REALIA BUSINESS, S.A. AND INVESTEES

Consolidated Financial Statements and Management Report for the year ended 31 December 2020

REALIA BUSINESS S.A. AND SUBSIDIARIES (REALIA GROUP)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

(Thousands of Euros)

ASSETS		**31/12/2019**			**31/12/2019**
NON-CURRENT ASSETS			**EQUITY (Note 16):**		
Intangible assets (Note 8)	78	77	Share capital	196,864	196,864
Property plant and equipment (Note 9)	2,309	2,468	Share premium	528,492	528,492
Property investment (Note 10)	1,464,118	1,483,546	Reserves	317,618	272,757
Investments in associates (Note 11)	48,602	50,283	Less: Treasury shares	(7,526)	(3,277)
Non-current financial assets (Note 14.2)	11,500	-	Valuation adjustments	(1,810)	(2,490)
Deferred tax assets (Note 21)	116,709	115,044	Total equity attributable to the Parent	2,113	44,877
Other non-current assets (Note 14.3)	9,784	9,207	**Total equity attributable to the Parent**	**1,035,751**	**1,037,223**
			Non-controlling interests (Note 17)	**238,033**	**243,128**
Total non-current assets	**1,653,100**	**1,660,625**	**Total Equity**	**1,273,784**	**1,280,351**
			NON-CURRENT LIABILITIES		
			Long-term provisions (Note 18)	12,034	11,636
			Non-current financial liabilities (Note 19):		
			Bank borrowings	528,061	559,511
			Derivatives	5,530	6,900
			Other non-current financial liabilities	11	30
			Deferred tax liabilities (Note 21)	172,262	173,470
			Other non-current liabilities (Note 20.a)	17,096	16,705
			Total non-current liabilities	**734,994**	**768,252**
CURRENT ASSETS			**CURRENT LIABILITIES**		
Inventories (Note 13)	339,373	342,960	Short-term provisions (Note 18)	379	909
Trade and other receivables (Note 14.1)			Current financial liabilities (Note 19):		
Trade receivables for sales and services	6,914	5,859	Bank borrowings	41,358	27,331
Other receivables	5,136	4,388	Derivatives	2,403	2,553
Current tax assets (Note 21)	4,659	5,331	Other current financial liabilities	3,517	4,831
Other current financial assets (Note 14.2)	4,848	20,276	Trade and other payables (Note 20.b)		
Other current assets (Note 14.3)	4,885	4,664	Payable to suppliers	14,043	13,566
Cash and cash equivalents (Note 15)	74,822	75,895	Other payables	21,409	20,589
Total current assets	**440,637**	**459,373**	Current tax liabilities (Note 21)	591	623
			Other current liabilities (Note 20.d)	1,259	993

			Total current liabilities	**84,959**	**71,395**
TOTAL ASSETS	**2,093,737**	**2,119,998**	**TOTAL EQUITY AND LIABILITIES**	**2,093,737**	**2,119,998**

Notes 1 to 30 described in the Financial Statements and Appendices are an integral part of the consolidated statement of financial position as at 31 December 2020.

REALIA BUSINESS, S.A. AND SUBSIDIARIES (REALIA GROUP)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR 2020

(Thousands of Euros)

	2020	2019
Revenues (Note 23.a)	85,893	76,104
Other operating income (Note 23.b)	18,394	18,805
Excess provisions	149	-
Changes in inventories of finished goods and work in progress (Note 13)	12,977	26,871
Procurements (Note 23.c)	(31,313)	(38,816)
Employee costs (Note 23.d)	(5,477)	(6,478)
Other operating expenses (Note 23.c)	(28,431)	(29,073)
Variation in operating provisions (Note 23.j)	(14,411)	11,521
Profit or loss on disposals of investment property (Note 10)	-	2,121
Provision for amortization (Notes 8 and 9)	(303)	(327)
Profit or loss on disposals of fixed assets (Note 10)	(6)	(75)
Other profits/losses	(120)	(3)
PROFIT (LOSS) FROM OPERATIONS	**37,352**	**60,650**
PROFT (LOSS) FROM VARIATION OF PROPERTY INVESTMENT (Notes 4.y,10 and 23.f)	**(24,627)**	**30,772**
Finance income (Note 23.g)	10,610	1,188
Finance costs (Note 23.g)	(15,741)	(15,633)
Changes in fair value of non-current financial instruments	524	432
Exchange rate differences	-	428
Impairment and gains or losses on disposals of financial instruments (Notes 23.g and 23.i)	-	110
FINANCIAL PROFIT/LOSS	**(4,607)**	**(13,475)**
Result of companies consolidated using the equity method (Notes 11 and 23.e)	(472)	2,555
Impairment loss	2	-
EARNING BEFORE TAXES	**7,648**	**80,502**
Income tax (Note 21)	(1,596)	(20,322)
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**6,052**	**60,180**
CONSOLIDATED EARNINGS FOR THE YEAR	**6,052**	**60,180**
Attributable to:		
Shareholders of the Parent (Note 23.h)	**2,113**	**44,877**
Non-controlling interests (Note 17)	**3,939**	**15,303**
Earnings per share:		

From continuing operations (€/share)		
Basic	**0.003**	**0.055**
Diluted	**0.003**	**0.055**

The accompanying Notes 1 to 30 described in the Annual Report and Appendices are an integral part of the consolidated statement of profit and loss at 31 December 2020.

REALIA BUSINESS, S.A. AND SUBSIDIARIES (REALIA GROUP)

CONSOLIDATED STATEMENT OF REVENUES AND EXPENSE FOR 2020

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(Thousands of Euros)

	2020	2019
CONSOLIDATED RESULT FOR THE YEAR (from profit and loss account)	**6,052**	**60,180**
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that can be reclassified to the profit and loss account in subsequent years:		
Arising from cash flow hedges (*)	(1,641)	(6,509)
Translation differences	(61)	(87)
Tax effect	410	1,627
	(1,292)	**(4,969)**
TRANSFER TO THE PROFIT AND LOSS ACCOUNT		
Arising from cash flow hedges	2,629	2,698
Translation differences	-	(428)
Tax effect	(657)	(674)
	1,972	**1,596**
Other comprehensive income that will not be reclassified to the profit and loss account in subsequent years (net of taxes):		
Asset revaluation		-
Tax effect		-
		-
TOTAL RECOGNISED INCOME AND EXPENSES	**6,732**	**56,807**
A) Attributable to the Parent	**2,793**	**41,504**
B) Attributable to non-controlling interests	**3,939**	**15,303**

The accompanying Notes 1 to 30 described in the Annual Report and Appendices are an integral part of the consolidated statement of profit and loss at 31 December 2020.

REALIA BUSINESS S.A. AND SUBSIDIARIES (REALIA GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY IN 2019

	Thousand Euros											
	Share capital (Note 16)	**Share Premium (Note 16)**	**Reserves of the Parent (Note 16)**	**Treasury Shares (Note 16)**	**Consolidation Reserves (Note 16)**	**Hedges**	**Translation Differences**	**Asset revaluation (Note 10)**	**Result for the year (Note 3)**	**Equity attributable to shareholders of the Parent**	**Non-controlling Interests (Note 17)**	**Total Equity**
Balances as at 31 December 2018	**196,864**	**528,492**	**(143,692)**	**(1,566)**	**376,388**	**(3,109)**	**(1,075)**	**5,067**	**40,159**	**997,528**	**235,978**	**1,233,506**
Income and expenses recognized in the year	**-**	**-**	**-**	**-**	**-**	**(2,858)**	**(515)**	**-**	**44,877**	**41,504**	**15,303**	**56,807**
Allocation of 208 result												
To reserves	-	-	5,110	-	35,049	-	-	-	(40,159)	-	-	-
To dividends	-	-	-	-	-	-	-	-	-	-	(2,123)	(2,123)
Interim dividends	-	-	-	-	-	-	-	-	-	-	(6,030)	(6,030)
Capital increases and reductions (Note 16)	-	-	(90)	-	(4)	-	-	-	-	(94)	-	(94)
Treasure shares transactions	-	-	-	(1,171)	-	-	-	-	-	(1,711)	-	(1,711)
Other	-	-	-	-	(4)	-	-	-	-	(4)	-	(4)
Balances as at 31 December 2019	**196,864**	**528,492**	**(138,672)**	**(3,277)**	**411,429**	**(5,967)**	**(1,590)**	**5,067**	**44,877**	**1,037,223**	**243,128**	**1,280,351**
Income and expenses recognized in the year	**-**	**-**	**-**	**-**	**-**	**741**	**(61)**	**-**	**2,113**	**2,793**	**3,939**	**6,732**
Allocation of 2019 result												
To reserves	-	-	3,343	-	41,534	-	-	-	(44,877)	-	-	-
To dividends	-	-	-	-	-	-	-	-	-	-	(1,970)	(1,970)
Interim dividends	-	-	-	-	-	-	-	-	-	-	(7,063)	(7,063)
Capital increases and reductions	-	-	-	-	-	-	-	-	-	-	-	-
Treasure share transactions	-	-	(6)	(4,249)	-	-	-	-	-	(4,255)	-	(4,255)
Changes in scope of consolidation	-	-	-	-	(8)	-	-	-	-	(8)	-	(8)
Other	-	-	(1)	-	(1)	-	-	-	-	(2)	(1)	(3)
Balances as at 31 December 2020	**196,864**	**528,492**	**(135,336)**	**(7,526)**	**452,954**	**(5,226)**	**(1,651)**	**5,067**	**2,113**	**1,035,751**	**238,033**	**1,273,784**

The accompanying Notes 1 to 30 described in the Consolidated Financial Statements and Appendices are an integral part of the consolidated statement of profit and loss of 2020

REALIA BUSINESS, S.A. AND SUBSIDIARIES (REALIA GROUP)
CONSOLIDATED STATEMENT OF CASH-FLOWS FOR 2020
(Thousands of Euros)

	2020	2019
Profit/loss before tax	**7,648**	**80,502**
Adjustments to profit/loss	**44,395**	**(33,142)**
a) Depreciation and amortization charge (Notes 8 and 9)	303	327
b) Other adjustments to profit and loss	44,092	(33,469)
1. Valuation adjustments due to impairment	24,627	(30,772)
2. Adjustments in provisions	14,411	(11,521)
3. Financial revenues (Note 23.g)	(10,610)	(1,188)
4. Financial expenses (Note 23.g)	15,741	15,633
5. Profit/loss from companies using the equity method	472	(2,555)
6. Other	(549)	(3,066)
Changes in working capital:	**(11,560)**	**3,665**
a) Inventories, trade and other receivables and other current assets (Notes 13 and 14)	(13,122)	(7,453)
b) Trade and other payables and other current liabilities (Note 20)	1,562	11,118
Other cash flows from operating activities:	**(2,854)**	**(6,449)**
a) Dividends received (Note 11)	1,210	1,683
b) Income tax recovered/paid	(4,085)	(8,194)
c) Other amounts received/paid relating to operating activities	21	62
CASH FLOWS FROM OPERATING ACTIVITIES	**37,629**	**44,576**
Payments due to investment:	**(8,102)**	**(30,438)**
a) Property, plant and equipment, intangible assets and property investment (Notes 8, 9 and 10)	(7,490)	(29,220)
b) Other financial assets	(612)	(1,218)
Proceeds from disposals:	**439**	**16,812**
a) Group companies, associates and business units	404	264
b) Property, plant and equipment, intangible assets and property investment (Notes 8, 9 and 10)	-	2,153
c) Other financial assets (Note 14.2)	35	14,395
Other cash flows from investment activities:	**3,105**	**5,522**
a) Interest received (Note 14.2)	258	5,017
b) Other proceeds/payments relating to investing activities	2,847	505
CASH FLOWS FROM INVESTMENT ACTIVITIES	**(4,558)**	**(8,104)**
Proceeds and payments relating to equity instruments:	**(4,249)**	**(1,805)**
a) Issue (Note 16)	-	(94)
b) Acquisition (Note 16)	(4,249)	(1,711)

Proceeds and payments relating to financial liability instruments:	**(10,332)**	**(25,498)**
a) Issue	9,816	21,832
b) Repayment and redemption	(20,148)	(47,330)
Dividends and returns on other equity instruments paid (Note 17)	**(8,107)**	**(8,153)**
Other cash flows from financing activities	**(11,448)**	**(12,609)**
a) Interest paid	(11,751)	(13,151)
b) Other proceeds/payments relating to financial activities	303	542
CASH FLOWS FROM FINANCING ACTIVITIES	**(34,136)**	**(48,065)**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES AND OTHERS	**(8)**	**(10)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(1,073)**	**(11,603)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**75,895**	**87,498**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**74,822**	**75,895**

The accompanying Notes 1 to 30 described in the Consolidated Financial Statements and Appendices are an integral part of the consolidated statement of profit and loss at 31 December 2020.

Consolidated financial statements for the year ended 31 December 2020

1. Activities of the Realia Group

The Group companies and associated companies listed in Appendices I and II engage respectively, mainly in the development and operation of real estate business. At 2020 year-end, these activities are carried out in Spain, Portugal and Romania

The Parent was incorporated on 14 August 1997 as a result of the spin-off of Proyectos y Desarrollos Urbanísticos, S.A. (PRODUSA) into Produsa Este, S.L. and Produsa Oeste, S.L. Its registered office is currently located at Avenida Camino de Santiago 40, in Madrid. On April 13 2000, the Parent became a public limited liability company and changed its name to Realia Business, S.A. on 16 June 2000.

On 5 February 2007, the Annual General Meeting of Shareholders of Realia Business, S.A. resolved to restructure the Group through the incorporation of a new company known as “Realia Patrimonio, S.L.U.”, a single-Director Company, wholly owned by Realia Business, S.A., to which the property management business of the Realia Group was contributed. The disclosures legally required on this operation were explained in detail in the financial statements of the year 2007.

The object and main business of the Parent since its incorporation have been the performance of all activities aimed at the acquisition, disposal, encumbrance, lease, development, construction, urban development, subdivision and operation, by any lawful means, of all manner of rural or urban property assets and rights.

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

The consolidated financial statements for 2020 of the Realia Business Group (hereinafter, “the Realia Group”), which were drawn up from the accounting records kept by the Parent and by the other Realia Group companies included in its scope of consolidation (listed in Appendices I and II), were authorized for issue by the directors of the Parent at the Board Meeting held on 24 February 2021.

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), taking into account all the mandatory accounting principles and rules and measurement bases, so that they present fairly the Realia Business Group’s consolidated equity and financial position as of 31 December 2020 and the results of its operations, the changes in the consolidated equity and the consolidated cash flows in the year then ended.

However, since the accounting policies and measurements bases used in preparing the Group’s consolidated financial statements for 2020 may differ from those used by certain companies of the Group, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards as adopted by the European Union.

In order to uniformly present the various items composing the consolidated financial statements, the accounting policies and measurement bases used by the Parent were applied to all the consolidated companies.

The Group's consolidated financial statements for 2019, drawn up in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (IFRS – EU), were approved by the shareholders at the Annual General Meeting of the Parent held on 2 June 2020. Their shareholders at their respective Annual General Meetings have not yet approved the consolidated financial statements of the Group and the financial statements of the Group entities for 2020. However, the Parent's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

b) Measurement currency

These financial statements are presented in euros since this is the currency of the primary economic environment in which the Group operates. Foreign operations are recognized in accordance with the policies established in Note 4.v.

c) Responsibility for the information and use of estimates

The information contained in these consolidated financial statements is the responsibility of the Directors of the Group's Parent.

In the Group's consolidated financial statements for 2020, senior executives of the Group and the consolidated companies occasionally made estimates, later ratified by the directors in order to quantify certain of the assets, liabilities, income, expenses and obligations reported therein. The estimates refer to the following:

- The fair value of certain unquoted assets (Note 4.d)

- The recoverability of deferred tax assets (Note 4.o)

- The amount of certain provisions (Notes 4.m)

- The fair value of some financial instruments (Notes 4.i and 4.j)

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

The market value on the Group's property assets was calculated based on appraisals conducted by independent valuation experts at 31 December 2020 (Notes 4.c, 4.f, 10 and 13).

Although these estimates were made on the basis of the best information available at 31 December 2020 on the events analyzed, future events might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS8, recognizing the effects of the change on the related consolidated statements of profit and loss.

d) Effects of the COVID-19 pandemic on the activities of the Group

On 11 March 2020, the World Health Organization raised the public health emergency status caused by the outbreak of coronavirus (COVID-19) to an international pandemic. The evolution of events, nationally and internationally, led to an unprecedented health crisis impacting on the macroeconomic environment and the progress of businesses. A number of measures were adopted during 2020 to face the economic and social impact of the situation, including restrictions to personal mobility. Among other measures, the Spanish Government declared the state of alarm through Royal Decree 463/2020 of 14 March that was lifted on 1 July 2020, and approved a number of urgent extraordinary measures to face the economic and social impact of COVID-19 through Royal Decree-Law 8/2020, of 17 of March. At the date of this report, the state of alarm declared by the Spanish Government by means of Royal Decree 926/2020, dated October 25, initially approved until November 9, 2020, and which, by means of Royal Decree 956/2020, dated November 3, has been extended until May 9, 2021, is in force.

The pandemic had the following impacts on the Realia Business Group during 2020:

- Estimate of receivables: the Group has recognized an impairment due to unpaid debts from clients mainly related to the commercial activity (retail premises and shopping centers) for an amount of EUR 904 thousand as a consequence of the Covid-19 crisis. This calculation took into account the amounts defaulted by clients granted a discount on the amount of guarantees and/or collaterals previously agreed with the company.

- Reductions granted to tenants, mainly of retail premises and shopping centers, to mitigate the effect of the close of business during the states of alarm. These amounted to EUR 3.4 Million among the companies of the Realia Group.

- Valuation of investment property: the independent expert conducted the valuations considering the impact of Covid-19 and the restrictions on commercial activity. Their impact of the valuation amounted to EUR 24,627 thousand.

- Valuation of inventories: The Group has collected the estimates of the main impact of Covid-19 (Note 13) through the valuation of inventories conducted by an independent expert. These valuations resulted in the Company recognizing impairment of land and building lots for EUR 13,805 thousand, and EUR 1,575 thousand for works in progress. In view of the exceptional circumstances caused by the global Covid-19 pandemic, the expert believes that there is significant uncertainty about the future evolution of the fair value of the properties appraised, which will depend of the magnitude of the impact of the pandemic on the global economy and the relevant pricing variables.

Even though these estimates were made on the basis of the best information available at year-end 2020, it is possible that future events may make it necessary to modify them (upwards or downwards) in subsequent years, which would be made prospectively, where appropriate.

e) Basis of consolidation

Subsidiaries

The subsidiaries listed in Appendix I, the financial and operating policies of which are controlled by Realia Business S.A., either directly or through other companies controlled by it, were fully consolidated.

The interest of non-controlling shareholders in the equity and profit and loss of the consolidated companies is presented within equity under “Non-controlling interests” in the accompanying consolidated statement of financial position and under “Profit (Loss) for the Year – Attributable to Non-Controlling Interests” in the accompanying consolidated statement of profit and loss, respectively.

Joint ventures

In 2020 and 2019, the Group carried on jointly managed business activities through interests in joint property entities. These entities were included in the accompanying consolidated financial statements on the basis of the percentage share of the assets, liabilities, income and expenses arising from their operations, and any reciprocal receivables and payables and any income, expenses, gains and losses not realized vis-á-vis third parties were eliminated (see Appendix III).

Associates

The companies listed in Appendix II, over which Realia Business, S.A. does not exercise control but rather has a significant influence, are included under “Investment in Associates” at their underlying carrying amount of the ownership interest updating its assets at their fair value. The share in after-tax profit and loss for the year of these companies is recognized under “Result of Companies Consolidated Using the Equity Method” in the accompanying consolidated statement of profit and loss.

Transactions between Group companies

Gains or losses on intra-Group transactions between consolidated companies are eliminated and are deferred until they are realized vis-à-vis third parties. The capitalized expenses of the Group work on non-current assets are recognized at production cost, and any intra-Group results are eliminated. Receivables and payables between consolidated Group companies and any intra-Group income and expenses were eliminated. Receivables and payables between the companies included in the scope of consolidation, and internal revenues and expenses within that scope, have been excluded from the consolidated financial statements.

f) First-time consolidation differences

Since 1 January 2004, the date of the Group’s transition to EU-IFRS standards, on acquisition, the assets and contingent liabilities of a subsidiary have been measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. If a deficiency of the acquisition cost below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is disclosed, the measurements of the net assets are reviewed and, where appropriate, the deficiency is credited to profit and loss in the period in which the acquisition is made.

g) Changes in the scope of consolidation

The changes in the scope of consolidation of the Realia Group (comprising Realia Business, S.A. and its subsidiaries) in 2020 and 2019 were as follows:

Inclusions in the scope of consolidation

There were no additions to the scope of consolidation of the Realia Group in 2020 and 2019.

Exclusions from the scope of consolidation

- 2020:

During the General Shareholders' Meeting of Realia Business Unipersonal Lda. held on 30 November, it was decided to dissolve and liquidate the company. On 3 December 2020, these agreements were filed at the Commercial Register and the company was terminated. The exclusion from the scope of consolidation did not have a significant impact, for it was fully provisioned.

- 2019:

In February 2019, the liquidation of the company "Realia Polska Inwestycje" was approved, after the purpose of its activity ended and not having any more property development assets in Poland. The liquidation of the company was effective on 31 December 2019. The exit from the perimeter did not have a significant impact, for it was fully provisioned.

On 10 April 2019, the associate "Ronda Norte Denia, S.L." exited the consolidation perimeter, after the agreement for its dissolution approved by the General Meeting of Shareholders, and the allocation to its partners according to their ownership interest.

h) Balance sheet date

The balance sheet date of the companies of the Realia Group is 31 December.

i) Comparative information

The information contained in the 2019 consolidated financial statements is presented solely for the purpose of comparison with the information on the year ended 31December 2020.

j) Changes in accounting standards

No significant changes have taken place during 2020 regarding the standards applied in 2019.

k) Correction of errors

No errors have been detected in the preparation of the attached consolidated statements that required the restatement of the amounts indicated in the consolidated financial statements of 2019.

3. Allocation of profit and loss of the Parent

The proposed allocation of the loss in 2020 drawn up by the Directors of the Parent Company and pending approval by the General Meeting of Shareholders is the following:

	2020
Negative results from previous years	(9,751)
Total	**(9,751)**

During 2020, the Parent has not paid out interim dividends.

4. Valuation standards

The following accounting policies, standards, and valuation criteria were applied in the preparation of the consolidated financial statements of the Realia Group in 2020:

a) Intangible assets

These are identifiable non-monetary assets that result from a legal transaction or have been conducted by the consolidated entities. These assets are only recognized in the accounts when their cost can be reasonably estimated objectively and from which the consolidated entities expect to make profits in the future.

Intangible assets are initially recognized by their acquisition or production cost and subsequently, are valued at their cost minus, where appropriate, their corresponding accumulated amortization and possible impairment losses.

b) Property, plant and equipment

Property, plant and equipment are valued at their acquisition price or production cost. Some of these assets reflect the effect of the restatement made pursuant to Royal Decree Law 7/1996, dated June 7.

The costs of extensions, upgrades or improvements that represent an increase in productivity, capacity or efficiency, or an extension of the useful life of the assets, are capitalized as a higher cost of these assets.

Maintenance and repair costs that do not represent an extension of the useful life are allocated to the consolidated profit and loss account of the year where they were incurred.

For the assets that need more than one year to be ready for use, capitalized costs include financial expenses accrued before they are ready for use and which have been allocated by the supplier or correspond to loans or other form of borrowing, specific or generic, directly attributable to their acquisition or production.

Depreciation is calculated applying the straight-line method on the cost of acquisition of the assets minus their residual value; the land on which the buildings and other constructions stand are considered to have an indefinite life and are therefore not subject to depreciation.

