
Quabit Sant Feliu, S.L.U.	Madrid		100.00%	a	(ii)
Quabit Casares, S.L.U.	Madrid	100.00%		a	(i)
Quabit Aguas Vivas, S.L.U.	Madrid	100.00%		a	(i)
Global Quabit, S.L.U.	Madrid	100.00%		a	(i)
Quabit Alcarria, S.L.U.	Madrid		100.00%	a	(iii)
Quabit Distrito Centro, S.L.U.	Madrid		100.00%	a	(iii)
Quabit Corredor del Henares, S.L.U.	Madrid		100.00%	a	(iii)
Quabit Moncloa, S.L.U.	Madrid		100.00%	a	(iii)
Quabit Sureste, S.L.U.	Madrid		100.00%	a	(iii)
Quabit Hortaleza, S.L.U.	Madrid		100.00%	a	(iii)
Quabit Remate, S.L.U.	Madrid		100.00%	a	(iii)

Consolidation method

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

Line of business

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

Company holding the interest

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

Appendix II

Associates included in the scope of consolidation

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

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

(**) Company in liquidation

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

Company holding the interest

(i) Quabit Inmobiliaria, S.A.

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

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

Auditor:

C Company not audited since it is not mandatory.

Stock exchange quotation

None of these companies is listed in stock exchange markets

Appendix III

Joint arrangements included in the scope of consolidation

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

(*) Company in liquidation.

Consolidation method

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

Line of business

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

Auditor:

C Company not audited since it is not mandatory.

Stock exchange quotation

None of these companies is listed in stock exchange markets

Appendix IV

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

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

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