Annual provisions for the amortization of property, plant and equipment are made against the consolidated profit and loss account according to the years elapsed of the estimated useful life, on average, of their different elements, as follows:

	Depreciation coefficients
Buildings (for rent and for internal use) and other constructions	1% - 4%
Other installations, tooling and fixtures	4% - 25%
Other property, plant and equipment	5% - 25%

The assets in construction meant for production or other purposes to be determined, are recognized at their cost, minus their recognized impairment losses. The cost include professional fees. The cost includes professional fees. The depreciation of these assets, just like that of other property assets, starts when the assets are ready to be used as designed.

c) Property investments

Property investments are recognized at their fair value at year-end, and are not subject to annual depreciation. They refer to the land, buildings and other construction that are maintained to operate them for rent, or to generate a capital gain on their sale as a consequence of the increases of their respective market prices that may occur in the future.

The profit and loss resulting from the variations in the fair value of the property investments are included in the results for the period in which they occur, and recognized under “Variation in the fair value of property investments” of the consolidated profit and loss account. These results are not included in the operating result, since value variations are not directly related to their management.

The transfer of ongoing property investments to property investments takes place when the assets are ready to start operating.

According to IAS 40, the Group determines from time to time the fair value of the property investments so that, at year-end, the fair value reflects the market conditions of the elements of the property investments on that date. Such fair value is determined annually, taking as reference values the valuations from independent experts. The key hypotheses used to determine the fair value of these assets and their sensitivity analysis are explained in Note 10.

d) Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Realia Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is calculated in order to determine the extent of the impairment loss (if any). When the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a loss due to value impairment is subsequently reversed, the carrying amount of the asset (or of the cash-generating unit) is increased by the revised estimate of its recoverable amount, but in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years.

e) Leases

<u>The Group as a lessee</u>

The Group applies a single method for the recognition and valuation of all leases in which it acts as a lessee, except for low value assets and short-term leases.

- *Rights of use*

The Group recognizes the rights of use at the start of the lease; i.e. the date at which the underlying assets is ready to be used. The rights of use are valued at cost minus accumulated depreciation and impairment losses, and are adjusted by any change in valuation of the associated lease liabilities. The initial cost of the rights of use includes the recognized lease liabilities, initial direct costs and the lease payments made before the starting date of the lease. The incentives received are discounted from the initial cost.

The rights of use are amortized on a straight line basis by the lowest between the estimated useful life and the lease term. However, if the Group considers that it is reasonably certain to obtain the property of the leased assets at the end of the lease term or to exercise the purchase option, the rights of use would be amortized according to the useful life of the asset. Rights of use are subject to impairment analysis.

The lease contracts of the Group do not include dismantlement or restoration obligations.

Lease liabilities

At the start of the lease, the Group recognizes lease liabilities at the current value of lease payments to be made during the lease term. Lease payments include fixed payments (including payments that could be considered as variable contractually, but are essentially fixed) minus lease incentives, variable payments that depend on a rate or index and the amounts expected to be paid as residual value guarantees. Variable lease payments not dependent on a rate or index are recognized as expenses in the period the event or the condition that triggered payment took place.

In the calculation of the current value of lease payments, the Group uses the incremental interest rate at the start of the lease if the interest rate implicit in the lease cannot be determined easily. After the start date, the amount of lease liabilities are increased to reflect the accrual of interest and decreased by the lease payments made. Additionally, the lease liabilities will be valued again in case of change in the lease term or a change in the valuation for the purchase of the underlying asset. Liabilities are also increased in case of change in the future lease payments arising from a change in the index or rate used to determine these payments.

- *Short term leases and low value asset leases*

The Group applies the exemption of short-term lease to those leases with a lease term of 12 months or less after the start date and with no purchase option. It also applies the exemption of recognition of low value assets to the lease of low value office equipment. Lease payments for short-term leases and low value asset leases are recognized as straight line expenses during the lease term.

- *Judgements used in the determination of the lease term of contracts with extension option*

The Group determines the lease term as the non-cancellable term of a lease, to which the optional periods of lease extension are added, if it is reasonable to think that the option will be exercised. It also includes the periods covered by the lease termination option, if it is reasonable to think that the option will not be exercised.

By virtue of some of its contracts, the Group has the option of leasing the assets for additional periods of time. The Group assesses whether it is reasonable to think that the extension option will be exercised. In other words, in considers all the relevant factors that generate an incentive to extend the contracts. After the start date, the Group reassesses the lease term if there is a significant event or a change in the circumstances under its control that affects its capacity to exercise the extension option, or not.

The Group as operational lessor

If the contract does not assign substantially all the risks and benefits inherent to the property of the asset, the lease is considered as operational. The revenues generated by the contract are recognized on a straight line basis during the contract and are included as revenues in the profit and loss account in as far as they are of an operational nature. Direct costs incurred upon signing a lease contract are included as the highest value of the leased asset and are amortized during the lease period using the same criterion as that of the revenues. Contingent payments are recognized as revenues in the period in which they are earned.

Asset exchange transactions

“Asset exchange” means the acquisition of property, plant and equipment or intangible assets in exchange for the delivery of other non-monetary assets or of a combination of monetary and non-monetary assets.

As a rule, the asset received in an asset exchange transaction with commercial substance is recognized as the fair value of the asset delivered plus, where appropriate, any monetary consideration paid. The valuation differences that arise on de-recognition of the asset given up in the exchange are recognized in the statement of profit and loss.

An exchange transaction has commercial substance if the configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the assets transferred or if the present value of the after-tax cash flows of the portion of the Company’s operations affected by the transaction changes as a result of the exchange.

Assets received in an exchange that lacks commercial substance are recognized at the carrying amount of the asset given up plus, where appropriate, any monetary consideration paid, up to the limit of the fair value of the asset received if this is lower.

f) Inventories

"Inventories" in the consolidated statement of financial position includes assets that the consolidated companies:

1. Hold for sale in the ordinary course of business

2. Have in the process of production, construction or development for such sale; or

3. Expect to consume in the production process or in the provision of services.

The Group considers that its inventories do not meet the requirements of IAS 40 to be considered as property investments. Consequently, land and other property held for sale or for inclusion in a property development are treated as inventories.

Land and building lots are recognized at acquisition cost, plus any urban development costs, if any, and the costs incurred in connection with the purchase (Property Transfer Tax, registration expenses, etc.) and the financial expenses derived from their financing during the execution of works, or their realizable value, is this is lower. At the start of the development works, the accumulated cost of the land is transferred to "Developments in Progress", and development starts.

"Works in progress" include the costs incurred in homebuilding developments, or part of them, whose construction has not been completed at the end of the year. These costs include the cost of the lot, urban development and construction, financial costs, and other direct and indirect costs that can be charged to them.

The Group companies transfer the accumulated costs of developments that are expected to be completed within twelve months from "Long-Cycle Developments in Progress" to "Short-Cycle Developments in Progress". In addition, the accumulated costs of finished developments (or finished parts of developments) are transferred from "Short-Cycle Developments in Progress" to "Completed Developments".

The cost of land and lots and developments in progress are adjusted to their net realizable value and creating, where appropriate, the corresponding provision for depreciation. In addition, property developments are registered at cost, subtracting where appropriate the necessary provision to reduce them to their estimated realizable value.

The carrying amount of the Group's inventories was adjusted by recognizing the corresponding impairment loss, in order to bring it in line with the market value determined by an independent valuation expert in an appraisal conducted on 31 December 2020, when the fair value was lower than the carrying amount.

On 31 December 2019, TINSA determined the fair value of assets as of December 2019, applying the RICS methodology to the residential asset portfolio, following the agreement of the Board of Directors that changed the valuation methodology ECO to RICS (relevant event dated March 21 2019).

The dynamic residual method is the basic, essential and fundamental method use in the valuation of land and land lots, and it is widely accepted by actors in the real estate sector. However, due to the use of different variables in its operation, the data to be used as variables must be acquired directly from the market, through the instrumental use of the comparison method.

Through the application of the comparison method, the analysis of the real estate market based on specific data produces the comparable data required to apply them as variables within the dynamic residual method. In this selection, the value of the variables that are abnormal has been previously checked, in order to identify and remove those resulting from transactions and offers that do not meet the conditions required by the definition of fair value, and those that may contain speculative elements or contain conditions specific to an specific agent that are removed from the market reality. Once the variables to be used in the dynamic residual method have been defined, determined and specified, the current value of land today is calculated taking into account the future flows associated to the development of the land, both payments and collections, based on an hypothesis on market prices (mainly selling and construction prices) and periods of urban development, construction and sale according to specific circumstances in each case.

In any case, the current situation of the residential market may generate differences between the fair value of the Group's inventories and their effective realizable value.

g) Trade receivables

Trade receivables do not earn interest and are recognized at their nominal value net, where appropriate, of the allowances for estimated unrecoverable amounts.

h) Customer advances

Customer advances received before recognition of the sale on delivery of the property are recognized under "Trade and other payables – Customer advances" on the liability side of the consolidated statement of financial position at year-end.

i) Financial assets

Financial assets are recognized initially at their fair value, and are valued subsequently 1) at their depreciated value, 2) at their fair value with changes on equity, or 3) at their fair value with changes in the result, depending on:

a) the business model of the company to manage financial assets and

b) the characteristics of the contractual cash-flows of the financial asset

An asset must be valued by the amortized cost provided two conditions are met:

a) The financial asset is held within a business model whose purpose is to maintain financial assets to generate the contractual cash-flows
b) The contractual conditions of the financial asset generate, on specific dates, cash-flows that are only payments of principal and interest on the amount of the outstanding principal.

Finally, a financial asset will be measured at fair value with changes in equity when the two following conditions are met:

a) The financial asset is part of a business model whose objective is met attaining contractual cash-flows and selling financial assets, and

b) The contractual conditions of the financial asset give rise, on specified dates, to cash-flows that are only payments of principal and interest on the outstanding principal.

Finally, a financial asset will be measured at fair value with changes in results when the conditions for the application of the amortized cost or at fair value with changes in equity are not met.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost (debt instruments) is the most relevant category for the Group and include trade payables, loans to associated companies and securities.

In this category, the Group measures financial assets at amortized cost, when the two following conditions are met:

- The financial asset is held within a business model whose purpose is to hold these financial assets to collect contractual cash-flows

- The contractual terms of the financial asset generate cash flows on specific dates which are only payments of the principal and interest on the amount of the outstanding principal.

Subsequently, financial assets at depreciated cost are measured using the effective interest method, and are subject to impairment. Profit or loss are recognized under results when the asset is unrecognized, modified or impaired.

Cancellation

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized initially (for example, it is cancelled in the Group's consolidated financial statements) when:

- The rights to receive cash-flows from the asset have expired, or

- The Group has transferred the rights to receive cash-flows from the asset or has assumed the responsibility to pay for all the cash-flows received without delay to a third party under a transfer agreement; and the Group (a) has substantially transferred all risks and benefits of the assets, or (b) has not transferred or substantially retained all the risks and benefits of the asset, but has transferred control over the asset.

When the Group has assigned the rights to receive cash-flows from an asset or has assumed the responsibility to assign them, it assesses whether it has retained the risks and benefit of the asset and to what extent. When it has not transferred substantially all the risks and benefits of the asset and it has not transferred its control, the Group continues to recognize the transferred asset on the basis of its continued involvement in it. In this case, the Group also recognizes the associated liability. The transferred asset and its corresponding liability are valued according to a criterion that reflects the rights and obligations retained by the Group.

When the continued involvement is the result of a warranty over the transferred assets, it is valued at the lower value between the original carrying amount of the asset and the highest amount of the consideration that the Group would have to pay for the warranty.

Impairment of financial assets

The Group applies the simplified expected loss method for financial assets (trade payables, contractual assets and accounts receivable from leases). Therefore, the group does not follow up changes in the credit risk, but rather recognizes a provision for losses based on the expected credit losses for life at each reporting date. The Group calculates the expected loss considering the risk or likelihood of a credit loss, considering the possibility that such loss occurs, and the possibility of not occurring.

j) Financial liabilities and equity

Financial liabilities and equity instruments are classified in accordance with the content of contractual arrangements. Am equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The main liabilities held by the Group companies are held-to-maturity financial liabilities, which are measured at amortized cost.

Conversion differences

In general, the financial statements of foreign operations denominated in currencies other than the euro were translated to euros at the year-end exchange rates, except:

- Capital and reserves, which were translated at the historical exchange rates for the year.

- Profit and losses of the foreign companies, both subsidiaries and associates, which have been translated at the average interest rate for the period.

- All other assets and liability items were translated at the year-end exchange rates.

The conversion differences of the foreign companies included in the scope of consolidation, which applied the closing rate method, are recognized net of tax, under “Equity – Valuation adjustments” in the attached consolidated statement of financial position. These conversion differences are not material.

Equity instruments

Equity instruments issued by the Group are recognized in equity at the proceeds received, less direct issue costs.

Bank borrowings

Interest-bearing bank loans and overdrafts are recognized at the proceeds received, net of direct issue costs. Borrowing costs, including premiums payable on settlement or redemption and direct issue costs, are recognized in the consolidated statement of profit and loss on an actual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are recognized at their nominal value.

k) Derivative and hedging financial instruments

The Group uses derivative financial instruments such as interest rate swap contracts to hedge against interest rate risks. These derivative financial instruments are initially recognized by their fair value at the contract date of the derivative product and subsequently valued at their fair value. Derivative instruments are recognized as assets when the fair value is positive and as liabilities when their fair value is negative.

Any gain or loss resulting from changes in the fair value of derivatives that do meet the requirements to recognize them as hedges are directly allocated to net profits/losses for the year.

In order to recognize the hedges, these are classified as:

- Fair value hedges, when they cover exchange rate exposure to changes in the fair value of a recognized asset or liability;

- Cash flow hedges, when they cover the exposure to cash flow variations attributable to an specific risk related to an asset or liability, or a scheduled transaction;

- Hedges of a net investment in a business abroad.

At the start of the hedging operation, the Group appoints and documents the hedging ratio to which it wishes to apply the recognition of hedges, the risk management goal, and the strategy to perform the hedge. The documentation includes the identification of the hedging instrument, the item or transaction covered by the hedge, the nature of the risk covered, and how will the entity assess the efficacy of the hedging instrument to compensate the exposure to changes in the fair value of the item covered or the cash flows attributable to the risk covered. It is expected that these hedges will be highly effective to compensate changes in fair value or cash flows, and are continuously evaluated to determine whether they have been highly effective throughout the financial years for which they were designed.

The hedges that meet the strict criteria for the recognition of hedges are recognized as follows:

Fair value hedges

Fair value hedges are Group's hedges against changes in the fair value of a recognized asset or liability, or an unrecognized firm commitment, or a certain part of that asset, liability or firm commitment that can be attributed to a particular risk and may affect the profit or loss. For fair value hedges, the carrying amount of the item covered is adjusted by the gains and losses attributable to the risk covered, the derivative is valued again at its fair value, and the profits and losses of both are recognized in the income statement.

When an unrecognized firm commitment is designated as an item covered, subsequent changes in the fair value of the standing obligation attributable to the risk covered are recognized as an asset or liability, and the corresponding economic profit and loss is recognized in the separate consolidated income statement. Changes in the fair value of hedging instruments are also recognized as profit and loss.

The Group ceases to recognize fair value hedges when the hedging instrument matures, or when it is sold, terminated or is exercised, or ceases to meet the criteria for the recognition of the coverage, or the Group revokes its designation.

Cash flow hedges

Cash flow hedges are hedges to the exposure to cash flow variations that is attributable to an specific risk related to a recognized asset or liability, or to a scheduled transaction very likely to occur, and may affect profits and losses. The effective part of the profit and loss of the hedging instrument is directly recognized as equity, whereas the ineffective part is recognized in the separate consolidated income statement.

The amounts recognized as equity are transferred to the separate consolidated income statement when the transaction covered affects profits and losses, such as when a hedged financial revenue or cost is recognized, or when a scheduled sale or purchase takes place. When the item covered by the hedge is the cost of a non-financial asset or liability, the amounts recognized as equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the transaction covered by the hedge is not expected to take place, the amounts previously recognized as net equity are transferred to the separate consolidated income statement. If a hedging instrument matures or is sold, terminated or exercised with no replacement or renegotiation, or if its designation as a hedge is revoked, the amounts previously recognized as net equity will stay there until the scheduled transaction takes place. If the scheduled transaction is not expected to take place, the amount is transferred to the separate consolidated income statement.

l) Shares of the Parent

All the shares of the Parent are deducted from equity. At 31 December 2020, the Parent held 9,176,469 treasury shares, the acquisition cost of which amounted to EUR 7,526 thousand (0.82 €/share). At 31 December 2019, the Parent held 3,434,241 treasury shares, at an acquisition cost of EUR 3,277 thousand (0.95 €/share). During 2020, the Parent acquired 5,742,228 treasury shares, versus 1,971,339 in 2019 (see Note 16).

m) Provisions

The Group’s consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognized in the consolidated financial statements, but rather are disclosed, as required by IAS 37.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognized. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

Provisions for warranty costs, particularly after-sales expenses, other costs and the ten-year warranty required under Spanish regulations governing real estate companies, are recognized at the date of sale of the relevant products, at the directors’ best estimate of the expenditure required to settle the Group’s liability.

n) Termination benefits

Under current legislation, companies are required to pay termination benefits to employees terminated without just cause, under certain conditions, Therefore, termination benefits that can be reasonably quantified are recognized as an expense in the year in which the decision to terminate the employment relationship is taken.

ñ) Pension plans and similar obligations

The Company has a commitment with employees with at least two years' service, and has externalized a defined contribution pension plan to provide benefits in the form of a lump sum. Since June 2017, the Pension Plan is affiliated to Pensions Caixa 97, F.P., and the Custodian and Depositary Institutions are Vida Caixa, S.A.U. de Seguros y Reaseguros and Cecabank, respectively. The annual contribution consists of 7% of the employees' annual fixed remuneration plus 3% of their annual variable remuneration, excluding incentives and commissions (see Note 23.d). These pension commitments are covered by an insurance policy for contributions above the limits established by Law 35/2006. There are no other additional pension plans or commitments.

o) Income Tax

The income tax expense is recognized in the consolidated statement of profit and loss, except when it results from a transaction recognized directly in equity, in which case the income tax is also recognized in equity.

The income tax expense represents the sum of the current tax expense and the deferred tax assets and liabilities.

The current income tax is calculated based on the taxable profit (tax loss) for the year. The taxable profit differs from the net profit reported in the consolidated statement of profit and loss because it excludes income and expense items that are taxable or deductible in other years and excludes items that will never be taxable or deductible. The Group's current tax liability is calculated using the tax rates that have been approved or substantially approved at the balance sheet date.

Deferred tax assets and liabilities are taxes expected to be recovered or payable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit. Deferred tax assets and liabilities are consolidated using the balance sheet liability method and are measures by applying to the related temporary difference or tax asset the tax rate that is expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax liability is recognized for taxable temporary differences arising from investments in subsidiaries and associates and from interests in joint ventures, except when the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the near future.

Notwithstanding the above:

1. Deferred tax assets are only recognized to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax assets can be used.

2. No deferred tax liabilities are recognized for goodwill arising from an acquisition.

The deferred tax assets and liabilities are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made based on the findings of the analyses performed.

In addition, at consolidated level, any differences between the consolidated carrying amount of an investment in an investee and the related tax base are also taken into account. In general, such differences arise from the undistributed profits generated since the date of acquisition of the investee, from tax credits associated with the investment and, in the case of investees with a functional currency other than the euro, from conversion differences. The deferred tax assets and deferred tax liabilities arising from these differences are recognized, unless, in the case of taxable temporary differences, the investor is able to control the timing of the reversal of the temporary difference and, in the case of deductible temporary differences, it is probable that the temporary difference will reverse in the near future and it is probable that the Group will have sufficient future taxable profits.

Tax system in Spain

The Group has filed consolidated returns since 2007. The tax group is made up of the Parent and all the subsidiaries, both public and private limited liability companies, that are resident in Spain and in which the Parent, directly or indirectly, has an ownership interest of at least 75% (see Appendix I). The tax group number is 135/07.

p) Cash and other cash equivalents

Cash and other cash equivalents include cash on hand, in banks and short-term deposits with a maturity or availability date of three months or less and which are not subject to significant interest rate variations.

q) Revenue and expense recognition

Revenue and expenses are recognized on an accrual basis. Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

The Group companies recognize property development sales and the related cost when the properties are handed over and title thereto have been transferred.

Revenue from the sale of land and building lots is recognized when the risks and rewards are transferred to the purchaser, which normally coincides with the date of execution of the related public deeds and the transfer of ownership.

Rent revenue is recognized on an accrued basis and incentive-related income and the initial costs of lease agreements are allocated to income on a straight-line basis.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset’s carrying amount.

Dividend income from investments is recognized when the shareholder’s rights to receive payment have been established.

r) Borrowing costs

Borrowing costs directly attributable to the construction of the Group's property investment and inventories, which are assets that necessarily take a substantial time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale. No borrowing costs were capitalized under Inventories during 2020 and 2019.

All other borrowing costs are recognized in the consolidated statement of profit and loss in the year in which they are incurred, on an accrual basis and by application of the effective cost method.

s) Profit (loss) from operations

The profit and loss from operations is recognized before the share of results of associates, results from the change in value of investment income and finance costs.

t) Consolidated cash-flow statement

The following terms are used in the consolidated cash flow statements (prepared using the indirect method) with the meaning specified:

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

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

- Investment activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

u) Non-current assets held for sale

The Parent classifies a non-current asset as held for sale when the decision to sell the asset has been made, and it is expected to take place within the next twelve months. These assets are valued at the lowest of its carrying amount or fair value, after the costs of sale are deducted.

Assets classified as non-current held for sale are not depreciated, but the corresponding valuation corrections are made at the balance sheet date, so that the carrying amount does not exceed its fair value minus the cost of sale.

Revenues and expense generated by non-current, held for sale assets that do not meet the requirements to be considered as discontinued operations, are recognized in their corresponding items in the profit and loss account.

v) Foreign currency transactions and balances

The Group's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed "foreign currency transactions" and are recognized by applying the exchange rates prevailing at the date of the transaction.

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are converted to euros at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are converted to euros at the exchange rates prevailing at the date when the fair value was determined. Any conversion gains or losses on monetary assets and liabilities are included in net profit and loss for the year; however, in the case of exchange differences arising on non-monetary assets and liabilities, changes in the fair value are recognized directly in equity.

The equivalent euro value of the total foreign currency assets and liabilities held by the Group at 31 December 2020, which were not material, related in full to the Realia Group company Realia Contesti, S.R.L.

w) Current assets and liabilities

The Group has opted to present current assets and liabilities based on the ordinary course of its business. The current assets and liabilities with an estimated maturity of more than twelve months are as follows:

	Thousands of Euros	
	2020	2019
Inventories (Note 13)	251,071	282,773
Total current assets	**251,071**	**282,773**
Trade and other payables	1,130	6,050
Total current liabilities	**1,130**	**6,050**

x) Costs passed on to tenants

The Group treats as income the costs passed on to the lessees of its property investment. The amounts billed in this connection, which in 2020 and 2019 totaled EUR 17,958 thousand and EUR 17,444 thousand respectively, are recognized under “Other operating income” in the attached consolidated statement of profit and loss (see Note 23.b).

y) Sales of property investment

The Group recognizes the net income obtained from the sale of property investment under “Gains or Losses on Sales of Property investment” in the attached consolidated statement of profit and loss. No amounts were recognized for this concept in 2020.

At 31 December 2019, the amount recognized corresponds to the refund by the City of Madrid, of the amounts paid as IIVTNU (Urban Land Value Increase Tax) of the properties sold of the La Vaguada building after the ruling from the Higher Court of Justice of Madrid, which resolved in favor of the appeals and claims filed by the Company requesting the refund due to the undue payment of those taxes.

5. Accounting standards and interpretations

a) Standards and interpretations approved by the European Union and applied for the first time this year

Accounting standards used in the preparation of these consolidated financial statements are the same applied in the consolidated financial statements of the year ended on 31 December 2019, with the exception of the following standards and interpretations and changes applied for the first this year:

Standard, interpretation or change	**Date of enforcement in the EU**
Revised version of the conceptual framework of IFRS	01 January 2020
Amendments to IAS 1 and IAS8 – Definition of material	01 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Change to the benchmark interest rate	01 January 2020
Amendment to IFRS 16: Rent concessions related to Covid-19	01 June 2020

Change to IFRS 16 Rent concessions related to Covid-19

On April 2020, the IASB published an informative document that clarified the treatment of concessions/discounts applied to tenants, due to the exceptional circumstances caused by Covid-19. As explained by the IASB, this type of concessions/discounts could be considered as a change in the scope of the lease contract and therefore, as an amendment to the contract.

This new approach reached a conclusion on the accounting treatment of the two possible situations tenants might find themselves in:

- *Future discounts agreed for future periods:* In this case, the lessor will comply with IFRS 16 and will be able to linearize the future discounts agreed with the lessor.

The impact on the Group of this situation at 31 December 2020 of this situation amounted to EUR 228 thousand.

- *Discounts or concessions on past rents:* In this case, the lessor may recognize an impact on the result for the year for the amounts discounted, as provided under IFRS 9, or perform the same exercise as in the previous situation.

The Group has decided to implement IFRS 9 for this situation, and the impact of this accounting policy amounted to EUR 3,369 thousand at 31 December 2020.

b) Standards and interpretations issued by the IASB, but not applicable yet in this reporting period

The Group intends to adopt the standards, interpretations and amendments to the standards issued by the IASB, which are not mandatory in the European Union, when they come into force, in case they are applicable. Even though the Group is currently analyzing their impact, according to the analysis made to date, the Group considers that their initial application will not have a significant impact on its consolidated financial statements.

Standard, interpretation or modification	Date of adoption by the EU	Date of enforcement in the EU	Date of enforcement of the IASB
Amendment to IFRS 4 Insurance contracts – deferral of IFRS 9	16 December 2020	1 January 2021	1 January 2021
IFRS 17 – Insurance contracts	Pending	Pending	Pending
IFRS 19 – Insurance contracts	Pending	Pending	1 January 2021
Amendment to IAS 1 – Presentation of financial statements: classification of financial liabilities as current or non-current	Pending	Pending	1 January 2023
Amendments to: - IFRS 3 Business combinations - Plant and equipment property - IFRS 37 Provisions, contingent liabilities and contingent assets - Annual improvements 2018-2020	Pending	Pending	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16: Change of the benchmark interest rate – phase 2	14 January 2021	1 January 2021	1 January 2021

6. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit and loss attributable to the Group (after tax and non-controlling interests) by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year.

Accordingly:

	2020	2019
Net loss for the year attributable to the Parent (thousands of euros)	2,113	44,877
Weighted average number of shares outstanding	813,437,923	818,376,123
Basic earnings per share (euros)	0.003	0.055

As of 31 December 2020 and 2019, the diluted earnings per share were the same as the basic earnings per share, since there were no debentures or shares that could potentially be converted into ordinary shares.

7. Segment reporting

a) Basis of segmentation

Segment reporting is structured on a primary basis by the different lines of business of the Group and on a secondary basis, by geographical segment.

Primary business segments

The business lines described below were established based on the Realia Business Group’s organizational structure at the end of 2020 and 2019, taking into account, on the one hand, the nature of the goods and services offered and, on the other, the customer segments at which they are targeted.

In 2020 and 2019, the Realia Group engaged mainly in the following major lines of business, which provides the bases on which the Group present the information on its primary segments:

1. Sale of property developments and land
2. Property leases – Tertiary and residential buildings

Secondary segments – geographical segments

In addition, the Realia Business Group's operations are located mainly in Spain, although it also carries on business activities in another country (Romania).

b) Basis and methodology for segment reporting

The segment reporting below is based on monthly reports prepared by the Company Managers, which are generated through a computer application used to obtain all of the Group's accounting data.

Segment revenue is the revenue directly attributable to the segment plus the relevant proportion of the Group's general income that can be allocated thereto using reasonable allocation bases. Segment revenue excludes interest income and dividends but includes the proceeds from the sale of fixed assets. It also includes the relevant proportion of the revenue of proportionately consolidated joint ventures.

Segment expenses are determined by the expenses from the operating activities of each segment that are directly attributable to it, plus the corresponding proportion of expenses that can be distributed to the segment using a fair distribution basis. The expenses of the segment must include the corresponding proportion of the expenses of proportionally consolidated joint ventures.

The result of the segment is determined after the adjustments corresponding to non-controlling interests.

The assets and liabilities of each segment are those directly related to their operation, and those that can be directly attributed to it, according to the aforementioned distribution criteria, and include the proportional part corresponding to joint ventures.

Primary segment information

	Thousands of Euros							
	Property investments and land		Property rentals		Consolidation adjustments		Total Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenue:								
External sales (1)	25,724	14,634	79,013	82,396	-	-	104,287	97,030
Inter-segment sales	1,934	1,916	3	3	(1,937)	(1,919)	-	-
Total revenue	**27,208**	**16,550**	**79,016**	**82,399**	**(1,937)**	**(1,919)**	**104,287**	**97,030**
Result:								
Profit (loss) from operations	(12,123)	6,924	49,475	53,726	-	-	37,352	60,650
Variation in property investments	-	10	(24,627)	30,726	-	-	(24,627)	30,772
Financial profit (loss)	280	683	(4,887)	(14,158)	-	-	(4,607)	(13,475)
Share of result of associates	(7)	(8)	(465)	2,563	-	-	(472)	2,555
Net impairment	1	-	1	-	-	-	2	-
Profit (loss) before tax	**(11,849)**	**7,609**	**19,497**	**72,893**	**-**	**-**	**7,648**	**80,502**
Income tax	3,443	(2,770)	(5,039)	(17,552)	-	-	(1,596)	(20,322)
Non-controlling interests	(75)	(53)	4,014	15,356	-	-	3,939	15,303
Segment result	(8,331)	4,892	10,444	39,985	-	-	2,113	44,877

(1) The revenue from “Property rentals” segment includes the sales of property investment not subject to the application of IAS 40 at fair value (see Note 4.y) and the billings of costs passed on to tenants (see Note 4.x) and others, since the Group uses this presentation for internal management purposes. Note 23.a contains a breakdown of revenue by geographical area. Inter-segment transactions are performed on an arm's length basis.

	Thousands of Euros							
	Sale of Property Development and Land		Property Rentals		Consolidation Adjustments		Total Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Other information: Additions to fixed assets	106	96	5,249	32,449	-	-	5,355	32,545
Depreciation and amortization charge:	(116)	(121)	(187)	(206)	-	-	(303)	(327)
Net impairment recognized in profit and loss:								
Investment property	1	-	1	-	-	-	2	-
Inventories and other assets	(12,848)	18,670	(829)	-	-	-	(13,677)	18,670
Balance sheet: Assets Segment assets	512,654	524,474	1,568,215	1,579,767	(35,734)	(34,526)	2,045,135	2,069,715
Equity investments in associate companies	11,900	11,907	36,702	38,376	-	-	48,602	50,283
Total consolidated assets	**524,554**	**536,381**	**1,604,917**	**1,618,143**	**(35,734)**	**(34,526)**	**2,093,737**	**2,119,998**
Equity and Liabilities Equity by segments	475,300	487,953	807,494	801,407	(9,010)	(9,009)	1,273,784	1,280,351
Rest of liabilities by segment	49,254	48,428	797,423	816,736	(26,724)	(25,517)	819,953	839,647
Total consolidated Equity and Liabilities	**524,554**	**536,381**	**1,604,917**	**1,618,143**	**(35,734)**	**(34,526)**	**2,093,737**	**2,119,998**

Secondary segment information

The following table shows the detail of certain consolidated balances of the Group based on the geographical location of the companies that gave rise to them:

	Thousands of Euros							
	Revenues		Non-current assets		Total Assets		Additions to Property Investments, Property Plant and Equipment and Intangible Assets	
	2020	2019	2020	2019	2020	2019	2020	2019
Spain	104,287	97,030	1,653,100	1,660,625	2,090,268	2,116,084	5,355	32,545
Portugal	-	-	-	-	-	418	-	-
Rest	-	-	-	-	3,469	3,496	-	-
	104,287	**97,030**	**1,653,100**	**1,660,625**	**2,093,737**	**2,119,998**	**5,355**	**32,545**

8. Intangible assets

The changes in the various intangible asset items in 2020 and 2019 were as follows:

	Thousands of Euros
	Other Intangible Assets
Balances as at 31 December 2018	**878**
Additions	59
Disposals	(1)
Balances as at 31 December 2019	**936**
Additions	27
Disposals	-
Transfers	1
Changes to scope of consolidation	(3)
Balances as at 31 December 2020	**961**
Accumulated amortization:	
Balances as at 31 December 2018	**(823)**
Charges	(37)
Disposals	1
Balances as at 31 December 2019	**(859)**
Charges	(27)
Disposals	-
Changes in scope of consolidation	3
Balances as at 31 December 2020	**(883)**
Net intangible assets:	
Balances as at 31 December 2019	**77**
Balances as at 31 December 2020	**78**

The balances as at 31 December 2020 and 2019 relate mainly to computer software.

During 2020 and 2019, the Group recognized an amortization charge for intangible assets of EUR 27 thousand and EUR 37 thousand respectively, under “Depreciation and amortization charge” in the attached consolidated income statement.

Fully amortized intangible assets still in use as of 31 December 2020 and 2019 amounted to EUR 698 thousand and 662 thousand, respectively.

9. Property, plant and equipment

The changes in “Property, Plant and Equipment” in the consolidated statement of financial position in 2020 and 2019 were as follows:

	Thousand Euros		
	Buildings, Plant and Equipment for Own Use	Other items of Property, Plant and Equipment	Total
Cost:			
Balances as at 31 December 2018	**2,392**	**4,625**	**7,017**
Provisions	95	20	115
Disposals	(119)	(466)	(585)

Transfers and others (Note 10)	(359)	(15)	(374)
Impact of IFRS 16 (Note 5)	41	-	41
Balances as at 31 December 2019	**2,050**	**4,164**	**6,214**
Accumulated amortization:			
Provisions	49	80	129
Disposals	(47)	(43)	(90)
Transfers and other (Note 10)	(3)	2	(1)
Changes in scope of consolidation	-	(64)	(64)
Balances as at 31 December 2020	**2,049**	**4,139**	**6,188**
Accumulated amortization:			
Balances as at 31 December 2018	**(542)**	**(3,376)**	**(3,918)**
Charges	(78)	(212)	(290)
Disposals	65	449	514
Balances as at 31 December 2019	**(555)**	**(3,139)**	**(3,694)**
Charges	(66)	(210)	(276)
Disposals	41	36	77
Transfers	-	1	1
Changes in scope of consolidation	-	64	64
Balances as at 31 December 2020	**(580)**	**(3,248)**	**(3,828)**
Impairment losses:			
Balances as at 31 December 2018	**(52)**	**-**	**(52)**
Balances as at 31 December 2019	**(52)**	**-**	**(52)**
Charges	1	-	1
Balances as at 31 December 2020	**(51)**	**-**	**(51)**
Tangible assets, net:			
Balances as at 31 December 2019	**1,443**	**1,025**	**2,468**
Balances as at 31 December 2020	**1,418**	**891**	**2,309**

“Buildings, Plant and Equipment” includes mainly the offices used by a subsidiary of the Group in Spain, recognized for a carrying amount of EUR 1,167 thousand and EUR 1,185 thousand at 31 December 2020 and 2019, respectively.

At 31 December 2020, the cost of the building lots included under “Buildings, Plant and Equipment for Own-Use” amounted to EUR 248 thousand (EUR 248 thousand at 31 December 2019).

The fair value of the Group’s assets or “Net Asset Value”, included under “Buildings, Plant and Equipment” at 31 December 2020, calculated on the basis of appraisals conducted by independent experts not related to the Group, as described in Note 4.c, amounted to EUR 6,896 thousand (EUR 6,896 thousand at 31 December 2019).

In 2020 and 2019, the Group recognized a depreciation charge for property, plant and equipment of EUR 276 thousand and EUR 290 thousand, respectively, recognized under “Depreciation and Amortization charge” in the attached consolidated statement of profit and loss.

Fully depreciated items of property, plant and equipment amounted to EUR 1,734 thousand at 31 December 2020, and EUR 1,716 thousand at 31 December 2019.

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At the end of 2020, the property, plant and equipment were fully insured against this risk.

10. Property investment

The changes in “Property investment” in the consolidated statement of financial position in 2020 and 2019 were as follows:

	Thousands of Euros		
	Rental buildings	Under construction and advances	Total
Balance as at 31 December 2018	**1,420,597**	**1,737**	**1,422,334**
Additions	1,731	30,640	32,371
Disposals	(23)	-	(23)
Transfers	2,002	(1,629)	373
Changes in fair value (*)	28,108	383	28,491
Balance as at 31 December 2019	**1,452,415**	**31,131**	**1,483,546**
Additions	612	4,592	5,204
Disposals	(5)	-	(5)
Transfers	22,371	(22,371)	-
Changes in fair value	(24,581)	(46)	(24,627)
Balances as at 31 December 2020	**1,450,812**	**13,306**	**1,464,118**
Property investments:			
Balances as at 31 December 2019	1,452,415	31,131	1,483,546
Balances as at 31 December 2020	1,450,812	13,306	1,464,118

(*) “Result of the change in property investments” in the profit and loss account include EUR 2,281 thousand, corresponding to recognized capital gains in the current year for the sales of property investments, of the year 2017, after having received favorable administrative decisions and not being obligated to pay the Tax on Value Increase of Urban Property (IIVTNU). This amount has no reflection in the “Changes in fair value” line of the previous table (see Notes 18 and 23.f)

Property investment is recognized at fair value. The amount recognized in the profit and loss account for the fair value valuation of property investments at year-end 2020 amount to expenses of EUR 24,627 thousand (EUR 28,491 thousand in revenues in 2019), fully recognized under “Variation in value of property investments” in the attached consolidated financial statement (see note 23.f).

Rental Properties

The most significant additions in 2020 and 2019 were the following:

- The subsidiary Realia Patrimonio, S.L.U. capitalized EUR 365 thousand (EUR 393 thousand in 2019), for the renovation and reform of several buildings, and concluded the work in the c/ Albasanz, 12 building and part of the Salvador de Madariaga, 1 building, and transferred a total of EUR 4,451 thousand during 2020 to "Buildings for rent”. During 2019, it capitalized EUR 1,601 thousand for the renovation and reform on several of its owned buildings.

- The subsidiary Realia Patrimonio S.L.U. capitalized EUR 247 thousand during the year (EUR 1,337 thousand in 2019) in connection with the renovation of several buildings. Similarly, Realia Patrimonio transferred EUR 1,830 from

"Constructions in progress" to "Buildings for rent", as a result of the renovation works in the buildings Torre Porta Fira, CC Ferial Plaza and CC Leganés Plaza.

- The subsidiary Valaise, S.A. transferred EUR 16,090 thousand during the year for the completion of the construction of 85 housing units in the municipality of Tres Cantos (Madrid) on the land acquired in 2019.

No significant disposals took place in 2020 and 2019.

Property investment under construction and advances

The main additions to and transfers to/from "Property investment under Construction" in 2020 and 2019 related mainly to the following items:

- Subsidiary Valaise, S.L. acquired in 2019 two land lots in the municipality of Tres Cantos (Madrid), where it plans to develop projects for the construction of 195 subsidized homes (VPPL-VPPB) for rent, expected to start construction in 2021. Additionally, it acquired a development in progress of 85 public housing homes (VPPB) for rent, which at year-end 2019 were completed and awaiting the first occupation license. These projects started their commercial operation in June 2020, and at year-end, 56 units were leased (66% of the development). Total investment during the year amounted to EUR 1,437 thousand (EUR 25,117 thousand at 31 December 2019). During 2020, EUR 16,090 thousand were transferred to "Buildings for rent", after the completion of the construction of these homes.

- Realia Patrimonio S.L.U. capitalized EUR 1,120 thousand, EUR 167 thousand of which correspond to advanced payments (EUR 1,584 thousand and EUR 167 thousand respectively at 31 December 2019), mainly for renovation work at Torre Porta Fira (EUR 548 thousand) and the shopping center CC Plaza Nueva (EUR 146 thousand).

- Subsidiary Hermanos Revilla S.A. capitalized EUR 2,036 thousand (EUR 3,939 thousand at 31 December 2019), for the renovation and reform works of several owned buildings which, and after completion of the works, EUR 4,451 thousand were transferred to properties for rent, EUR 2,370 thousand of which mainly correspond to the renovation of the Albasanz, 12 building, and EUR 1,253 thousand to the work carried out in Salvador de Madariaga, 1 building.

Pursuant to the revised IAS 23, the Group capitalizes the borrowing costs associated with property investment under construction that takes a period of over twelve months to get ready for its intended use or sale. The Group did not capitalize any interests for this concept in 2020 and 2019.

Measurement of fair value and sensitivity

All the property investments leased or intended for lease under the regime of operational lease (business segment: rental property) and two of the assets of the development segment of the Group are classified as property investments.

According to IAS 40, the Group determines from time to time the fair value of the property investment elements so that, at the end of the reporting period, the fair value reflects the market conditions of the property investment elements at that date. Such fair value is determined annually, taking as a reference the valuations made by independent experts

The determination of the market value of property investments as at 31 December 2020 and 2019, calculated on the basis of appraisals conducted by independent experts not related to the Group, amounts to EUR 1,464,118 thousand and EUR 1,483,546 thousand, respectively.

The methodology used by the independent expert to determine the fair value of the property investments of the Group followed the RICS principles which basically use the cash-flow discount as valuation method, which consists in capitalizing the net income of each property and updating future flows, applying discount market rates throughout a period of 10 years, and a residual value calculated through the capitalization of the estimated revenues at the end of the period at a certain expected yield. Properties are valued individually, considering all the lease contracts in force at the end of the reporting period and their duration. Buildings with non-leased surface areas have been valued based on future estimated rents, minus their sales period. The valuation criteria applied were identical to those used in previous years.

The key variables of said method are the determination of net revenues, the duration of lease contracts, the time during which they are discounted, the value estimation conducted at the end of each period, and the internal rate of return used to discount the cash flows.

The independent expert applies the cash-flow discount method for valuation on 91.7% of the property assets.

The key variables used in the valuations made according to the Cash-Flow discount method are the following:

- Gross current rent: rents generated by the contracts in force at the valuation date, not including discounts, rent-free periods and not passed-on expenses.

- Net current rent: rents generated by each property at the date of valuation, minus discounts and rent-free periods, and including non-passed-on expenses according to lease contracts and for empty spaces.

- Estimation of rent for empty spaces and/or new leases during the years of duration of the cash-flow.

- Exit Yield: yield rate targeted at the end of the valuation period by the sale of the asset. At the end of the discount period, it is necessary to determine the exit value for the property. At that moment, it is not possible to apply again a cash-flow discount methodology again, and it is necessary to calculate the selling value according to a profitability at sale based on the rent generated by the property at the time of sale, provided that the cash-flow forecast contemplates a stable rent that can be capitalized to perpetuity.

- IRR: interest rate or yield offered by an investment, the value of the discount rate that brings VAN to zero, for a given investment project.

- ERV: Market rent of the asset at the date of valuation.

The main hypotheses used in the calculation of the fair value of property investment for 2020 were the following:

	Current average rent	Exit Yield (1)	IRR (1)	ERV
Offices	19.3 €/m2/month	4.7%	6.8%	20.5 €/m2/month
Shopping centers	11.8 €/m2/month	7.0%	8.9%	12.8 €/m2/month
Other assets	16.8 €/m2/month	5.6%	6.8%	18.9 €/m2/month

(1) Weighed by the value of the assets

The main hypotheses used in the calculation of the fair value of property investment for 2019 were the following:

	Current average rent	Exit Yield (1)	IRR (1)	ERV
Offices	18.7 €/m2/month	4.8%	6.8%	19.8 €/m2/month
Shopping centers	11.2 €/m2/month	6.9%	8.9%	12.9 €/m2/month
Other assets	16.0 €/m2/month	5.2%	6.8%	19.7 €/m2/month

(1) Weighed by the value of the assets

The effect of a variation of one quarter of a point on the targeted yield rates (Exit yield), calculated as income over the market value of the assets, in terms of "Net Asset Value", in the consolidated assets and the consolidated profit and loss account, with respect to the property investments, would be as follows:

	Thousands of Euros			
	2020		2019	
	Assets	Consolidated net profit (loss)	Assets	Consolidated net profit (loss)
Increase of the yield rate by one quarter of a point	(45,219)	(33,914)	(43,730)	(32,798)
Decrease of the yield rate by one quarter of a point	50,490	37,868	49,400	37,050

Additionally, the sensitivity analysis of a variation of 10% in the ERV (market rent of the asset at valuation date) would be as follows:

	Thousands of Euros			
	2020		2019	
	Assets	Consolidated net profit (loss)	Assets	Consolidated net profit (loss)
10% increase in the ERV	113,987	85,490	104,510	78,383
10% decrease in the ERV	(115,129)	(86,347)	(103,740)	(77,805)

Finally, the sensitivity analysis of a variation by one quarter of a point of the IIR would be as follows:

	Thousands of Euros			
	2020		2019	
	Assets	Consolidated net profit (loss)	Assets	Consolidated net profit (loss)
Increase of the IIR by one quarter of a point	(23,005)	(17,254)	(23,260)	(17,445)
Decrease of the IIR by one quarter of a point	23,581	17,686	24,490	18,368

The breakdown of "Variation in value of property investments" in the consolidated profit and loss statement is the following:

Type of Asset	Thousands of Euros	
	2020	2019
Offices	(10,890)	35,111
Shopping centers	(12,270)	(7,038)
Other assets	(1,467)	417
	(24,627)	**28,491**

The valuation report by an independent expert meets the market value definition and does not include any relevant hypothesis or special condition. The independent expert is the regular assessor of the Group's property portfolio and follows an active valuation plan with visits every three years, except in the case of new acquisitions or significant investments in existing assets. Valuations in 2020 and 2019 were made on the basis of contractual rents and their revision.

Breakdown of fair value of property investments

The valuation of the fair value of assets is broken down into three levels, according to the hierarchy established by IFRS 13:

- Level 1: Inputs are based on quoted prices in active markets

- Level 2: Inputs are based on quoted prices in active markets (not included in level 1), quoted prices in non-active markets and valuation model-based techniques in which inputs are observable in the market, or are corroborated by observable market data.

- Level 3: Inputs are not observable, and derive from market assumption estimates for the determination of the asset price; non-observable data used in valuation methods are material for the fair asset prices.

All the assets of the Realia Group are included in the level 3 hierarchy. Fair asset value of the assets of the Realia Group, in thousands of Euros, classified by use, is as follows:

	2020
Recurrent fair value valuations	
Property investments	
Offices	1,110,014
Shopping centers	295,409

Other assets	31,895
Residential (1)	26,800
Total assets valued at fair price	**1,464,118**

	2019
Recurrent fair value valuations	
Property investments	
Offices	1,117,744
Shopping centers	307,112
Other assets	33,190
Residential (1)	25,500
Total assets valued at fair price	**1,483,546**

(1) Includes a residential asset that started commercial operation in 2020, valued at EUR 16,000 thousand and EUR 15,200 thousand in 2020 and 2019, respectively.

No assets were transferred between the different levels in 2020 or 2019.

Location, occupancy rates and use

The detail, by geographical area, of the location and occupancy rates of rental property is as follows:

	Square meters for rental		Occupancy rate (%)	
	2020	2019	2020	2019
Madrid (1)	260,688	250,173	93.97	93.99
Barcelona	32,325	32,325	99.76	97.70
Logroño	40,544	40,544	100	100
Seville (2)	8,735	8,735	95.13	96
Guadalajara	32,507	32,507	77.58	81.39
Rest	16,831	16,808	74.87	78.16
	391,630	**381,632**	**92.92**	**93.22**

(1) Includes a residential asset in commercial operation.
(2) Does not include the Guillena Golf Course.
(3) Does not include the m2 for rent of the company As Cancelas S XXI, consolidated using the equity method.

The surface area of the properties, by use, is as follows:

	Square meters for rental		Use (%)	
	2020	2019	2020	2019
Offices	226,860	226,858	57.93	59.44
Commercial	111,540	111,517	28.48	29.22
Residential	9,973	-	2.55	-
Other (1)	43,257	43,257	11.04	11.33
	391,630	**381,632**	**100.00**	**100.00**

(1) Does not include the Guillena Golf Course.

Rental income, including income arising from passed-on expenses, from property investment owned by the consolidated companies amounted to EUR 78,377 thousand and EUR 79,661 thousand in 2020 and 2019, respectively (see Notes 23.a and 23.b), and the related operating expenses directly related to the activity amounted to approximately EUR 23,781 thousand and EUR 24,517 thousand, respectively.

The items of property investment with mortgage charges, broken down by companies, are:

	Thousands of Euros			
	Fair value		Mortgage loan drawn down	
	2020	2019	2020	2019
Realia Patrimonio	830,675	841,930	523,392	542,804
Total investments with mortgage charge	**830,675**	**841,930**	**523,392**	**542,804**

Insurance has been taken out for all the properties, including insurance against loss of rent due to damages.

At 31 December 2020 and 2019, there were no property access to which the title was restricted.

11. Investments in associates

The detail, by company, of "Investments in Associates" at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
As Cancelas Siglo XXI, S.L.	36,702	38,376
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L.	11,900	11,907
	48,602	**50,283**

Pursuant to IAS 40, the Group determines from time to time the fair value of the elements of the property investments of the Group's companies by the equity method so that, at the end of the reporting period, the fair value reflects the market conditions of the property investment elements on that date. Such fair value is determined annually taking as a reference the valuations made by the independent expert (see Note 10). At 31 December 2020 and 2019, the valuation of the property investments of the Group's companies through the equity method, at 50%, amounted to EUR 52,400 thousand and EUR 54,000 thousand, respectively. This value has increased the Group's ownership interest.

The value of the inventories of the companies consolidated using the equity method in proportion to the ownership interest therein at 31 December 2020 and 2019, calculated on the basis of appraisals conducted by independent experts not related to the Group, as described in Note 4.f, amounted to EUR 17,842 and EUR 18,192 thousand, respectively.

The changes to this item of the attached consolidated statement of financial position are the following:

	Thousands of Euros			
	As Cancelas Siglo XXI, S.L. (50%)	Inversiones Inmob. Rústicas y Urbanas 2000, S.L. (33.36%)	Ronda Norte Denia, S.L. (32.63%)	Total
Balances as at 31 December 2018	**37,497**	**11,915**	**154**	**49,566**
Dividends	-1,683	-	-	-1,683
Profit/loss for the year (Note 23.e)	2,562	-8	1	2,555
Other	-	-	-155	-155
Balances as at 31 December 2019	**38,376**	**11,907**	**-**	**50,283**
Dividends	-1,209	-	-	-1,209
Profit/loss for the year (Note 23.e)	-465	-7	-	-472
Balances as at 31 December 2020	**36,702**	**11,900**	**-**	**48,602**

No changes in the ownership percentages have taken place in 2020 and 2019.

In 2019, the company As Cancelas Siglo XXI, S.A. paid out dividends to its parent Realia Patrimonio, S.A.U., for an amount of EUR 1,209 thousand (EUR 1,683 thousand at 31 December 2019).

The impact of the change in valuation standard of the property investments to IAS 40 Fair Value is included in the profit (loss) figures for the reporting period (see Note 23.e).

The detail of the assets, liabilities and main figures in the statement of profit and loss of associates at 31 December 2020 and 2019, according to their ownership interest, is as follows:

At 2020 year-end:

	Thousands of Euros		
	As Cancelas Siglo XXI, S.L. (50.00%)	Inversiones Inmob. Rústicas y Urbanas 2000, S.L. (33.36%)	Total
Balance sheet:			
Non-current assets	36,658	285	36,943
Current assets	1,896	18,043	19,939
Total assets	**38,554**	**18,328**	**56,882**
Equity	24,229	11,548	35,777
Non-current liabilities	12,572	2,084	14,656
Current liabilities	1,753	4,696	6,449
Total liabilities	**38,554**	**18,328**	**56,882**
Statement of profit/loss:			
Revenues	5,454	-	5,454
Profit(loss) from operations	1,215	(5)	1,210
Profit (loss) before tax	1,094	(9)	1,085
Profit (loss) for the year (1)	820	(7)	813

(1) The result for the year is expressed according to PGC criteria, and does not include the application of IAS 40 at fair value

At 2019 year-end:

	Thousands of Euros			
	As Cancelas Siglo XXI, S.L. (50.00%)	Inversiones Inmob. Rústicas y Urbanas 2000, S.L. (33.36%)	Ronda Norte Denia, S.L. (32.63%)	Total
Balance sheet:				
Non-current assets	36,475	282	-	36,757
Current assets	2,303	18,048	-	20,351
Total assets	**38,778**	**18,330**	**-**	**57,108**
Equity	24,618	11,554	-	36,173
Non-current liabilities	1,085	2,084	-	3,169
Current liabilities	13,075	4,692	-	17,767
Total liabilities	**38,778**	**18,330**	**-**	**57,108**
Statement of profit/loss:				
Revenues	6,364	-	-	6,364
Profit(loss) from operations	2,439	(6)	(2)	2,431
Profit (loss) before tax	2,280	(11)	-	2,269
Profit (loss) for the year (1)	1,710	(8)	-	1,702

(1) The result for the year is expressed according to PGC criteria, and does not include the application of IAS 40 at fair value

12. Joint ventures

Part of the Group's business operations are performed through joint ventures over which the Realia Group exercises joint control together with other non-Group partners. These joint ventures were proportionately consolidated as indicated in Note 2.e. Joint control over these ventures is established through interest in joint-property entities.

The required consolidation adjustments, reconciliations and reclassifications were made and the reciprocal asset and liability balances and income and expenses were eliminated appropriately.

The main aggregates at 31 December 2020 and 2019 of the joint property entities (included in Appendix III) included in the consolidated financial statements of Realia Business are as follows:

	Thousands of Euros	
	Joint Property Entities	
	2020	2019
Revenue	1,414	3,684
Profit (loss) from operations	14	384
Financial income	-	-
Non-current assets	1	1
Current assets	5,240	6,445
Liquid assets	203	332
Current liabilities – financial	5,087	5,946
Current financial liabilities – other	337	445

At 31 December 2020 and 2019, the Group companies did not have any commitments to purchase property, plant and equipment to be contributed to the joint ventures. Similarly, no commitments to purchase property, plant and equipment had been assumed directly by the joint ventures in those years.

In addition, in the businesses managed through unincorporated temporary joint ventures and joint property entities the venture partners are jointly and severally liable for the business activity carried on. However, for interests in companies formed under the Spanish commercial code such as public and private limited liability companies, the shareholders' liability is limited to their share of capital of such jointly controlled entities.

13. Inventories

The detail of "Inventories" at 31 December 2020 and 2019, which relate mainly to property for residential use, is as follows:

	Thousands of Euros					
	2020			2019		
	Cost	Write-downs	Net	Cost	Write-downs	Net
Land and building lots	659,722	(445,554)	214,168	660,269	(431,893)	228,376
Sundry materials	7	-	7	6	-	6
Short-cycle construction work in progress	60,081	(4,734)	55,347	34,629	(4,475)	30,154
Long-cycle construction work in progress	62,645	(25,742)	36,903	78,837	(24,440)	54,397
Completed buildings	39,863	(7,408)	32,455	36,157	(9,111)	27,046
Advances to suppliers	493	-	493	2,981	-	2,981
	822,811	**(483,438)**	**339,373**	**812,879**	**(469,919)**	**342,960**

The market value of the Group's inventories at 31 December 2020 and 2019, calculated based on the appraisals conducted in 2020 and 2019 by independent experts not related to the Group, amounted to EUR 368,013 thousand and EUR 373,401 thousand, respectively. As a result, due to eliminations due to sales and write-downs and reversals recognized for these inventories in line with their market value, the Group recognized a net reversal of write-downs amounting to EUR 13,677 thousand (2019: net reversal of EUR 18,670 thousand).

On 31 December 2020 and 2019, TINSA determined the fair value of assets at December 2020 and 2019, applying the RICS methodology to the portfolio of residential assets, following the agreement of the Board of Directors to change the ECO valuation methodology to RICS, reported as relevant event on 21 March 2019.

The dynamic residual method is the basic, essential and fundamental method use in the valuation of land and land lots, and it is widely accepted by actors in the real estate sector. However, due to the use of different variables in its operation, the data to be used as variables must be acquired directly from the market, through the instrumental use of the comparison method.

In any case, the valuation expert took into account in the valuation the impact of the pandemic on the determination of the fair value, penalizing the variables used (terms, tax, prices...); however, since the valuation is made under exceptional and unprecedented circumstances of reduce mobility and scarce activity due to the COVID-19 global pandemic, it reveals a significant uncertainty about the possible future evolution of the fair value of the properties appraised.

The evolution will depend on the magnitude of the impact of the pandemic on the whole of the economy and on the relevant pricing variables.

Through the application of the comparison method, the analysis of the real estate market based on specific data produces the comparable data required to apply them as variables within the dynamic residual method. In this selection, the value of the variables that are abnormal has been previously checked, in order to identify and remove those resulting from transactions and offers that do not meet the conditions required by the definition of fair value, and those that may contain speculative elements or contain conditions specific to an specific agent that are removed from the market reality. Once the variables to be used in the dynamic residual method have been defined, determined and specified, the current value of land today is calculated taking into account the future flows associated to the development of the land, both payments and collections, based on an hypothesis on market prices (mainly selling and construction prices) and periods of urban development, construction and sale according to specific circumstances in each case.

In valuations made by the independent expert specialized in completed properties, the valuation method used is the direct comparison with market transactions.

The key hypotheses considered in these valuations are:

1. Deadlines affecting securing licenses and the start of urban development and/or construction work

2. Range of sales: affecting both a range of selling prices, and the percentage and selling period, and the actual and effective date of the different properties

3. Discount rates of the generated cash flows that incorporate the risk and the value of money through time

Additionally, the impact of the following hypotheses on the value of the inventories was also analyzed:

- Selling price of final products, and their increase-decrease between 1% and 5%.

- The revised rate, its increase or decrease by 1%.

The result of the sensitivity analysis for the period ended on 31 December 2020 is as follows:

(MM€)	Fluctuation of revision rate		Fluctuation of price of final products			
	-1%	+1%	-1%	+1%	-5%	+5%
Variation of the value of Portfolio (million €)	11.8	(11.0)	(9.1)	9.3	(45.6)	45.6

The changes in “Inventories” in the years ended 31 December 2020 and 2019, excluding impairment losses, were as follows:

	Thousands of Euros					
	Land and building lots	Short-cycle developments in progress	Long-cycle developments in progress	Completed buildings	Embodiment items	Total
Balance as at 31 December 2018	**681,189**	**-**	**74,338**	**48,493**	**5**	**804,025**
Conversion differences	(284)	-	(19)	-	-	(303)
Exchange rate changes	-	-	-	-	-	-
Additions	1,648	5,704	11,220	-	8	18,580
Disposals	-	-	(61)	(12,336)	(7)	(12,404)
Transfers	(22,284)	28,925	(6,641)	-	-	-
Balance as at 31 December 2019	**660,269**	**34,629**	**78,837**	**36,157**	**6**	**809,898**
Conversion differences	(198)	-	(13)	-	-	(211)
Exchange rate changes	-	-	-	-	-	-
Additions	1,038	16,838	13,300	-	8	31,184
Disposals	(1,387)	-	-	(17,159)	(7)	(18,563)
Transfers	-	8,614	(29,479)	20,865	-	-
Balance as at 31 December 2020	**659,722**	**60,081**	**62,645**	**39,863**	**7**	**822,318**

Land and building lots and Developments in progress

With the onset of the health crisis during 2020, the Group did not start the commercial operation of some developments, even though it continued to work of the projects and administrative permits, awaiting to determine the final impact of Covid 19 on demand, selling prices and production costs.

Two new developments in Madrid and Alcalá de Henares have been transferred from “Long-cycle work in progress” to “Short-cycle work in progress” for EUR 29,479 thousand, since they are expected to start delivering the units within 12 months. On the other hand, a development in Palma de Mallorca was transferred from “Short-cycle work in progress” to “Completed buildings” for EUR 20,865 thousand. In 2019, EUR 21,850 thousand were transferred from “Land and building lots” to “Short-cycle work in progress”.

The most important short-cycle additions to works in progress during 2020 correspond to the developments in progress by the Group, which represented an investment of EUR 16,838 thousand, most significantly in Esencia de Sabadell and Son Dameto. Regarding long-cycle work in progress, the most significant activity took place at the Parque del Ensanche and Valdebebas. The most important additions during 2019 correspond to the property developments that the Group has started and represented an investment of EUR 16,924 thousand.

Advances to suppliers

The detail of “Advances to Suppliers” at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Realia Business, S.A.:		
Valdebebas	473	2,963
El Molar	18	18
Other	2	-
Total land purchases	**493**	**2,981**

Advances to suppliers during 2020 and 2019 relate mainly to urban development costs paid to the Valdebebas Development and Apportionment Board. During the year, this body sold the land for commercial use, which resulted in a reduction of the advances recognized.

Pursuant to revised IAS 23, the Group capitalizes the borrowing costs associated with property investment under construction, which takes a period of over twelve months to get ready for its intended use. In 2020 and 2019, no borrowing costs were capitalized in this connection.

Builder’s all risk insurance has been taken out for all the property developments in progress and completed, and the appropriate community association insurance has been taken out for completed developments.

At 31 December 2020, certain assets were recognized under inventories, with an aggregate carrying amount of EUR 4,683 thousand, which serve as a mortgage security for the “syndicated” loan arranged by Realia Patrimonio for EUR 3,169 thousand (see Note 19). At 31 December 2019, certain assets were recognized under inventories, with an aggregate carrying amount of EUR 4,891 thousand, which serve as a mortgage security for the loan arranged between Realia Patrimonio and the "syndicated loan" for EUR 3,287 thousand (see Note 19).

Inventory write-downs

The changes with an impact on inventory write-downs in 2020 and 2019 were as follows:

	Thousands of Euros	
	2020	2019
Initial balance	(469,919)	(488,816)
Net impairment losses – land (Note 23.j)	(13,805)	(6,655)
Net amounts used/reversed – property developments in progress and completed (Note 23.j)	128	25,325
Effect of exchange rate changes	156	227
Final balance	**(483,438)**	**(469,919)**

Pursuant to the applicable accounting rules, the Group recognizes write-downs for all the losses on its inventories and does not recognize increases in value until they have been effectively realized, through their sale (see Notes 4.f and 4.q).

14. Other assets

14.1 Trade and other receivables

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

	Thousands of Euros	
	2019	2019
Trade and other receivables	5,978	5,407
Customers – unpaid	1,713	442
Unpaid trade receivables and notes	8,202	8,207
Doubtful trade receivables	426	350
Impairments - customers	(9,405)	(8,554)
Sundry accounts receivable	5,061	4,184
Impairments - receivables	(682)	(654)
Other accounts receivable from public authorities (Note 21)	757	865
Current tax assets (Note 21)	4,659	5,331
Total trade and other receivables	**16,709**	**15,578**

"Trade and other Receivables" at 2020 year-end relates mainly to invoices yet to be issued by the property management companies due to the straight-line recognition of amounts in rent-free periods and rent rebates, of EUR 5,569 thousand (EUR 4,297 thousand in 2019), in accordance with the accounting treatment provided for under International Accounting Standards (IFRS 16/ IAS 17), included in Note 5.a of this report.

During 2020 and 2019, the Parent recovered trade loans provisioned as bad debts for EUR 65 thousand.

The Directors consider that the carrying amount of the accounts receivable approximates their fair value.

14.2 Current and non-current financial assets

The detail of "Non-Current Financial Assets" and "Other Current Financial Assets" at 31 December 2020 and 2019 is as follows:

	Thousands of Euros			
	2020		2019	
	Non-current	Current	Non-current	Current
Credit facilities	11,500	4,474	-	15,964
Other	-	374	-	4,312
Total other financial assets	**11,500**	**4,848**	**-**	**20,276**

At 31 December 2020 and 2019, non-current financial assets recognize the following credit facilities:

- On 31 December 2020, the Group has recognized a balance of EUR 11,500 for a loan granted by Realia Patrimonio to its subsidiary As Cancelas Siglo XXI, S.L. In 2019, this loan was recognized as current, but it was reclassified as non-current in 2020, after it was renewed on December 2020, due on 31 December 2022. This loan accrues a market interest rate.

Regarding current financial assets, "Loans" in 2020 and 2019 recognize EUR 4,474 thousand and EUR 15,964 thousand, respectively, corresponding to:

- Credit facility and interest payable that the Parent has granted to associate Inversiones Inmob. Rústicas y Urbanas 2000, S.L., amounting to EUR 4,465 thousand (EUR 4,462 at 31 December 2019). This loan matured in March 2020, and has been tacitly renewed for one more year.

- "Other financial assets" recognized at 31 December 2019 mainly the amount of the short-term deposits in the bank corresponding to the advanced collection from customers of the Brisas de Son Dameto development for EUR 3,230 thousand. During 2020, the Company has started to deliver homes, and this balance has been transferred to "Cash and cash equivalents".

All the credit facilities granted earn interest at a market rate.

14.3 Other current and non-current assets

“Other current and non-current assets” recognizes as current assets advanced payments amounting to EUR 4,885 thousand and EUR 4,664 thousand in 2020 and 2019, respectively. Non-current assets relates to the long-term guarantees and deposits provided to Public Authority bodies, which amounted to EUR 9,784 thousand and EUR 9,207 thousand in 2020 and 2019 year-end, respectively.

15. Cash and cash equivalents

“Cash and cash equivalents” includes the Group’s cash and unrestricted short-term bank deposits. The detail of the carrying amount of these assets, which approximates their fair value, is as follows:

	Thousands of Euros	
	2020	2019
Short-term deposits held at banks	400	431
Cash and current accounts	74,422	75,464
Total cash and cash equivalents	**74,822**	**75,895**

Current accounts accrue the market interest rate for this type of accounts.

At 31 December 2020 and 2019 the amounts pledged by investee Realia Patrimonio S.L.U. for this concept amounted to EUR 27,479 thousand and EUR 27,598 thousand, respectively.

16. Equity

At year-end 2020 and 2019, the share capital of the Parent Company is represented by 820,265,698 shares, all of them bearer shares, of a nominal value of 0.24 Euros each, fully subscribed and paid.

The majority shareholders at 31 December 2020, according to the statement of ownership interest registered with the Comisión Nacional del Mercado de Valores (CNMV) are the following:

Shareholders	**% of Ownership**
Control Empresarial de Capitales, S.A. de Capital Variable	36.35%
FCC, S.L.U. (100% owned by FCC, S.A.)	36.98%
Rest	26.67%
	100%

Additionally, according to the disclosures made to the CNMV, Control Empresaria de Capitales, S.A. de Capital Variable has an ownership interest in the FCC Group and therefore, holds direct and indirect control over 63.77% of Realia Business.

On 30 June 2020, a reverse merger took place in Mexico between Control Empresarial de Capitales, S.A. de C.V. and Inversora Carso S.A. de C.V., owner of 99.99% of the former company, according to which the first company becomes a stockholder of Realia Business S.A. This merger is the result of a corporate restructuring operation that seeks to simply the corporate structure and reduce costs, since it eliminates redundant corporate structures, centralizing and integrating the management and administration functions of the companies into a single holding company (CEC).

At 31 December 2019, the share capital of the Company is represented by 820,265,698 shares. The most representative shareholders, according to the disclosures made to the CNMV, are the following:

Shareholders	% of Ownership
Inversora Carso, S.A. de Capital Variable	33.85%
Fomento de Construcciones y Contratas, S.A.	34.34%
Fomento de Construcciones y Contratas, S.A. (indirect)	2.58%
Rest	29.23%
	100%

At 31 December 2020 and 2019, the shares of the Company are listed in the Madrid and Barcelona Stock Exchange Markets. The price of the shares of the Company at 31 December 2020 and the average share price in the last quarter were EUR 0.68 and 0.64 per share, respectively (EUR 0.93 and 0.90 per share, respectively, at 31 December 2019).

Share premium

The consolidated text of the Law on Corporations expressly allows for the use of the balance of the share premium to increase capital and does not establish any specific restriction on the availability of the balance for other purposes. The share premium amounts to EUR 528,492 thousand at 31 December 2020 (EUR 528,492 thousand at 31 December 2019).

Reserves of the Parent

Legal reserve

Under the Spanish Law on Corporations, the Parent must transfer 10% of the net profit for each year to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital in the part of the balance that exceeds 10% of the increased capital. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided sufficient other reserves are not available for this purpose.

At 2020 year-end, the legal reserve amounts to EUR 22,709 thousand (EUR 22,375 thousand at 31 December 2019), and was not fully established.

Other reserves

At 31 December 2020, this item includes special and voluntary reserves, for EUR 43,876 thousand and EUR 262,680 thousand, respectively (EUR 43,876 thousand and EUR 262,686 thousand at 31 December 2019).

Special reserves are composed by restricted reserves for EUR 43,764 thousand, generated on 15 June 2000 as a result of a transfer from capital to reserves due to a capital decrease in Produsa Este, S.A, currently Realia Business, S.A., and EUR 112 thousand, created on the coming into force of the euro in 2002 (the same amount at 31 December 2019).

Additionally, there are “Negative results from previous years” for a negative amount of EUR 464,601 thousand (EUR 467,609 thousand at 31 December 2019).

Reserves in consolidated companies

The breakdown of reserves in consolidated companies is as follows:

	Thousands of Euros	
	2020	2019
Realia Business, S.A. and consolidation adjustments	18,432	17,327
Subgroup Planigesa	153,313	145,812
Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L.	(16)	(14)
Realia Polska SP ZOO	-	(430)
As Cancelas Siglo XXI, S.L.	14,991	13,638
Realia Contesti, S.R.L.	1,589	1,503
Servicios Índice, S.A.	(1)	-
Realia Patrimonio, S.L.U.	264,434	233,598
Valaise, S.L.U.	212	(4)
Guillena Golf, S.L.U.	-	(1)
Total	**452,954**	**411,429**

In 2020 and 2019, EUR 360,230 thousand and EUR 337,028 thousand respectively are included within the reserves of consolidated companies, due the increase in the fair value of investment properties.

Treasury shares

The General Meeting of Shareholders held on 22 June 2015 authorized the buyback of treasury shares, during the maximum period permitted by law, and in keeping with Section 146 of the Law on Corporations. This agreement was ratified at the AGM held on 2 June 2020, under the same terms.

The changes in treasury shares during 2020 and 2019 were as follows:

	Number of shares	Thousands of Euros
Balances at 31 December 2018	**1,462,902**	**1,566**
Acquisitions	1,971,339	1,711
Balances at 31 December 2019	**3,434,241**	**3,277**
Acquisitions	5,742,228	4,249
Balances as at 31 December 2020	**9,176,469**	**7,526**

The average price of treasury shares at year-end 2020 is 0.82 €/share (0.95 €/share in 2019). The number of treasury shares represents 1.12% of the total shares.

17. Non-controlling interests

The changes in "non-controlling interests" and in the profit and loss attributable to non-controlling interests were as follows:

	Thousands of Euros
Balance as at 31 December 2018	**235,978**
Changes in the scope of consolidation (Note 2.g)	-
Dividends paid	(8,153)
Profit (loss) for 2019	15,303
Balance as at 31 December 2019	**243,128**
Changes in the scope of consolidation (Note 2.g)	-
Dividends paid	(9,033)

Profit (loss) for 2020	3,939
Other	(1)
Balance as at 31 December 2020	**238,033**

The detail, by company, of “Non-controlling Interests” at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Planigesa Subgroup	236,014	241,034
Servicios Índice, S.A.	2,019	2,094
Final balance	**238,033**	**243,128**

The companies holding ownership interests of more than 10% in a Group company included under “Non-Controlling Interests” are the following:

		Percentage of Ownership	
	Company	2020	2019
Nozar, S.A.	Servicios Índice, S.A.	39.92%	39.92%
Ecohabitalia S.L.U.	Planigesa, S.A.	23.48%	23.48%

18. <u>Provisions</u>

Long-term provisions

The changes in “Long-term provisions” in 2020 and 2019 were as follows:

	Thousand Euros		
	Warranty Provision	Other Provisions	Total
Balance as at 31 December 2018	**3,284**	**1,032**	**4,316**
Charges for the year	-	8,668	8,668
Amounts used/ reversed	(1,124)	(266)	(1,390)
Transfers	42	-	42
Balance as at 31 December 2019	**2,202**	**9,434**	**11,636**
Charges for the year	-	853	853
Amounts used/reversed	-	(149)	(149)
Transfers	(306)	-	(306)
Balance as at 31 December 2020	**1,896**	**10,138**	**12,034**

“Warranty Provision” reflects the Group’s estimate of the amount required to cover at any given time any liability arising as a result of defects in quality, latent defects or extraordinary repairs or other contingencies relating to the properties delivered, completed or pending sale, that might arise during the developer’s maximum liability period (ten years).

In 2020, the Group did not recognize any provisions for guarantees, whereas in 2019 it used EUR 1,124 thousand for this concept.

In 2020, the Group recognized and reversed provisions for EUR 853 thousand and EUR 149 thousand, respectively (EUR 8,688 thousand and EUR 266 thousand respectively at 31 December 2019); of the amounts recognized, EUR 690 thousand correspond mainly to possible claims arising from changes in the current urban development plans or their arrangement that may reduce the buildable space area in some areas where the company has a presence, recognized under “Changes in trade provisions” in the accompanying consolidated profit and loss account (EUR 47 thousand and EUR 219 thousand respectively at 31 December 2019) (Note 23.j) ; regarding reversed amounts, EUR 149 thousand were recognized under “Excess Provisions” in the accompanying consolidated profit and loss account.

Current provisions

At 31 December 2020, “Current Provisions” mainly include provisions for “Short-term guarantees” for an amount of EUR 379 thousand. At 31 December 2019, current provisions amounted to EUR 909 thousand. During 2019, the provision for the increase in the Value Increase Tax of Urban Land (IIVTNU) from the sale of the Los Cubos building in 2017, which had been appealed by the Group and received a favorable ruling, and accordingly, the provision recognized in 2018 for EUR 2,281 thousand was reversed (see Note 23.f).

During 2020, “Provisions for Guarantees for after-sales expenses” proceeded to the transfer of a total of EUR 306 thousand to “Long-term Guarantees”, and a total of EUR 836 thousand were reversed for this purpose.

During 2019, “Provisions for Guarantees for after-sales expenses” proceeded to the transfer of a total of EUR 42 thousand to “Long-term Guarantees”, and a total of EUR 53 thousand were reversed, and EUR 26 thousand were provisioned.

19. Bank borrowings and other financial liabilities

The detail of the Group’s “Bank Borrowings and Other Financial Liabilities” as at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2019	2018
Non-current:		
Loans and other bank borrowings	545,622	567,269
(Loan arrangement costs)	(8,942)	(7,758)
Valuation adjustments IFRS 9)	(8,619)	-
Derivatives	5,530	6,900
Other	11	30
Total bank borrowings and other non-current financial liabilities	**533,602**	**566,441**
Current:		
Loans and other bank borrowings	40,708	27,926
(Loan arrangement costs)	(364)	(2,330)
(Valuation adjustments IFRS9)	(349)	-
Interest	1,363	1,735
Derivatives	2,403	2,553
Property, plant and equipment – suppliers	1,901	4,021
Other	1,616	810

Total bank borrowings and other current financial liabilities	**47,278**	**34,715**
Total	**580,880**	**601,156**

At 31 December 2020 and 2019, bank borrowings and payables to third parties, broken down by types of guarantee, are as follows:

	Thousands of Euros			
	2020		2019	
Type of guarantee	Limit	Drawn Down	Limit	Drawn Down
Personal and other guarantees	68,000	59,769	68,000	49,104
Syndicated guarantees – Property (1)	526,561	526,561	546,091	546,091
Loan arrangement costs and valuation adjustments IFRS 9	(18,724)	(18,274)	(10,088)	(10,088)
Interest from current accounts	-	1,363	-	1,735
Gross bank borrowings	576,287	569,419	604,003	586,842
Derivatives	7,933	7,933	9,453	9,453
Total gross bank borrowings	**584,220**	**577,352**	**613,456**	**596,295**

(1) Restricted to assets financed.

The detail, by type, of the bank borrowings as at 31 December 2019 and 2018 is as follows:

Current and non-current Loans and Credit Facilities	Thousands of Euros	
	2020	2019
Syndicated property loan	526,561	546,091
Bilateral loan	59,769	49,104
Loan arrangement costs	(18.274)	(10.088)
Interest	1,363	1,735
Derivatives	7,933	9,453
Total	**577,352**	**596,295**

The maturity of the loans and bank borrowings is as follows:

	Thousands of Euros	
	2020	2019
2020	-	29,661
2021	42,071	37,438
2022	41,984	24,589
2023	23,920	23,920
2024 and subsequent years	479,718	481,322
Loan arrangement costs and valuation adjustments IFRS 9	(18,274)	(10,088)
Derivatives	7,933	9,453
	577,352	**596,295**

At 31 December 2020, loan arrangement costs (EUR 9,306 thousand) and valuation adjustments (EUR 8,968 thousand) arising from the application of IFRS 9 in the novation of Realia Patrimonio's syndicated loan on April 2020 are recognized as a deduction from the balance of "Loans and other bank borrowings" in the accompanying balance, and amount to EUR 18,274 thousand (EUR 10,088 thousand in 2019).

Syndicated loans – Rental property

On 27 April 2017, the subsidiary Realia Patrimonio, S.L.U. took a new syndicated loan contract with six banks, with Bankia as the agent bank, for an amount of EUR 582,000 thousand, due in April 2024.

On 27 April 2017, it took a non-extinguishing modifying novation of that loan, extending its maturity to 27 April 2025 and renegotiating a reduction in the spread applicable to the benchmark rate for the calculation of interest, and ratifying the current guarantees. As a consequence of this novation, the applicable interest rate is Euribor plus a variable spread depending on the "Loan to Value" ratio within a range of 120 to 190 bp, with no change to the rest of the terms of the loan. The spread currently applied is of 135 basis points.

At 31 December 2020, the outstanding balance of the syndicated loan amounts to EUR 526,561 thousand (EUR 546,091 thousand in 2019, not including IFRS 9 valuation adjustments or loan arrangement costs for EUR 18,255 thousand or interest accrued for EUR 1,311 thousand.

As collaterals of the syndicated loan, and as debentures resulting from the hedging contracts associated to the loan, mortgage guarantees on property investments were created, as provided for in Note 10, and on some land classified under “Inventories”, and also as a pledge over the credit risks derived from lease contracts, insurance contracts, inter-group loans and dividends received by Realia Patrimonio, S.L.U. and as pledge on the shares of Hermanos Revilla S.A., Planigesa S.A. and As Cancelas Siglo XXI, S.L.

During the term of the loan, the Company must meet several ratios related to the debt service hedge (RCSD equal or higher than 1.10x) and to net indebtedness levels over the GAV of property assets (“Loan to Value” or LTV lower than 60%). At 31 December 2020, the Company fulfils the covenants established in the loan contract. Similarly, the Company must transfer annually an amount equivalent to 50% of the cash surplus to early debt servicing, according to the loan contract.

Additionally, the Company entered into an interest rate swap (IRS) with a floor of 0%, for 70% of the outstanding balance of the loan to reduce the risk of exchange rate variation and its impact on the cash flows associated to the hedged loan. The life of such hedging instrument is the same as the one established for the syndicated loan; the current notional amount is EUR 370,979 thousand. Nonetheless, according to clause 6 of the novation agreement of the loan signed on 27 April 2020, Realia Patrimonio undertakes to sign new hedging contracts at market prices before 27 March 2024 covering the period between 27 April 2014 and 27 April 2025, with the banks interested in participating in the new interest rate hedges, which should cover a nominal amount not lower than 70% of the outstanding balance at the time the hedge is formalized.

The Group has performed the so-called “10% test” according to IFRS 9, assuming that there are no significant changes to the debt from a qualitative standpoint, and obtained a result below 10% and concluded that the terms are not substantially different.

The Group adjusted the balance of the debt to reflect an amount equal to the sum of the new modified flows discounted with the original IIR, against the income statement, and adjusted the amount of the new debt with the incremental expenses to accrue them throughout the life of the new debt. The impact of this modification at year-end 2020 amounted to EUR 10,348 thousand, recognized under “Financial income” in the Consolidated Profit and Loss account (see Note 23.g).

Bilateral property loans

At 31 December 2020, the company Hermanos Revilla S.A. holds credit and loan policies for a limit of EUR 68,000 thousand (EUR 68,000 thousand in 2019), of which EUR 59,769 thousand have been drawn down (EUR 49,104 thousand at 31 December 2019). Bilateral loans will mature during 2021-2024 and the average interest rate at 31 December 2020 is 1.35%.

Information on hedges

Realia Patrimonio, S.L.U. has risk hedge transactions in place for interest rate variations in order to cover the risks to which its future cash flows are exposed. The detail of derivate instruments entered into during 2020, and the details of the maturity of their notional values is as follows:

			Maturity of notionals			
Thousands of Euros	**Valuation**	**Notional**	**2021**	**2022**	**2023**	**2024**
IRS + Floor	7,933	370,979	14,456	15,575	16,736	324,212

The notional value of the financial swap is reduced in a similar manner to that of the principal of the syndicated loan entered into in 2017; even though it matures on 2024, in the novation of the loan signed on 27 April 2020, Realia Patrimonio undertakes to sign new hedging contracts at market prices covering the period between 27 April 2024 and 27 April 2025 with the banks that wish to participate in the new interest rate hedges and which must cover a nominal amount no lower than 70% of the outstanding balance of the loan at the time the hedge is formalized.

The expected charge to the profit and loss account during the next years resulting from the cash flow hedging derivatives amounts to EUR 2,403 thousand for 2021 and the remaining EUR 5,530 thousand, for subsequent years.

Realia Patrimonio S.L.U. identifies at the time of their contract the cash flow hedging instruments, since they allow the hedging of debt-related cash flows.

According to the requirements of current Spanish accounting regulations, the Group has conducted efficiency tests, both prospective and retrospective, to all the hedging derivative instruments. As a result, derivatives have been classified into two categories:

- Efficient coverage, provided that the following hedge efficacy requirements are met:

i) Existence of an economic relation between the item hedged and the hedging instrument

ii) The credit risk does not exercise a dominant effect on the value changes arising from this economic relation.

iii) The hedging ratio of the hedge is the same as that resulting from the amount of the item hedged actually covered by the entity and the amount of the hedging instrument that the entity actually uses to cover that amount of the item hedged. However, this should not reflect an imbalance between the weights of the item hedged and the hedging instrument that generates inefficacy in the hedge (regardless of whether it is recognized or not) that may give rise to an accounting result contrary to the purpose of the hedge accounting.

- Inefficient coverage, in which case, the effect of the variation of the derivatives designated as inefficient or speculative is recognized in the result for the year.

The expected charge to the profit and loss account during the next periods for the cash-flow hedging derivatives is as follows:

In 2020, the Company recognized as a positive financial result the part whose inefficient hedging amounts to EUR 524 thousand, under “Variation of fair value in financial instruments” (Note 23.g).

The amount recognized under Equity at 31 December 2020 is negative for EUR 5,226 thousand, net of taxes. During 2020, a negative amount of EUR 2,637 was transferred to profit and loss as a result of the interest rate hedge, EUR 2,164 thousand of which were settled in 2020, and EUR 473 thousand in 2019. These amounts have been recognized under financial costs.

For financial instruments valued at fair value, the Group uses the following three hierarchical levels depending on the relevance of the variables used in the valuations:

- Level 1: prices quoted (unadjusted) on active markets for identical assets and liability.

- Level 2: variables different to quoted prices included in Level 1 that are directly observable for the asset or liability, i.e. as prices, or indirectly, i.e. derived from prices.

- Level 3: variables that are not based on observable market data (non-observable variables).

Thousands of Euros	Level 1	Level 2	Level 3	Total
Financial Liabilities at fair value Hedging derivatives		7,933	-	-
	-	**7,933**	**-**	**-**

No transfers between the different fair value hierarchies took place during 2020.

19.1 Changes in liabilities originating from financial activities

The following table summarized the variations in the cash-flows of the gross bank borrowings during 2020 and 2019:

	31 December 2019	**Cash flows**	**Others**	**31 December 2020**
Non-current bank borrowings	559,511	8,313	(39,763)	528,061
Current bank borrowings	27,331	(18,607)	32,634	41,358
Long-term derivatives	6,900	-	(1,370)	5,530
Current derivatives	2,553	-	(150)	2,403
Total liabilities from financial activities	**596,295**	**(10,294)**	**(8,649)**	**577,352**

In the statement of cash-flows at 31 December 2020, “Collections and payments through financial liability instruments” EUR -38 thousand are recognized, corresponding to financial liabilities with entities other than banks.

	31 December 2018	**Cash flows**	**Other**	**31 December 2019**
Non-current bank borrowings	586,547	6,223	(33,259)	559,511
Current bank borrowings	23,327	(31,702)	35,706	27,331
Non-current derivatives	3,466	-	3,434	6,900

Current derivatives	2,613	-	(60)	2,553
Total liabilities from financial activities	**615,953**	**(25,479)**	**5,821**	**596,295**

"Others" includes the effect of reclassification between current and no-current due to the passing of time, and the effect of interest earned outstanding payment resulting from credit and loans.

19.2 Fair values of financial instruments

The detail of carrying amounts of financial assets and liabilities of the Group according to the definition of the International Financial Reporting Standards included in the financial statement at 31 December, compared to their fair values, is the following:

	Thousands of Euros			
	Carrying amount		Fair value	
	2020	2019	2020	2019
Financial assets (Note 14.2)				
Non-current loans	11,500	-	11,500	-
Current loans	4,848	20,276	4,848	20,276
	16,348	20,276	16,348	20,276
Financial liabilities				
Bank borrowings (Note 19)	569,419	586,842	569,419	586,842
Debts to third parties (Note 19)	3,528	4,861	3,528	4,861
Derivatives (Note 19)	7,933	9,453	7,933	9,453
	580,880	601,156	580,880	601,156

The Management considers that cash and current deposits, accounts receivable, accounts payable and other current liabilities have a fair value very close to their carrying amount due to a great extent to their short-term maturity.

20. Other liabilities

a) Other non-current liabilities

The detail of this heading at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Other non-current liabilities payable	2,404	2,404
Non-current guarantees and deposits received	14,692	14,301
	17,096	**16,705**

b) *Trade and other payables*

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

	Thousands of Euros	
	2020	2019
Suppliers of Group companies and associates	8,712	6,925
Suppliers for the purchase of land: No payment instruments	3,170	3,170
Suppliers - Rest	2,161	3,471
Customer advances – development (Note 4.h)	10,199	10,010
Other customer advances	-	21
Creditors	7,420	6,712
Tax payable (Note 21)	3,790	3,846
Current tax liabilities (Note 21)	591	623
	36,043	**34,778**

This includes mainly amounts payable for construction and associated costs, land purchase and the amounts corresponding to advances paid by customers before the recognition of the sale ("Advanced customer payments for developments"). In 2020, a significant increase took place in the balances of the suppliers of the Group and related to the advanced payments from customers of developments as a consequence of the launch of new developments and the progress of the developments started on the prior year.

The Directors consider that the carrying amount of trade creditors is very close to its fair value.

c) *Average period of payment to suppliers*

Below is a summary of the disclosure required by the third additional provision of Law 15/2010, of 5 July (amended by the second additional provision of Law 31/2014, of 3 December) prepared in accordance with ICAC's Resolution of 29 January 2016, regarding the information to be included in the annual consolidated financial statement report on the average payment period to suppliers in commercial operations.

	2020	**2019**
	Days	Days
Average payment period to suppliers	67	55
Ratio of transactions paid	71	61
Ratio of transactions pending payment	34	30
	Thousands of Euros	
Total payments made	58,703	67,575
Total outstanding payments	9,029	14,215

According to ICAC's Resolution, commercial transactions corresponding to the delivery of goods or services accrued from the date of enforcement of Law 31/2014, of 3 December, have been taken into account for the calculation of the average payment period to suppliers.

Exclusively for the purposes of providing the information required by this Resolution, suppliers are those commercial creditors for the provision of goods or services, included under “Suppliers” and “Creditors” on the liability side of the balance sheet.

“Average payment period to suppliers” is the time elapsed from the delivery of goods or services by the supplier to the time of payment of the transaction.

The ratio of transactions paid is the ratio between the sum of the products corresponding to the amounts paid, times the number of payment days (the difference between the calendar days elapsed from the day that the calculation of the period starts until the payment of the transaction), divided by the total amount of payments made.

Additionally, the ratio of transactions outstanding payment corresponds to the ratio between the sum of the products corresponding to the amounts pending payment, times the number of days payment (difference between the calendar days elapsed from the day the calculation of the period starts until the last day of the period the annual accounts refer to), divided by the total amount of outstanding payments.

The maximum deadline for payment applicable to the Company, according to Law 3/2004, of 29 December, that establishes measures to fight against default in commercial transactions, and according to transitory provisions established by Law 15/2010, of 5 July, is of 60 days, as the conditions established by Law 11/2013, of 26 July, are met. The Group makes its payments on the 15th of every month or on the next working day.

d) Other current liabilities

This includes mainly rents from the billing of advanced leases, charged against profit and loss, depending on their accrual, and amount to EUR 1,259 thousand (EUR 993 thousand in 2019).

21. Public Bodies and fiscal situation

Since 2007, the Group files its taxes under a fiscal consolidation regime, with the dominant company as the Parent of the Tax Group. The fiscal consolidation group, regulated on Section VI of Article VII of Law 27/2014, of 27 November, is made up by the parent company and all the subsidiaries, public or limited, resident in Spanish territory in which the parent has a direct or indirect ownership of at least 75% of the equity (see Appendix I).

On 2 February 2007, the Parent Company received from the Tax Agency the tax group assigned, No.135/07.

Therefore, since 2007, the Realia Group files its taxes under the regime of consolidated tax return, and therefore the heading “Taxes on Profits” in the accompanying financial statement, reflects the sum of the amounts of the individual tax return of each of the companies of the Group, as well as the effects of the process of consolidation and conversion to International Financial Reporting Standards.

On 10 December 2018, the Company, as the parent of tax group 135/07, received a notice of initiation of an review and inspection procedure of years 2014 and 2015 for the consolidated Corporate Income Tax, and of the period between November 2014 and December 2015 for the Value Added Tax. This procedure was of a general nature, and included the verification of all taxable bases and amounts pending offset or carryforwards of unused tax credits, according to the provisions of article 66.Bis of the General Taxation Law, which led to the revision of the negative taxable income generated from 2008 to 2015. The inspection procedure concluded on 12 November 2020, with the signing of the corresponding assessments signed in agreement. The results of the inspection did not entail any economic settlement for the parent company or for the investees. However, the inspection has opened a sanctions proceedings for an amount of EUR 143 thousand to the parent company, which proceeded to submit the pleadings that it deems appropriate. Additionally, in case the pleadings are rejected, the company will proceed to file the appropriate appeals.

Therefore, all the tax assets recognized in the financial statements, either capitalized or not, generated until 31 December 2015, which account for 97% of the total tax assets of the company and its group, have been reviewed and their deductibility has been accepted under the current tax legislation.

The main credit and debit balances with the Tax Administration recognized in the financial statements are the following:

	Thousands of Euros							
	Tax Assets				Tax Liabilities			
	Current		Deferred		Current		Deferred	
	2020	2019	2020	2019	2020	2019	2020	2019
Prepaid taxes	-	-	38,016	36,289	-	-	-	-
Credits for loss carryforwards	-	-	65,495	64,383	-	-	-	-
Tax credit carryforwards	-	-	13,198	14,372	-	-	-	-
Tax payable- VAT / IGIC (Canary Island Tax)	754	761	-	-	1,867	1,663	-	-
Tax refund	4,659	5,311	-	-	-	-	-	-
Tax payable – Corporate Tax	-	-	-	-	591	623	-	-
Tax payable – Personal Income Tax	-	-	-	-	1,167	1,254	-	-
Social Security	3	3	-	-	92	96	-	-
Other public bodies	-	-	-	-	664	833	-	-
Deferred taxes	-	-	-	-	-	-	172,262	173,470
	5,416	**6,095**	**116,709**	**115,044**	**4,381**	**4,469**	**172,262**	**173,470**

At each balance sheet date, the deferred taxes recognized are reviewed (both assets and liabilities), in order to confirm they are still current, and the corresponding corrections are made according to the analyses carried out.

Deferred tax assets are only recognized in as far as it is considered likely that the Company or Tax Group will have future taxable income to offset them.

The movement of deferred tax assets and liabilities in 2020 and 2019 was as follows:

	Thousands of Euros	
	Deferred Tax Assets	Deferred Tax Liabilities
Balance as at 31 December 2018	**119,190**	**164,856**
Derivatives	953	-
Tax credits and deductions for the year	(4,369)	-
Provisions for expenses	(504)	-
Loan provisions	-	(14)
Consolidation adjustments	20	(982)
Accelerated amortization and depreciation	-	(144)
Merger securities	-	-
Non-deductible financial expenses	(14)	-
Non-deductible amortization costs	(237)	-
IAS 40 adjustment at Fair Value (Note 4.c)(1)	-	9,795
Other	-	(41)
Balance as at 31 December 2019	**115,044**	**173,470**
Derivatives	(247)	-
Tax assets and deductions for the year	(62)	-
Provisions for expenses	783	-
Loan provisions	-	(14)
Consolidation adjustments	31	(840)
Accelerated amortization and depreciation	-	(143)
Merger securities	-	-
Non-deductible financial expenses	1,395	-
Non-deductible amortization costs	(242)	-
IAS 40 adjustment to fair value (Note 4.c) (1)	-	(169)
Other	7	(42)
Balance as at 31 December 2020	**116,709**	**172,262**

The detail of deferred tax assets and liabilities at year-end 2020 and 2019 is as follows:

	Thousands of Euros			
	Deferred Assets		Deferred Liabilities	
	2020	2019	2020	2019
Credits for loss carryforwards	65,495	64,383	-	-
Tax credit carryforwards	13,198	14,372	-	-
Derivatives	1,743	1,990	-	-
Provisions for expenses	4,402	3,620	-	-
Intragroup adjustments	354	323	-	-
Non-deductible financial costs	30,438	29,043	-	-

Non-deductible amortization costs	953	1,194	-	-
Other	126	119	-	-
Securities portfolio	-	-	-	14
Capital gains	-	-	5,604	5,604
Consolidation adjustments	-	-	2,341	939
IAS 40 adjustment at fair Value (Note 4.c)	-	-	158,295	160,706
Accelerated amortization and depreciation	-	-	4,879	5,022
Other	-	-	1,143	1,185
Total	**116,709**	**115,044**	**172,262**	**173,470**

Deferred tax assets have been recognized in the consolidated statement of financial position, for the Directors of the Company deem that, according to the best estimate of future Company results, it is likely that these assets will be recovered.

The conciliation between the accounting result before taxes and the tax base of the Corporate Tax for 2020 is the following:

	Thousands of Euros		
	Increases	Decreases	Total
Result before taxes			**7,648**
Permanent differences and unrealized temporary differences:			**(1,044)**
Permanent differences:			**(3,412)**
Surcharges and penalties	154		
Consolidation adjustments:			
Result of consolidated companies by equity method	471		
Other consolidation adjustments		(4,112)	
Financial adjustments from haircuts			
Non-deductible provisions	63		
Other adjustments and participating interests	12		
Unrealized temporary differences:			**2,638**
Provision for insolvencies	224		
Provision for impairment of inventories, plant and equipment		(2,410)	
Non-deductible amortizations			
Tax assets for unrecognized BINs	8,054		
Securities portfolio	3,457	(6,957)	
Temporary differences arising in the year:			**9,863**
Non-deductible financial costs	5,519		
Provisions for insolvencies	592		
Provisions for inventories, plant and equipment	3,065		
IAS 9 implementation		(8,947)	

IAS 40 implementation (Fair value adjustment/ Elimination of amortization)	9,634		
Other			
Temporary differences arising in prior years:			**(214)**
Accelerated amortization and depreciation	739		
Non-deductible financial expenses		(953)	
Securities portfolio	55		
Other consolidation adjustments		(55)	
Offset of capitalized tax losses			
Offset of non-capitalized tax losses from prior years			0
Tax base (taxable profit)			**16,253**

The conciliation between the accounting result before taxes and the tax base of the Corporate Tax for 2019 is the following:

	Thousands of Euros		
	Increases	Decreases	Total
Result before taxes			**80,502**
Permanent differences and unrealized temporary differences:			**370**
Permanent differences:			(7,454)
Surcharges and penalties	2		
Consolidation adjustments:			
Result of consolidated companies equity method		(2,554)	
Other consolidation adjustments		(4,452)	
Financial adjustments from haircuts			
Reassignment of values			
Other adjustments and participating interests		(450)	
Unrealized temporary differences:			7,824
Provision for expenses and liabilities	8,569		
Provision for impairment of inventories, plant and equipment	903		
Non-deductible amortizations		(1)	
Securities portfolio	4,452	(6,099)	
Temporary differences arising in the year:			**(41,377)**
Non-deductible financial costs		(56)	
Provisions for expenses		(2,281)	
Provisions for inventories, plant and equipment	265		
IAS 40 implementation (Fair value adjustment/ Elimination of amortization)		(39,179)	
Other		(126)	
Temporary differences arising in prior years:			**(10,851)**
Accelerated amortization and depreciation	739		

Non-deductible amortization		(953)	
Equities portfolio	55		
Other consolidation adjustments		(55)	
Offset of capitalized tax losses		(10,637)	
Offset of non-capitalized tax losses from prior years		(61)	(61)
Tax base (taxable profit)			**28,583**

The main permanent differences of 2020 and 2019 are the result of:

- Positive adjustment for EUR 143 thousand for the penalty, signed on a contested basis and appealed within the time limit, arising from the tax inspection of years 2014-2015.

- "Consolidation adjustments" include the following adjustments:

    - Positive adjustment of EUR 471 thousand due to the elimination of the result of companies consolidated through the equity method (negative adjustment of EUR 2,554 thousand in 2019).

    - Negative adjustment of EUR 4,112 thousand, corresponding to the reversal of the equities portfolio adjustment on the individual statement (EUR 4,452 thousand in 2019).

The main temporary differences, recognized and unrecognized of 2020 and 2019, are the result of:

- "Non-deductible financial costs" recognizes the adjustments required by the current Corporate Tax regulation, article 16 of Law 27/2014, of 27 November that establishes a restriction on the deduction of "net financial costs" and which in practice becomes a rule of specific temporary allocation, allowing for deductions in subsequent years, similarly to the compensation of negative tax bases.

  Thus, net financial expenses will be deductible to a maximum of 30% of the operating profit for the year. To this end, the rule considers that "net financial expenses" are the excess financial expenses with respect to the revenues derived from the assignment to third parties of equity accrued during the fiscal year. In any case, net financial costs of the fiscal year will be deductible, without limitation, up to 1 Million Euros. In 2020, a positive adjustment of EUR 5,519 thousand was made (negative adjustment for EUR 56 thousand in 2019).

- Pursuant to transitory provision sixteen of Royal Decree-Law 3/2016, of 2 December, approved in 2016, that establishes that the impairment losses of the securities representing equity holdings in companies that have been tax deductible on the Corporate Tax base in fiscal years before 2013, but not thereafter, and that the reversal of that impairment loss must be recognized for a minimum annual amount during five years, a positive adjustment was applied to the reported profit or loss of EUR 3,457 thousand as a permanent difference (EUR 4,452 thousand at 31 December 2019) and EUR 55 thousand for the reversal of a liability temporary difference recognized in the prior years (EUR 55 thousand in 2019), and there are no amounts pending consolidation to the next year (EUR 4,016 thousand at 31 December 2019).

Due to the positive adjustments made by the inspector to the securities portfolio, the adjustment for the year has been reduced by EUR 504 thousand.

- Negative adjustment of EUR 6,957 thousand in 2020 for the losses resulting from the liquidation of investee Realia Business Portugal (see note 9.1). This adjustment is pursuant to art 17.8 of Law 27/2014 of 27 November, which establishes that the tax base must incorporate the difference between the market value of the elements received and the fiscal value of the ownership interest cancelled, and art. 21.8, that establishes that negative revenues generated in case of extinction of the investee are tax deductible, unless it is the product of a restructuring, and the dividends received in during the ten years before the date of extinction must be subtracted from the negative revenues, in case the dividends benefited from an exemption.

- Positive adjustment of EUR 9,634 thousand corresponding to the reevaluation at fair value and the elimination of amortizations in investment properties (negative adjustment of EUR 39,179 thousand in 2019).

- Negative adjustment of EUR 8,947 thousand corresponding to the valuation of financial instruments according to IAS 9.

The Income Tax payable amount recognized in the accompanying consolidated financial statements is determined based on the consolidated profit before taxes, plus or minus the permanent differences between the tax base of that tax and the carrying amount. The carrying amount is applied the corresponding tax rate applicable to each company according to the legislation, and reduced by the bonuses and deductions accrued during the year, and adding the differences, positive or negative, between the estimated tax payable calculated upon the balance sheet date of the previous year and the subsequent settlement of the tax upon payment.

The income tax expense accrued in 2020 amounts to EUR 1,596 thousand (EUR 20,322 thousand in 2019), as shown in the accompanying consolidated profit and loss statements. The conciliation of the expense to the tax charge payable is as follows:

	Thousands of Euros	
	2020	2019
Income tax expense	7,648	80,502
Result of consolidated companies consolidated using the equity method	471	(2,554)
Other consolidation adjustments	(4,112)	(4,452)
Rest of permanent differences	229	(448)
Unrecognized temporary differences	2,368	8,336
Adjusted accounting profit	**6,604**	**81,384**
Tax charge	1,651	20,346

Deductions	(11)	(13)
Accrued income tax expense	1,640	20,333
Adjustments to the tax charge	(44)	(11)
Income tax expense (benefit)	**1,596**	**20,322**
Tax loss and tax credit carryforwards	(58)	(3,059)
Deferred tax assets and liabilities in the year	2,284	(10,367)
Adjustments to prior years' income tax	44	11
Tax refunds receivable	1,382	3,653
Tax withholdings and prepayments	(4,657)	(9,929)
Tax payable	(591)	(631)

At 31 December 2020, tax assets for loss carryforwards and deductions amounted to EUR 65,495 thousand (EUR 64,383 thousand in 2019). The directors think that these can be recovered in the future from the expected evolution of both the development and property businesses, and by the high potential gains of the property investments of the Group, for which it has recognized a deferred tax liability of EUR 158,295 thousand (EUR 160,706 thousand in 2019).

All the tax assets recognized in the financial statements, capitalized or not, generated until 31 December 2015, of the company and its tax group, have been reviewed and their deductibility according to current tax legislation has been accepted. They amount to EUR 105,618 thousand for BIN and EUR 13,233 thousand for deductions, of which EUR 65,495 thousand and EUR 13,159 thousand have been capitalized, respectively.

The breakdown of the income tax charge adjustment is as follows:

	Thousands of Euros	
Concept	2020	2019
From settlement of income tax in prior years	44	11
Total adjustments to tax charge	44	11

The breakdown of the income tax charge for 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Current tax	(4,052)	(7,276)
Deferred tax	2,456	(13,406)
Total income tax charge	**(1,596)**	**(20,322)**

The detail of the Group companies' tax loss carryforwards as at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
Year Earned	2020	2019
1998	61	61
1999	393	393
2000	177	177
2001	830	830

2002	185	185
2003	547	547
2004	-	-
2005	107	584
2006	-	500
2007	-	527
2008	53	164
2009	1,553	1,558
2010	44,632	60,670
2011	64,487	65,126
2012	246,379	248,211
2013	29,683	32,638
2014	31,365	33,522
2015	1,387	1,508
2016	5,559	5,996
2017	419	591
2018	133	133
2019	107	-
2020	7,923	-
	435,980	**453,951**

Tax loss carryforwards of the companies in the Tax Group amount to EUR 422,472 thousand and EUR 430,055 thousand in 2020 and 2019, respectively.

The list of tax charges includes the adjustments made by the tax inspection of years 2014 and 2015, and the review of tax bases from 2008 to 2015, which entailed a reduction of the negative tax charges (unrecognized) of the parent of the tax group for an amount of EUR 20,452 thousand, 61% of the adjustments made produced an increased in unrecognized temporary differences that will be carried forward to subsequent years (EUR 504 thousand were reversed during the year, for they correspond to the securities portfolio).

The Group only recognized deferred taxes associated to tax losses that the directors expect to recover (see Note 4.o). The tax losses not recognized by the Group as at 31 December 2020 amount to EUR 174,412 thousand (EUR 196,421 thousand at 31 December 2019).

The detail of the Group's tax credit carryforwards is as follows:

	Thousands of Euros			
	Tax Credit Carryforwards			
Year Earned	2020	2019	2020	2019
2008	457	460	457	460
2009	5,213	5,231	5,213	5,222
2010	48	69	48	69
2011	3,473	4,121	3,473	3,974
2012	1,323	1,967	1,323	1,987
2013	1,275	1,278	1,275	1,217
2014	1,262	1,262	1,262	1,262
2015	182	181	147	181
	13,233	**14,569**	**13,198**	**14,372**

This list of tax carryforwards includes the adjustments made by the tax inspection, which produced a reduction in the amounts deducted by the parent of the group by EUR 1,372 thousand (EUR 721 thousand from adjustments and EUR 651 thousand from a higher recognition of deductions in the settlement of the corporate tax return for 2015).

All the tax assets recognized in the financial statements, capitalized or not, generated until 31 December 2015, of the company and its tax group, accounting for 97% of the tax assets of the Tax group, have been reviewed and their deductibility according to current tax legislation has been accepted.

Under Law of the General State Budget for 2021 11/2020, dated December 30, and published in the Official Gazette (BOE) on 31 December 2020, an exemption is contemplated for dividends and capital gains according to article 21 of the Corporate Tax Law, in case they arise from ownership interest higher than 5% and are Spanish or resident in a country with a double taxation covenant of minimum nominal taxation of 10%, which until now were 100% exempt. Since the years started from 1 January 2021, this exemption is limited to 95% of the income recognized, which in practice means an effective rate of 1.25% of the dividend paid or the gain realized.

For these reasons, for the closure of 2020, the Group has evaluated whether, according to paragraph 39 of IAS 12, it should recognize the corresponding non-distributed deferred liability taxes from its subsidiaries' and Group associates' reserves.

Under current legislation, taxes cannot be considered to be definitively settled until the tax authorities have reviewed the tax returns filed or the four-year statute of limitation period has elapsed. At year-end 2020, all the companies of the group have opened for review the years 2016 to 2020 for all state taxes. The Directors of the Company consider that the aforementioned taxes have been settled correctly, so that, in case discrepancies arise regarding the interpretation of the current tax regulations due to the tax treatment given to the transactions, the eventual liabilities resulting, in case they materialize, would not have a significant impact on the accompanying financial statements.

Additionally, in Law 34/2015, of 21 September, partially amended by General Tax Law 58/2003, of 17 December, the tax authorities establish that the right of the Administration to start the procedure of review of tax charges or charges offset or pending offset or deductions applied or carried forward will have a statute of limitation of ten years from the day after the end of the regulatory period established for the filing of taxes or reverse charges corresponding to the tax period in which the right to offset such charges or rates to apply such deductions was generated.

It is worth noting that, as a consequence of the declaration of the first state of alarm, the Government adopted a number of fiscal measures, which include the declaration of the 78 days elapsed between March 14 and May 30 2020 as a period "not included in the calculations" for tax purposes.

22. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2020 and 2019, the Group has provided the following guarantees to third parties:

	Thousands of Euros	
	2020	2019
Guarantees relating to purchases of land, urban development charges, litigation and other (1)	1,987	2,119
Down payments from development customers	10,496	8,721
	12,483	**10,840**

(1) "Other" relates mainly to bid bonds provided in public tenders, urban development guarantees and guarantees relating to claims filed with public agencies and authorities. The directors of the Group companies do not expect any material liabilities to arise in relation to the guarantees provide or unresolved litigation and claims.

23. Income and expenses

a) Revenue

The detail, by region, of the Group's revenue from the sale of property developments and building lots and property rentals is as follows:

2020

	Thousands of Euros				
	Sale of Property, Developments, Building Lots and Other	Leases	Services	Total	%
Madrid	1,157	46,615	2,726	50,498	58.79%
Catalonia	736	6,388	-	7,214	8.29%
Andalusia	3,453	860	452	4,765	5.55%
Castilla-La Mancha	-	2,569	-	2,569	2.99%
Valencia	4,405	-	-	4,405	5.13%
Castilla y León	1,402	59	-	1,461	1.70%
Murcia	-	824	-	824	0.96%
Balearic Islands	10,875	-	-	10,875	12.66%
Galicia	-	1,624	-	1,624	1.89%
Rest of Communities	18	1,480	-	1,498	1.75%
Abroad	250	-	-	250	0.29%
TOTAL	**22,296**	**60,419**	**3,178**	**85,893**	**100.00%**

2019

	Thousands of Euros				
	Sale of Property, Developments, Building Lots and Other	Leases	Services	Total	%
Madrid	(119)	47,142	2,336	49,389	64.90%
Catalonia	1,855	6,191	-	8,046	10.57%
Andalusia	5,114	868	503	6,485	8.52%

Castilla-La Mancha	-	3,817	-	3,817	5.02%
Valencia	2,500	-	-	2,500	3.28%
Castilla y León	1,698	69	-	1,767	2.32%
Murcia	-	1,019	-	1,019	1.34%
Rest of Communities	-	3,081	-	3,081	4.05%
TOTAL	**11,048**	**62,217**	**2,839**	**76,104**	**100.00%**

At 31 December 2020 and 2019, the Group had contracted with tenants for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment revisions:

	Thousands of Euros	
	2020	2019
Within one year	62,738	63,963
Between two and five years	125,796	129,984
After five years	75,228	78,173
	263,762	**272,120**

b) Other operating income

The detail of the amounts recognized in the accompanying consolidated statement of profit and loss is as follows:

	Thousands of Euros	
	2020	2019
Expenses passed on in connection with property rentals (Note 4.x)	17,958	17,444
Other	401	1,277
Work done by the company on its assets	35	84
Total other operating income	**18,394**	**18,805**

c) Procurements and other external expenses

The detail of “Procurements” in the Group’s consolidated statement of profit and loss for 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Purchases of land and building lots	(7,584)	(866)
Changes in inventories	(345)	(20,695)
Construction work and services rendered by third parties	(23,384)	(17,255)
Total procurements	**(31,313)**	**(38,816)**

During 2020, the purchase of land and building lots include mainly urban development costs. The works and services by third parties recognize the investments made in the construction of new developments.

The expense recognized under this heading relates mainly to transactions performed in Spain.

The detail of the Group's other external expenses in 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Rent and royalties	134	123
Repair and upkeep expenses	7,262	8,047
Independent professional services	330	368
Insurance	236	218
Banking and similar services	80	73
Advertising, publicity and public relations	825	826
Utilities	2,394	3,109
Services provided by third parties	9,154	8,825
Taxes other than income tax	7,990	7,482
Other current operating expenses	26	2
Total other external expenses	**28,431**	**29,073**

d) Staff costs and average headcount

The detail of "Staff Costs" is as follows:

	Thousands of Euros	
	2020	2019
Wages, salaries and similar expenses	4,342	5,210
Employee benefit costs	904	953
Pension contributions and provisions (1)	159	179
Other employee benefit costs	72	136
Total staff costs	**5,477**	**6,478**

(1) The contributions to pension plans have been externalized (Note 4.ñ)

The average number of employees in the different Group companies in 2020 and 2019 was 90 and 90 respectively. The detail of the headcount at 2020 and 2019 year-end, by professional category, is as follows:

	Average number of employees				
	2020				
	Total	Men	Women	Spain	Abroad
Executives and university graduates	34	21	13	34	-
Other line personnel and further education college graduates	9	9	-	9	-
Clerical and similar staff	15	6	9	15	-
Other salaried employees	32	32	-	32	-
	90	**68**	**22**	**90**	**-**

	Average number of employees				
	2019				
	Total	Men	Women	Spain	Abroad
Executives and university graduates	34	22	12	34	-
Other line personnel and further education college graduates	8	8	-	8	-
Clerical and similar staff	15	5	10	15	-
Other salaried employees	33	33	-	33	-
	90	**68**	**22**	**90**	**-**

The number of employees at the various Group companies at 31 December 2020 and 2019 was 90 and 90, respectively.

At the end of 2020 and 2019, the Group does not have any employee with a degree of disability of 33% or higher.

e) Result of companies consolidated using the equity method

The detail of "Result of Companies Consolidated Using the Equity Method" in the consolidated statement of profit and loss is as follows:

	Thousands of Euros	
	2020	2019
Associates:		
Ronda Norte Denia, S.L.	-	1
As Cancelas Siglo XXI, S.L.	(465)	2,562
Inversiones Inmob. Rústicas y Urbanas 2000, S.L.	(7)	(8)
Total (Note 11)	**(472)**	**2,555**

The figure for As Cancelas Siglo XXI includes the impact of the valuation of property investments at IAS 40 Fair Value; in 2020 the impact was negative for EUR 1,285 thousand, and in 2019 it was positive for EUR 853 thousand.

f) Change in value of property investment

The detail of "Change in Value of Property Investments" is as follows:

	Thousands of Euros	
	2020	2019
Change in value from independent expert valuations (Note 10)	24,627	28,491
Other (Notes 10 and 18)	-	2,281
Result of change in value of property investment	**24,627**	**30,772**

g) Finance income and finance costs

The detail of "Finance Income and finance cost" in the consolidated statement of profit and loss is as follows:

	Thousands of Euros	
	2020	2019
Finance income:		
Interest on financial assets	127	171
Financial income valuation adjustments IFRS 9 (note 19)	10,348	-
Other finance income	135	1,017
	10,610	1,188
Finance costs:		
Interest on loans	(12,333)	(12,893)
Finance cost of cash flow hedging instruments	(2,629)	(2,698)
Other	(779)	(42)
	(15,741)	(15,633)
Change in fair value of financial instruments (Note 19)	524	432
Exchange rate differences	-	428
Impairment and gain or losses on disposals of financial instruments (Note 24.i)	-	110
Financial result	**(4,607)**	**(13,475)**

As a consequence of the novation of the syndicated loan of Realia Patrimonio dated 27 April 2020 (see Note 19) and following the criterion of IFRS 9 Financial Instruments, the Group recognized an increase of new borrowings against a financial income of EUR 10,348 thousand. This amount is equal to the sum of the new modified flows discounted with the original IIR. This amount will be accrued as a higher financial cost throughout the life of the new loan. During 2020, the interest on the loan for this concept amounted to EUR 1,380 thousand.

h) ***Contribution to consolidated result***

The contribution of each company included in the scope of consolidation to the result for the year was as follows:

	Thousands of Euros					
	2020			2019		
	Profit (Loss) attributable to the Parent	Profit (Loss) Attributable to External Partners	Total	Profit (Loss) Attributable to the Parent	Profit (Loss) Attributable to External Partners	Total
Fully consolidated:						
Realia Business, S.A.	(8,507)	-	(8,057)	5,011	-	5,011
Valaise, S.L.U.	(221)	-	(221)	218	-	218
Realia Business Portugal-Unipessoal, Lda.	14	-	14	(19)	-	(19)
Servicios Índice, S.A.	(77)	(75)	(152)	(54)	(53)	(107)
Planigesa Subgroup	3,571	4,014	7,585	14,625	15,356	29,981
Realia Polska Inwestycje, ZOO	-	-	-	396	-	396
Realia Patrimonio, S.L.U.	7,568	-	7,568	22,501	-	22,501
Realia Contesti, S.R.L.	35	-	35	61	-	61
Guillena Golf, S.L.	(248)	-	(248)	(416)	-	(416)
Consolidated with the equity method:						
As Cancelas Siglo XXI, S.L.	(465)	-	(465)	2,562	-	2,562
Inversiones Inmob. Rústicas y Urbanas 2000, S.L.	(7)	-	(7)	(8)	-	(8)
	2,113	**3,939**	**6,052**	**44,877**	**15,303**	**60,180**

i) Impairment and gains or losses on disposals of financial instruments

The detail of “Impairment and Gains or Losses on Disposals of Financial Instruments” in the consolidated statement of profit and loss is as follows:

	Thousands of Euros	
	2020	2019
Gains or losses on disposals and changes in the scope of consolidation (Note 2.g)	-	110
	-	**110**

j) Changes in write-downs, impairment losses and provisions

The detail of “Changes in Write-Downs, Impairment Losses and Provisions” in the consolidated statement of profit and loss is as follows:

	Thousands of Euros	
	2020	2019
Net write-down of work in progress and finished goods (Note 13)	128	6,338
Net impairment losses on land and building lots (Note 13)	(13,805)	12,332
Net write-downs, impairment losses and provisions	(734)	(7,149)
	(14,411)	**11,521**

24. Balances and transactions with related companies

The Group had the following balances with related companies at 2020 year-end:

	Thousands of Euros								
	Assets			Financial Liabilities			Other Liabilities		
	Non-Current (1)	Current	Total	Non-Current	Current	Total	Non-Current	Current	Total
FCC Indust. e Infraest. Energ, S.A.U.	-	-	-	-	3	3	-	369	369
Fedemes, S.L.	-	-	-	-	-	-	39	11	50
Jezzine	-	36	36	-	-	-	-	-	-
FCyC, S.L.	-	700	700	-	80	80	-	-	-
DDG	-	6	6	-	-	-	-	-	-
Serv. Especiales de Limpieza, S.A.	-	-	-	-	-	-	-	355	355
Inmob. Rústica y Urbana	11,900	4,874	16,774	-	-	-	-	-	-
As Cancelas Siglo XXI	49,561	53	49,614	-	-	-	-	-	-
Soinmob	-	11	11	-	-	-	-	-	-
FCC, S.A.	-	-	-	-	-	-	23	40	63
FCC Construcción	-	-	-	-	380	380	-	7,869	7,869
FCC Ambito	-	-	-	-	-	-	-	66	66
	61,461	**5,680**	**67,141**	**-**	**463**	**463**	**62**	**8,710**	**8,772**

(1) Includes the balance of “Investments in associates”

The Group had the following balances with related companies at 2019 year-end:

	Thousands of Euros								
	Assets			Financial Liabilities			Other Liabilities		
	Non-Current (1)	Current	Total	Non-Current	Current	Total	Non-Current	Current	Total
FCC Indust. e Infraest. Energ, S.A.U.	-	-	-	-	3	3	-	414	414
Fedemes, S.L.	-	-	-	-	-	-	38	11	49
Jezzine	-	27	27	-	82	82	-	-	-
FCyC, S.L.	-	738	738	-	343	343	-	-	-
Serv. Especiales de Limpieza, S.A.	-	-	-	-	-	-	-	370	370
Studio Residence	-	-	-	-	23	23	-	-	-
Inmob. Rústica y Urbana	11,907	4,871	16,778	-	-	-	-	-	-
As Cancelas Siglo XXI	39,568	11,553	51,121	-	-	-	-	-	-
Soinmob	-	15	15	-	561	561	-	-	-
FCC, S.A.	-	-	-	-	-	-	25	24	49
FCC Construcción	-	-	-	-	738	738	-	6,031	-
FCC Ambito	-	-	-	-	-	-	-	75	75
	51,475	**17,204**	**68,679**	**-**	**1,750**	**1,750**	**63**	**6,925**	**957**

(1) Includes the balance of "Investments in associates"

The purchases, sales, services provided and other transactions with Group companies and associates, and the related interest charged and paid, were as follows:

	Thousands of Euros	
	Associates	
	2020	2019
Capitalized under property investment	425	24,210
Rent income	2,000	1,992
Services provided	2,288	2,242
Other income	103	123
Construction and services	(25,170)	(12,465)
Services received	(2,279)	(2,613)
Financial income	125	164

In 2020 and 2019 no significant transactions were carried out with related companies other than those disclosed herein.

25. Situations of conflict of interest involving the directors

At 2020 year-end, the members of the Board of Directors of Realia Business, S.A. have reported that they or persons related to them were not involved in any situations of conflict, either directly or indirectly, as defined by the Law on Corproations, they may have with the interests of the Company. However, they did report the following:

- Mr. Juan Rodríguez Torres, Mr. Gerardo Kuri Kaufmann, Meliloto, S.L. and E.A.C. Inversiones Corporativas, S.L. abstained from attending and voting on several agreements related to the awarding of service provision contracts to companies of the FCC Group.

26. Remuneration and other benefits of directors and senior executives

The detail of the remuneration received in 2020 and 2019 by the members of the Board of Directors and Senior Executives of Realia Business, S.A. is as follows:

2020

	Thousands of Euros						
	No. of People	Salaries	Variable Remuneration	Bylaw-stipulated Directors' Emoluments	Pension Plans	Insurance Premiums	Other
Directors	6	-	355	319	-	-	-
Senior executives	4	624	-	-	42	-	4
	10	**624**	**355**	**319**	**42**	**-**	**3**

2019:

	Thousands of Euros						
	No. of People	Salaries	Variable Remuneration	Bylaw-stipulated Directors' Emoluments	Pension Plans	Insurance Premiums	Other
Directors	6	-	355	343	-	-	-
Senior executives	3	906	-	-	39	4	3
	9	**906**	**355**	**343**	**39**	**4**	**3**

Details of each of the directors' remuneration are provided in the Parent's annual remuneration report for 2020.

At 31 December 2020, the Parent Company has a civil liability insurance policy to cover directors, executives and representatives, for which it paid a premium of EUR 14 thousand in 2020 (EUR 8 thousand in 2019).

27. Fees paid to auditors

In 2020 and 2019, the fees for financial audit and other services provided by the auditor of the Group's and its subsidiaries' consolidated financial statements Ernst & Young, S.L. and the fees for services billed by other auditors and by companies related thereto through control, common ownership or management, were as follows:

2020

	Services provided by the Auditor and by related firms
Audit services	111
Other attest services	16
Total audit and related services	**127**

2019

	Services provided by the Auditor and by related firms
Audit services	106
Other attest services	5
Total audit and related services	**111**

28. Information on the environment

The Group companies pay particular attention to the environmental impact of the projects carried out and the investments made by them in the normal course of their property development projects. However, it was not necessary to incorporate any environmental protection and improvement systems, equipment or installations into its property, plant and equipment.

In 2020, the Group incurred environmental expenses amounting to EUR 86 thousand (EUR 199 thousand in 2019).

The Group companies consider that they do not have any environmental risks, contingencies or liability and, accordingly, no provision was made in this connection.

In addition, no environmental grants were received and no material income was obtained from environmental activities.

29. Risk management

The Realia Business Group is exposed to certain risks that it manages by applying risk identification, measurement, concentration limitation and oversight systems. For this purpose, the Parent has a risk map in which the procedures that may give rise to these risks within its organization are analyzed and quantified, and measures are taken to prevent them.

Capital management

The Group manages its capital to ensure that the Group companies are able to continue to operate as profitable businesses while maximizing the return for shareholders through an optimum debt-to-equity balance. The Group assesses whether to approve or reject the investments proposed by the Business Areas through a review of the cost of capital and the risks associated with each class of capital.

The Financial Area is responsible for the management of financial risks, and reviews the capital structure every six months, in addition to net financial debt/GAV ratio.

The main principles defined by the Realia Business Group when establishing its policy for the management of the principal risks are as follows:

1 - Compliance with all the Group's rules

2 - Establishment by the businesses and corporate areas, for each market in which they operate, of the level of risk that they are prepared to assume, on a basis consistent with the strategy defined.

3 - Establishment by the businesses and corporate areas of the risk management controls required to ensure that the transactions performed in the markets comply with the Group's policies, rules and procedures.

The main risks worth noting are:

Financial risks

The concept of financial risk refers to the changes in the financial instruments arranged by the Group as a result of market and other factors and the repercussion thereof on the consolidated financial statements.

The Realia Business Group's risk management policy is consistent with its business strategy and seeks to achieve maximum efficiency and solvency at all times. To this end, strict financial risk management and control criteria have been established, consisting of identifying, measuring, analyzing and controlling the risks incurred in the Group's operations, and the risk policy has been integrated into the Group organization in the appropriate manner.

In view of the Group's activities and the transactions through which it carries on its business, it is currently exposed to the following financial risks:

Credit risk

The Group engages mainly in property development, the sale of land and the lease of property assets. Property development does not entail any credit risk since payment is automatically received upon delivery of the asset. With regard to the sale of land, it is normal practice to allow customers certain payment deferrals. Unsecured commercial loans for land sales currently amount to EUR 8,188 thousand (EUR 8,188 thousand in 2019), which have been fully written down by the company. Lastly, in relation with the lease of property assets, the risk has increased as a result of Covid-19. In some cases, the lack of activity, especially in the retail sector, made it necessary to grant aids to clients or moratoriums in payments. The aid to tenants granted by all the companies of the group amounted to EUR 3.4 M, and an additional EUR 0.9 M from the companies consolidated with the equity method. All these aids have been charged to the results of 2020. Regarding the moratoriums, are recognized under “Trade receivables”, amounted to EUR 0.9 M, and will be collected according to the contracts signed with clients (EUR 0.2 M in 2021, EUR 0.7 M in 2022).

The balance of clients in default has increased significantly in 2020, up to EUR 1.7 M, mainly due to late rent payment from some merchants, will be adjusted gradually month by month; however, following a criterion of prudence, the company has provisioned EUR 1.2 M for “defaults” and recognized in 2020.

The evolution of this credit risk is closely related to that of COVID-19 and the recovery of GDP, consumption and unemployment, which will allow clients to meet their contractual obligations.

Interest rate risk

The Group has interest rate hedge contracts with 5 of the 6 banks that granted the Syndicated Loan to Realia Patrimonio S.L.U., for an amount of EUR 526,561 thousand. The total amount hedged is 70% of the outstanding loan balance; at 31 December 2020 it amounted to EUR 370,379 thousand (EUR 383,521 thousand in 2019), maturing on 27 April 2025). The type of hedging instrument is an IRS plus an option for Euribor floor rate at 0%.

The purpose of interest rate risk management is to achieve a balanced debt structure that allows for the minimization of borrowing costs over a multi-year time horizon with reduced volatility in the statement of profit and loss. Based on a comparative analysis of the finance costs included in the business plan and yield curve trends, the Company decides whether to hedge the interest risk to minimize borrowing costs over the aforementioned period.

The Managers of the Parent company closely monitor the trends in interest rate curves for the coming years and do not rule out using new interest rate hedges in the future.

During 2020, this hedge, valued at market value, had a positive impact of EUR 524 thousand on profit and loss, and a positive impact of EUR 741 thousand on equity.

The following table shows the structure of this financial risk at 2020 and 2019 year-end, detailing the risk hedged at a fixed interest rate:

	Thousands of Euros			
	2020	%	2019	%
Debt at fixed interest rate	370,980	70%	383,521	70%
Debt at variable interest rate	155,581	30%	162,570	30%
Total Financial Debt (*)	**526,561**	**100%**	**546,091**	**100%**

(*) This financial debt does not include interest or loan arrangement costs

Clearly, the interest rate risk has been limited through derivative instrument contracts that act as financing hedges, ensuring a maximum fixed rate payable for the loans associated to assets for rent. The effect of these instruments is that a raise of one point in the Euribor rate, the generic reference rate for financing operations, is buffered by 70% by the effect of the instruments.

The sensitivity analysis in terms of results and equity against interest rate changes is the following:

Impact on Results (Before Taxes)	Million €	
	2020	
	+1%	-0.25%
Financial expense at average cost	(0.7)	-
Variation in hedging		
Impact on Profit and Loss	0.02	(0.01)
Impact on Equity	6.23	(0.23)

Accordingly, an increase of one point in EURIBOR is buffered by the effect of the hedges.

The movements in the basis points assumed for the interest rate sensitivity analyses are based on the current market situation, which shows higher volatility than in prior years.

Liquidity risk

The global financial system is characterized by its high level of liquidity. In the real estate sector, liquidity is also high, but only for projects with low commercial risk and developers with proven financial solvency. As a results, some developers have resorted to alternatives lending sources, albeit at much higher cost. The onset of Covid-19 has tightened the access to funding for developers, which put some projects in difficulty, since the banks are demanding higher levels of pre-sales, as well as a lower drawn down amounts and a more stringent analysis of the developer.

Realia Business and the companies of its Group did not need to resort to new hedges in 2020, and when some of its companies needed to renew or refinance some of its existing credit lines, it found no problem to do so within the traditional banking system and at very low and competitive interest rates, thanks to the solvency of the Group and the profitability of their projects and assets. A relevant event was the novation of the syndicated loan of Realia Patrimonio, which was extended for one more year (until April 2025), and the spread over Euribor was reduced from 170 bpm down to 120 bp when the LTV is at 40% or lower. The current rate paid is 135 bp over Euribor.

Additionally, at 2020 year-end, the Group has positive working capital for EUR 355,678 thousand.

The main aggregates of the cash projections for the next 12 months of the consolidated group, based on a minimum basis of recurring business, dividends and other payments received from services rendered to Group companies, lead to estimated collections of EUR 211 Million, which together with estimated payments of EUR 115 Million, generate a positive net cash flow of EUR 96 Million, which, together with the current cash position (EUR 75 Million), will be used to repay debt (interest and amortization) and to undertake new investments in buildings for rent, and new investments opportunities that may arise in the market.

Foreign currency risk

A consequence of the Realia Business Group's positioning in the international markets is the exposure resulting from net positions in foreign currencies with respect to the euro or in one foreign currency with respect to another when the investment and financing of an activity cannot be arranged in the same currency. In view of the Group's limited activity in markets outside the Eurozone, its exposure to foreign currency risk is barely material.

Solvency risk

At 31 December 2020, the net borrowings and valuation of derivatives of Realia Business Group's amounted to EUR 502,530 thousand (EUR 520,400 thousand in 2019), as shown in the following table:

Thousands of Euros	December 2020	December 2019
Credit institutions		
Mortgage loans	526,561	546,091
Syndicated	526,561	546,091
Bilateral loans	59,769	49,104
Arrangement costs and value adjustments IFRS 9	(18,274)	(10,088)
Interest	1,363	1,735
Derivatives	**7,933**	**9,453**
Gross bank borrowings	**577,352**	**596,295**
Cash and cash equivalents	74,822	75,895
Net bank borrowings	**502,530**	**520,400**

The most relevant ratios for the purposes of measuring solvency are as follows:

	Consolidated
Indebtedness ratio	
Net borrowing costs / Asset GAV (LTV)	26.3%
Coverage ratio	
EBIDTA/Financial cost	3.3

At 2020 year-end, the Group had positive working capital of EUR 355,678 thousand (EUR 387,978 thousand positive working capital in 2019).

Concentration risk

This risk arises from the concentration of financing activities with common features such as:

- Sources of financing: the Realia Business Group obtains financing from 9 Spanish and foreign banks, which mainly operate through a syndicated loan.

- Markets/geographical area (Spanish, foreign): the Realia Business Group operates in Spanish and international markets and 100% of its borrowings are concentrated in euros.

- Products: the Realia Business Group has arranged a range of financial products, including, inter alia, loans and syndicated loans.

- Currency: the Realia Business Group manages its statements of profit and loss in a variety of currencies. Investments tend to be financed in the local currency whenever this is possible in the country of origin.

Market risk caused by Covid-19

All the initial forecasts for 2020 have been upset by the onset of Covid-19, which is not only affecting Spain and the real estate sector, but became a global pandemic whose final impact is still unknown. However, the real estate sector has obviously been and will continue to be altered in as far as it influences the activities of its companies/clients, since the demand for space might be affected by the measures taken to mitigate the effects of Covid-19, such as telework, @commerce, unemployment, savings, fiscal measures, etc., and the same applies to housing demand and prices, for the evolution of employment, investors' confidence, etc., may shrink the demand.

In view of this situation and considering the events in the real estate sector during 2020, the following is expected to happen in 2021:

a) Stability in the demand for new housing that will allow to continue developments in progress, even though new projects will slow down their development until a clearer view is achieved of the demand and the evolution of prices. The market evolution will be uneven, depending on the different geographic areas, locations and types of products, since Covid-19 has led to rethink demand, where it wants to be located and on which type of product.

b) Tightening of funding for developers, to the point of disappearance, with stronger demands for economic and commercial viability of new developments, and for the financial strength of developers.

c) Scarce funding for the purchase of land, for the banks currently understand that this should be financed using own funds.

d) Consolidation of other financial players that may enter into some projects, and are demanded high profitability and interest rates much higher than those offered by traditional banks.

e) In the sector of residential homebuilding for rent, rents have a downward tendency, due to several factors: 1) Greater housing stock for rent; 2) Loss of potential tenants due to Covid-19 and increased unemployment; and 3) New regulatory standards approved to avoid tensions in rent prices.

f) In the segment of assets for tertiary rent (offices, commercial premises and shopping centers), the incidence of Covid-19 has been crucial to rethink the possible future trends, which will probably change the current business models and, therefore, the needs for space to implement them. The impact is different depending on whether it applies to offices or retail premises and shopping centers: 1) Office rent prices will remain stable, and will tend to go down in shopping centers and retail premises thanks to the rent reductions and grace periods granted to ensure the continuance of the activity; 2) The volumes of contracts for space will tend to go down both in office space (telework, unemployment, etc.) and in retail spaces and shopping centers (drop in consumption, @commerce, etc.) and 3) New contractual relations with tenants, incorporating into the contracts the flexibility of the spaces, and the shorter duration of contracts and the inclusion of clauses against exceptional circumstances (Covid-19 or similar). All these problems will lead landlords to introduce new asset management techniques and in some cases, to adapt the assets to the new demands for space and the needs of the tenants.

g) All the factors described in the previous subparagraph may have a negative impact on the Group's financial statements, and the severity of the impact will be the result of the ability of the Spanish economy to recover GDP growth that will allow to recover the economic activity, consumption and employment.

The Realia Group believes that it must focus its efforts on the three business lines it currently develops, directly or through its investees. In the property area, thanks to its extraordinary property portfolio, it must optimize its asset management to meet the new demands of tenants and the demands arising from Covid-19. In the development area, it must monitor the evolution of demand, its location and the typology of products on demand, with the purpose of adapting our new development projects and analyzing their viability and profitability, and finally, in the development and commercial operation of developments for residential rent, it must monitor the regulatory changes and its potential impact on the profitability and the legal protection of the business; nonetheless, the current assets in operation and the future developments in the pipeline should not be affected by these changes, since all these developments are of social housing (VPPB or VPPL).

Given the solid financial structure of the Group, its cash-flow generation capability and its LTV level, it is estimated that it will be able to seek funding from the financial market to obtain resources to face any new unforeseen socioeconomic and/or health circumstance that may affect the business.

For all these reasons, the Directors of the Company believe that the activity in the short term, and therefore the application of the going concern principle, is not in danger.

Operational risks

Development and sale of housing activity is vulnerable to certain risks, such as project costs overriding initial estimates, especially in an economic situation in which construction labor costs may increase without the possibility of passing them on to buyers, or delays in projects which may lead to the payment of penalties to homebuyers or to having to pay higher lending costs.

The Group attempts to mitigate these risks contracting construction companies of proven reputation and solvency which have on one hand enough capacity and resources to meet all their commitments and, on the other, the necessary solvency to respond to potential damages resulting from non-compliance.

Legal and fiscal risk

The Group's activities are subject to tax, legal, urban development and other legislation. The local, regional, Spanish and EU authorities may impose sanctions for non-compliance with the aforementioned legislation. A change in the legal and fiscal environment could affect the general planning of the Group's activities. The Group monitors and analyzes these changes through the relevant internal departments and, as appropriate, takes specific measures to deal with them.

The mains risks related to compliance with the specific legislation include the following:

a) Judicial claims and out-of-court complaints.
   Realia's activities may give rise to judicial claims related to the materials used or the finishing of the properties sold, even in case of actions from third parties contracted by Realia (architects, engineers, construction contractors and subcontractors).

   To mitigate this risk, the Group has taken out ten-year insurance policies, which are mandatory for property developers, before handing out the homes to their buyers. Additionally, all work contracts incorporate a clause that withholds 5% of every certification issued by contractors to respond to the strict compliance of their obligations, and especially, of the defects detected in the provisional acceptance and the repair costs resulting from poor execution or defects in the quality of works or facilities during the warranty period after the date of provisional acceptance of the works. Additionally, during the execution of work, Realia technicians monitor the works to ensure that they are been performed according to plan.

b) Realia's liability arising from litigations that may affect the urban development plan or work permits.

   REALIA's activity may give rise to judicial claims from third parties, based on public legitimation, litigations seeking the annulation of urban development plans or the licenses granted. In order to reduce this risk, Realia contracts professionals and architects of proven reputation and competence, and monitors their work thoroughly. In case these litigations are filed, Realia commissions its legal representation to expert lawyers in the geographic area where it takes place, whose work is also supervised by the legal department of the company.

Money laundering and terrorism financing prevention risks

These risks are controlled through a prevention and control system implemented by the Group in accordance with the applicable legislation, together with the related Manual that includes the internal rules related to these matters and a Control, Information and Communication body (OCIC) that maintains relations with the Group's employees and the prevention services; and a Technical Unit for information processing and analysis, that analyzes and processes the communication on potentially suspect transactions; and an automated system for the detection of risky transactions. The Manual is updated annually, in order to adapt its wording to changes in legislation, the recommendations proposed by the independent expert, or simply to the enforcement of the measures implemented the prior year.

As in previous years, in 2020 the company has been subject to an annual audit by an independent expert, as required by Law. Once again, the conclusion is that there were no significant risks for the company related to money laundering and financial offenses.

Personal data protection risk

These risks are controlled by the personal data protection prevention system of the Group, adapted to the demands of the RGPD and the LOPDGDD. The system includes a personal data (PD) policy, a Manual for PD Management System, and a suite of Standard Processing Procedures for all areas of activity, that facilitate compliance with the regulation of this subject by all company personnel. In 2019, the company was subject to the biennial audit by the independent expert as required by Law; no incidences were reported. In 2020, the review was conducted by the Head of Internal Audit of the company, with the same positive outcome.

Consumer and user protection risks

The Group complies with the requirements of the various state and autonomous community regulations regarding consumers and users. It has specific model contracts for autonomous communities that contain specific legislation in this connection. Additionally, the Group's policy to respond to all claims it might receive from public consumer organizations with a conciliatory and constructive spirit.

In addition, Realia Business S.A. is equipped with a series of tools to ensure ethical behavior. The most notable, in addition to the above-mentioned money laundering prevention tools, are as follows:

The Internal Code of Conduct for matters related to the securities market was approved in April 2007 by the Board of Directors of Realia, and focuses on matters related to Stock Markets. The Internal Code of Conduct defines the rules for conduct and actions that must be followed in relation to transactions and the treatment, use and dissemination of relevant information in order to promote transparency in the performance of business activities and the provision of adequate information and protection for investors. The code applies at the very least to the directors and executives of the Realia Group, external advisers and the employees in the Stock Market and Investor Relations Departments.

The Ethical Code was approved for the first time in November 2010, and a new version of the same was approved by the Board of Directors of the Company in its session held on April 2018; its purpose is to establish the principles, values and rules of conduct that must govern the action of the companies of the Realia Group and all their employees, and to define the criteria for the conduct of managers and employees of the Realia Group. Compliance with this Code is mandatory.

The Corporate Fiscal Policy, which includes the implementation of good tax practices.

The Anticorruption Policy, approved by the Board of Directors in May 2019, which establishes "zero tolerance" for fraud and corruption activities.

The Criminal Prevention Manual, approved early in 2020, and defines the structure and the guidelines of the Criminal Compliance and Prevention Model of the Group, and details and regulates its bodies and procedures. Additionally, the company has a "Compliance Officer" that monitors the proper implementation of the Model.

The PRINEX System is a global business solution that combines the characteristics of universal business management software with the advantages of an ERP designed specifically for companies that operate in the property sector. It is intended to ensure ethical behavior as it allows the commercial department to identify customers who have performed fraudulent transactions in the past and therefore to avoid transactions with them.

30. Events after the reporting period

After the reporting date, on 16 February 2021, Realia Business S.A., parent company of the group, acquired from Martinsa Fadesa S.A., in liquidation, 1,116 shares of the company, representing 33.33% of the company Inversiones Inmobiliarias Rústicas y Urbanas 2000 S.L. and the rights and obligations arising from the loan agreement with that company. After this acquisition, Realia owns 66.69% of the company.

31. Additional note for English translation

These consolidated financial statements were originally prepared in Spanish. In the event of a discrepancy, the Spanish language prevails. These consolidated financial statements are presented on the basis of Spanish General Accounting rules. Consequently, certain accounting practices applied by the Group may not conform to generally accepted accounting principles in other countries.

Management Report for the year ended 31 December 2020

1. THE COMPANY AND ITS ORGANIZATIONAL AND OPERATIONAL STRUCTURE

Realia Business, S.A. is the head of the REALIA holding that carries on its activities directly or through ownership interests in various companies.

Business activities are focused mainly on three lines of business:

a) ASSET RENTAL FOR TERTIARY USE: These assets are mainly buildings for Offices, Shopping Centers and Retail Premises, and other residual assets (mainly an industrial building). The assets are the property of Realia Patrimonio S.L. (wholly owned by Realia Business, S.A.) and through Hermanos Revilla, S.A. (48.79% of direct and indirect ownership interest and 58.13% of controlling interest) and As Cancelas S.A. (50% direct interest). This activity is carried on entirely in Spain.

These equity investments represent around 19.11 % of the value on the asset side of the Realia Business, S.A.'s balance sheet.

b) LAND DEVELOPMENT AND MANAGEMENT: this line of business is carried on directly by Realia Business, S.A. or through companies either with ownership interests through which control is exercised or with significant ownership interests.

This land development and management business is carried on in Spain and Romania (it owns one plot of urban land in Bucharest). In Spain, activities are focused in the following geographical areas:

1) Madrid, Castilla-La Mancha, Castilla-León
2) Catalonia
3) Valencia, Murcia and the Balearic Islands
4) Andalusia and Canary Islands

c) RESIDENTIAL HOUSING RENT: This is carried out by VALAISE S.L.U., fully owned by Realia Business S.A. This company owns a completed development of 85 subsidized homes (VPPB) for rent in the municipality of Tres Cantos (Madrid), currently in the stage of operation and commercialization to its tenants. It also owns 2 lots in the same municipality for 195 subsidized homes (VPL and VPPB) for rent; development will start in 2021.

The parent Company, Realia Business, S.A. is listed on the Spanish Stock Market Interconnection System in Madrid and its most significant shareholders include the FCC Group, and the Mexican company Control Empresarial de Capitales S.A. de C.V. (C.E.C. S.A. de C.V.), with ownership interests reported to the CNMV of 36.98% and 36.35%, respectively. C.E.C. S.A. de C.V. owns a stake in the FCC Group, with a controlling interest of Realia Business S.A., direct and indirect, amounting to 63.77%.

Its organizational structure may be summarized as follows:

BOARD OF DIRECTORS: This is composed of 6 directors and is advised by the Audit Committee and the Remuneration and Appointment Committee.

NON-EXECUTIVE CHAIRMANSHIP: This chairs the Board of Directors.

CHIEF EXECUTIVE OFFICER: Reports directly to the Board of Directors and is a Member of the Board.

The Development and Land Management business is managed daily on a joint basis by the head office in Madrid and by an area sales office in each geographical region where the Company is present.

The control over the investments in the property management companies is managed through representation on, and involvement in, their decision-making bodies (Boards of Directors and Management Committees), and through control by the various central departments of Realia Business and Realia Patrimonio.

2. CHANGES IN THE EQUITY INVESTMENT PORTFOLIO:

During 2020, the following changes took place in the Company's financial investments:

1) On 30 November 2020, the sole shareholder of Realia Business Portugal, Uniperssoal LDA, decided to dissolve and liquidate the company. This termination was filed in the Register on 3 December 2020.

2) In April and December 2020, the company Guillena Golf, S.L. received two injections of capital for a total amount of EUR 510 thousand with the purpose of restoring the equity balance.

3. AVERAGE PAYMENT PERIOD TO SUPPLIERS

Below is the detail of the information required by additional provision three of Law 15/2010, of 5 of July (amended by Final provision two of Law 31/2014, of 3 of December) prepared in accordance with ICAC's Resolution of 29 January 2016, related to the information to be included in the annual financial statements regarding the average payment period to suppliers in commercial transactions:

	2020
	Days
Average payment period to suppliers	67
Ratio of transactions paid	71
Ratio of transactions outstanding	34
	Thousands of Euros
Total payments made	58,703
Total outstanding payments	9,029

According to ICAC's Resolution, commercial transactions corresponding to the provision of good or services accrued since the effective date of Law 31/2014, of 3 of December, have been taken into account in the calculation of the average payment period to suppliers.

For the purposes of providing the information required by this Resolution, suppliers are the commercial creditors for debts with the suppliers of goods or services included under

"Suppliers", "Suppliers, Group companies and Associates", and "Creditors" in the current liability side of the balance sheet.

"Average payment period to suppliers" is the time elapsed from the delivery of goods or provision of services by the supplier and the effective payment of the transaction.

The ratio of transactions paid is the ratio between the sum of the products corresponding to the amounts paid, times the number of payment days (difference between the calendar days elapsed from the initial date of the period until the payment of the transaction), divided by the total amount of payments made.

Additionally, the ratio of transactions outstanding corresponds to the ratio between the sum of the products corresponding to the amounts outstanding, times the number of days outstanding (difference between the calendar says from the initial date of the period until the last day of the period that the financial statements refer to), divide by the total amount of payments outstanding.

The maximum payment deadline applicable to the Company in 2019, according to Law 3/2004, of 29 of December, that establishes measures to fight against default in commercial transactions and according to the transitory provisions of Law 15/2010, is of 60 days, since the conditions required by Law 11/2013, of 26 of July, are fulfilled. Suppliers are paid on the 15th or following working day of each month.

4. MAIN AGGREGATES OF 2019

- Realia generated total revenues in 2020 for EUR 104.3 Million, 7.5% higher than in 2019; it registered a drop in the property business (4.1%) (EUR 79.0 M in 2020 versus EUR 82.4 M in 2019), explained by the amount of rebates and aids granted mainly to retailers of shopping centers affected by the close of business due to Covid-19, amounting to EUR 3.4 Million in the group companies and EUR 0.9 Million in the companies consolidated with the equity method. In the development area, there was an increase of 86.8% (EUR 23.0 Million in 2020 versus EUR 12.3 Million in 2019), justified by the start of deliveries of new developments that started construction in prior years; 27 units have been delivered generating revenues of EUR 10.9 Million. The rest of the units will be delivered throughout 2021.

- EBITDA of the Realia Group (see APMS, item 5) reached EUR 51.9 Million, a 4.8% increase over 2019. This improvement in Ebitda was the result of an improvement in the development business that offset the loss of revenue in the property area due to the aids granted to tenants due to Covid-19 and finally, to the reduction of operating and structural costs.

- Financial results in 2020 recorded a negative balance of EUR -4.6 Million, versus EUR -13.5 Million in 2019; this positive evolution is due to the lower financial costs of borrowings and to the positive result of the EUR 8.9 Million in 2020 from the implementation of IFRS 9, which led to valuation adjustments arising from the novation of the syndicated loan of Realia Patrimonio S.L.U.

- Earnings before taxes at December 2020 reached EUR 7.7 Million, versus EUR 80.5 Million in 2019 (-90.5%). This drop in earnings, despite the increase in Ebitda (+EUR 2.4 Million), is explained by:

  1) The variation in provisions by EUR -25.8 Million (EUR -14.3 Million in 2020 versus EUR +11.5 Million in 2019).

  2) The change in the valuation of investment property at fair value by EUR -54.4 Million (EUR -24.6 Million in 2020 versus EUR +30.8 Million in 2019).

  3) The result of the companies consolidated using the equity method, EUR -3.0 Million (EUR -0.5 Million in 2020 versus EUR +2.5 Million in 2019), explained by the impact of COVID-19 on the operation of the Shopping Center As Cancelas.

  4) Improvement of the financial result (EUR +8.9 Million), as described in the subparagraph above.

- As a consequence, attributable earnings before taxes at 31 December 2020 amounted to EUR 2.1 Million, versus EUR 44.9 at 31 December 2019 (-95.3%), as explained above, after the appropriate fiscal adjustments.

INDEBTEDNESS

After the repayment in 2018 of the loan of the Parent Realia Business all the borrowings are those associated to the property activity:

- On 27 April 2020, the Group signed a loan novation agreement of the syndicated loan of Realia Patrimonio, S.L.U. and agreed the modification of the following:

  - "Spread" – Applying 135 basis point when the LTC ratio 50% ≥ LTC ≥ 40% and 120 basis points if LTV ratio < 40%.

  - Extension of the term until 27 April 2025 (Final due date).

- At 2020 year-end, Realia reduced its gross bank indebtedness by EUR 18.9 Million, down to EUR 577.4 Million, 3.2% lower than at 2019 year-end.

- At 2020 year-end, the Realia Group had net bank borrowings (see APMS item 6) for EUR 502.5 Million (including the valuation of derivatives at EUR 7.9 Million), 3.4% lower than at 2019 year-end, EUR 520.4 Million (including the valuation of derivatives at EUR 9.5 Million), with a loan to value (LTV) (see APMS item 6) of 25.7%.

- The group has interest rate hedging contracts with 5 of the 6 entities that participate in the Syndicated Loan of Realia Patrimonio. The total amount hedged accounts for 70% of the outstanding balance of the loan: at year-end, it amounted to EUR 371 Million at 2020 year-end, due on 27 April 2025. The type of hedging instrument is an IRS plus a Euribor floor rate of 0%. At 2020 year-end, this hedge, valued at market value, produced a negative impact on profit and loss of EUR 1.0

Million (positive impact of EUR 0.5 Million in 2019), and a negative impact of EUR 5.2 Million on equity (negative impact of EUR 0.8 Million in 2020).

- Net financial result at year-end 2020 stands at EUR -4.6 Million, compared to EUR -13.5 Million at year-end 2019. This positive evolution is explained by lower borrowing costs and by the EUR 8.9 Million positive result in 2020 due to the application of IFRS 9, which generated valuation adjustments from the novation of the syndicated loan of Realia Patrimonio, S.L.U.

- The average weighted interest of the gross borrowings at 2020 year-end, excluding the cost of rate hedging, stands at 1.36%, versus 1.68% at 2019 year-end. The average cost in December 2020, including the cost of hedging, amounts to 1.79% (2.12% at December 2019).

ASSET VALUATION

- At year-end 2020, property assets and inventories, including those of the companies consolidated using the equity method, have a market value of EUR 1,907.9 Million, a 1.4% decrease over the same period in 2019. This negative evolution is mainly due to the impact of COVID-19 on the property market. If we analyze the asset valuation in like for like terms, we should consider the investments made in developments and land (EUR 21.3 Million), the capex invested in property assets (EUR 6.3 Million) and the deliveries of finished product during 2020; excluding these effects, the asset valuation would have gone up to 2.3%

- The net net asset value (NNAV) (see APMS point 6) at December 2020 is EUR 1,059.4 Million, versus EUR 1,064.4 Million at 2019 year-end. In unit terms, the price is 1.31 € per share, 0.8% higher than in 2019 (1.30 € per share).

- 80% of the value of assets corresponds to the property activity (EUR 1,519.6 Million), and 20% (EUR 388.4 Million) to residential homebuilding.

PROPERTY MANAGEMENT BUSINESS

- Rent revenues in 2020, excluding passed-on expenses, amount to EUR 60.4 Million, a 2.2% drop over 2019, mainly due to the aids granted to tenants, especially of retail premises and shopping centers, to mitigate the effects of the close of activity during the states of alarm due to Covid-19. These aids amounted to EUR 3.4 Million in the companies of the Realia Group. Additionally, the company that owns the As Cancelas shopping center, consolidated using the equity method (50%), has generated rent revenues, excluding passed-on expenses, for EUR 3.8 Million, and the sum of aids to reduce the impact of Covid-19 amounted to EUR 0.9 Million.

- Global occupancy of tertiary buildings for rent stood at 93.2% at 2020 year-end, versus 93.6% in 2019. This slight increase in occupancy, despite the effects of Covid-19, is a consequence of the improved occupancy of office buildings and the drop in occupancy of retail premises and shopping centers, where Covid-19 made the marketing of spaces, and even the continuity of many tenants, especially tough. The office segment reached an occupancy of 96.0%, against 93.8% in 2019; whereas Shopping Centers reached 88.6% occupancy, versus 91.2% the prior year.

- No new investments in property for rent were made in 2020. The gross leasable surface for rent of the Realia group amounted to 406,806 m2 of assets for tertiary use and 9,973 m2 of assets for residential use. The valuation of property assets at year-end 2020, including 151,869 m2 of buildable land reached EUR 1,519.6 Million, which in like for like terms, represented a decrease of 1.8% due to the effect of Covid-19, especially in the growth estimates of future rents.

- Our buildings have undergone improvements, to upgrade their performance (Energy efficiency, Hospitality areas, common services, gyms...) and to adapt rental spaces to the new modes of demand (co-working, flexible spaces...), in order to be proactive to the demands of our current and future clients. The amount invested in capex for our buildings was EUR 6.3 Million.

HOMEBUILDING DEVELOPMENT BUSINESS

This activity is carried out mainly through the parent Realia Business, S.A. The overall figures of this business are as follows:

- In 2020, 99 units were delivered for an amount of EUR 21.1 Million, versus 82 units for an amount of EUR 11.2 Million, an increase of 89.9% This increase is due to the start of deliveries in new developments of Realia; of these, 27 units from these developments have been delivered and the rest will be delivered throughout 2021.

- At December 2020, Realia has a stock of 428 units (homes, retail premises and offices finished or in construction and pending delivery (156 of them sold or pre-sold). Additionally, it holds 41 single-family lots for housing self-development.

- Realia's land portfolio, at their different stages of urban development at 31 December 2018 amounts to 5,753,724 sq. m., with an estimated gross buildable surface area of 1,621,875 sq. m.

- At December 2020, the fair value of land, developments in progress and finished product recognized under "Inventories" amounted to EUR 385.9 Million, valued by TINSA using the RICS methodology.

STOCK MARKET INFORMATION

The main Stock market parameters of the Parent company Realia Business S.A. in 2020 and their evolution are the following:

Share price at year-end 2020 (€/share)	0.68
Share price at year-end 2019 (€/share)	0.93
Variation in share price (%)	-26.9%
Market capitalization at 2020 year-end (€)	557.8 M €
Maximum share price during the year (€/share)	0.97
Minimum share price during the year (€/share)	0.60

Average share price during the year (€/share)	0.6853
Average daily traded volume (€)	71,000
Average daily traded volume (shares)	100,000

At the General Shareholders' Meeting held on 22 June 2015, it was agreed to authorize to buy back treasury stock for the maximum legal period, and according to the requirements established on article 146 of the Law on Corporations. This agreement was ratified by the General Meeting of Shareholders on 2 June 2020, under the same terms.

The movements during the year were the following:

	No. of shares	Thousands of Euros
Balances at 31 December 2018	**1,462,902**	**1,566**
Acquisitions	1,971,339	1,711
Balances at 31 December 2019	**3,434,241**	**3,277**
Acquisitions	5,742,228	4,249
Balances at 31 December 2020	**9,176,469**	**7,526**

The average price of treasury shares at 2020 year-end was 0.82 €/share (0.95 €/share in 2019). The number of treasury shares accounts for 1.119% of the total number of shares.

5. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES

Macroeconomic forecasts for 2020 have been completely changed by the Covid-19 pandemic which has punished the world economy, and hit Spain especially hard, with an estimated drop of GDP around 11%, and nearly 4 million unemployed. As of the date of this financial report, there is uncertainty about the control of the pandemic, and therefore the forecasts for recovery are highly volatile and it is not possible to make forecasts with some degree of reliability, even though all the sources foresee a recovery in 2021, even though the curve for this recovery is increasingly flattened, both in terms of % as in time.

Despite the fact that the forecasts for the recovery of the DGP have flattened, Realia hopes that it will be possible to recover the negative impact felt in 2020 due to the pandemic in the coming years.

As a result, and in a situation of shareholding and financial balance in the Realia Group, we will continue to work in:

1) Maintaining the development activity, with the completion of the projects in progress and the start of new projects, with special emphasis on their profitability and their commercial viability; to this end, we will monitor the evolution of demand and the macro scenario of the Spanish economy, two vital factors for the development activity.

2) Strengthening of the activities that generate cash and provide financial stability to the company and support its activity, free from the oscillations of the financial markets.

3) Acquisition of new assets and/or land with value potential, either as a result of management or the market, and to continue managing its current land portfolio.

4) Continuing and developing its new activity for developments for rent, that will include 2 new developments (195 homes), with the possibility of the acquisition or development of new land with the same purpose of homebuilding for rent.

5) Support its property subsidiaries to adapt their buildings and their business to the new trends of the office and shopping center markets.

Financial risk management objectives and policies

The basic principles defined by Realia Business and its Group of companies in the establishment of its management policy for the most significant risks are:

- Full compliance with the Company's regulatory system.

- Business areas and corporate areas will define their risk appetite in a consistent manner with the strategy defined for each area of the market where they operate.

- Business areas and corporate areas will establish the necessary risk management to ensure that market transactions agree with the policies, rules and procedures of the Group.

The Parent Company has a risk map, prepared after the analysis of the procedures in the organization that may give rise to these risks, which are then quantified and measures are taken to prevent them.

The main financial risks affecting the company are:

Credit risk

The Company engages mainly in property development, the sale of land and the lease of property assets. Property development does not entail any credit risk since payment is automatically received upon delivery of the asset. With regard to the sale of land, it is normal practice to allow customers certain payment deferrals. Unsecured commercial loans for land sales currently amount to EUR 8.2 Million, which the Company fully wrote down. Lastly, the risk related has increased due to the uncertainty about Covid-19. In some cases, the lack of activity, especially in the commercial sector, made it necessary to grant aids or moratoriums in payment to clients. The aids to tenants granted by all the companies in the group amounted to EUR 3.4 M, with an additional EUR 0.9 M to the companies under the equity method. All these aids have been recognized under the results for 2020. With regard to the moratoriums, these are recognized under "Trade receivables", and amounted to EUR 0.9 M and will be collected according to the agreements entered into with clients (EUR 0.2 M in 2021, EUR 0.7 M in 2022).

The balance of defaults has increased significantly in 2020, up to EUR 1.7 M, mainly due to late rent payment by some retailers, which are catching up month by month. However, the company has opted to be prudent and has provisioned EUR 1.2 M for "defaults" in 2020.

The evolution of this credit risk will be closely tied to the evolution of Covid-19 and the recovery of GDP, consumption and unemployment figures that will allow clients to fulfil their contractual obligations.

Interest rate risk

The Group holds interest rate hedge contracts with 5 of the 6 lender banks in the Syndicated Loan of Realia Patrimonio for an amount of EUR 526,651 thousand. The total amount hedged is 70% of the outstanding balance of the loan; at 31 December 2020, this amounted to EUR 370,979 thousand (EUR 383,521 thousand in 2019), due on 27 April 2025. The type of hedging instrument is an IRS plus a floor option of Euribor at 0%.

The aim of interest rate management is to achieve a balanced debt structure that makes it possible to minimize the cost of borrowings over several years with reduced volatility on profit and loss. In view of the comparative analysis of finance costs contained in the Business Plan and the yield curve trends, the Company chooses whether to hedge interest rate risk or not, in order to minimize the borrowing costs in the period covered by the business plan.

The Management of the Parent Company monitors very closely the short and long-term yield curve trends, and does not rule out the possibility of new interest rate hedges in the future.

During 2020, this hedge, valued at market value, had a positive impact of EUR 524 thousand on profit and loss, and a positive impact of EUR 741 Million on equity.

The following table shows the structure of this financial risk at year-end 2020 and 2019, detailing the risk hedged by Realia Patrimonio at a fixed interest rate:

	Thousand Euros			
	2020	%	2019	%
Debt at fixed interest rate	370,980	70%	383,521	70%
Debt at variable interest rate	155,581	30%	162,570	30%
Total Financial debt (*)	**526,561**	**100%**	**546,091**	**100%**

(*) This financial debt does not include interest or loan arrangement costs.

Liquidity risk

The global financial system is characterized by its high level of liquidity. Liquidity is also high in the property sector, but only for projects with a low level of commercial risk and for developers with proven financial solvency; for this reason, some developers have resorted to alternative funding sources, albeit at much higher cost. The onset of Covid-19 tightened the funding of real estate projects for developers, which endangered some projects, because the banks demand a higher level of pre-sales, a lower amount of drawn downs and a more thorough analysis of the risk of the developer.

Realia Business and the companies of its Group did not need to resort to new hedges in 2020, even though some of its companies had to renew or refinance some of their existing lines of credit, they did not have any problem to borrow from traditional banks at very low and competitive interest rates, thanks to the solvency of the Group and the commercial quality and profitability of their projects. The syndicated loan of Realia Patrimonio was novated, its term has been extended for one more year (until April 2025) and the spread over Euribor was reduced from 170 bp to 120 bp when the LTV reaches 40% or less. The current spread is 135 bp over Euribor.

Furthermore, at 2020 year-end the Realia Group has a positive working capital of EUR 355.7 Million.

The main aggregates of the cash projections of Realia Group for the next 12 months, based on a minimum basis of recurring business, dividends and other payments received for services rendered to Group companies, led to estimated collections of EUR 211 Million which, together with estimated payments of EUR 115 Million, which together with the current cash position of the Group, EUR 75 Million, will contribute to servicing of the debt (interest plus amortizations) and to meet the objectives of the new investments on new projects for residential rent, capex on buildings for rent, and new investment opportunities that may arise in the market.

Solvency risk

At 31 December 2020, the net bank borrowings, plus the valuation of the derivatives of the Realia Group, amounted to EUR 502,530 thousand, as shown in the following table:

Thousand Euros	**December 2020**
Banks	
Mortgage loans	
Syndicated	526,561
Bilateral loans	59,769
Loan arrangement costs and value adjustment to IFRS 9	-18,274
Interest	1,363
Derivatives	**7,933**
Gross bank borrowings	**577,352**
Cash and cash equivalents	74,822
Net bank borrowings	**502,530**

The most significant ratios for the purpose of measuring solvency are as follows:

	Consolidated
Indebtedness ratios	
Net bank borrowings / GAV (Liquidation value) (LTV)	26.3%
Hedging ratio	
EBITDA/ Finance cost	3.3%

At 2020 year-end, the Company has a positive working capital of EUR 355.7 Million.

Foreign currency risk

The Company is not exposed to a significant level of foreign currency risk, for most of its investments and activities take place in the Euro zone.

Other risks: Market risk arising from Covid-19

All the initial forecasts for 2020 have been upset by the onset of Covid-19, which is not only affecting Spain and the real estate sector, but became a global pandemic whose final impact is still unknown. However, the real estate sector has obviously been and will continue to be altered in as far as it influences the activities of its companies/clients, since the demand for space might be affected by the measures taken to mitigate the effects of Covid-19, such as telework, @commerce, unemployment, savings, fiscal measures, etc., and the same applies to housing demand and prices, for the evolution of employment, investors' confidence, etc., may shrink the demand.

In view of this situation, and considering the events in the real estate sector during 2020, the following is expected to happen in 2021:

a) Stability in the demand for new housing that will allow to continue developments in progress, even though new projects will slow down their development until a clearer view is achieved of the demand and the evolution of prices. The market evolution will be uneven, depending on the different geographic areas, locations and types of products, since Covid-19 has led to rethink demand, where it wants to be located and on which type of product.

b) Tightening of funding for developers, to the point of disappearance, with stronger demands for economic and commercial viability of new developments, and for the financial robustness of developers.

c) Scarce funding for the purchase of land, for the banks currently understand that this should be financed using own funds.

d) Consolidation of other financial players that may enter into some projects, and are demanded high profitability and interest rates much higher than those offered by traditional banks.

e) In the sector of residential homebuilding for rent, rents have a downward tendency, due to several factors: 1) Greater housing stock for rent; 2) Loss of potential tenants due to Covid-19 and increased unemployment; and 3) New regulatory standards approved to avoid tensions in rent prices.

f) In the segment of assets for tertiary rent (offices, commercial premises and shopping centers), the incidence of Covid-19 has been crucial to rethink the possible future trends, which will probably change the current business models and, therefore, the needs for space to implement them. The impact is different depending on whether it applies to offices or retail premises and shopping centers: 1) Office rent prices will remain stable, and will tend to go down in shopping centers and retail premises thanks to the rent reductions and grace periods granted to ensure the continuance of the activity; 2) The volumes of contracts for space will tend to go down both in office space (telework, unemployment, etc.) and in retail spaces and shopping centers (drop in consumption, @commerce, etc.) and 3) New contractual relations with tenants, incorporating into the contracts the flexibility of the spaces, and the shorter duration of contracts and the inclusion of clauses against exceptional circumstances (Covid-19 or similar). All these problems will lead landlords to introduce new asset management techniques and in some cases, to adapt the assets to the new demands for space and the needs of the tenants.

g) All the factors described in the previous subparagraph may have a negative impact on the Group's financial statements, and the severity of the impact will be the result of the ability of the Spanish economy to recover GDP growth that will allow to recover the economic activity, consumption and employment.

The Realia Group believes that it must focus its efforts on the three business lines it currently develops, directly or through its investees. In the property area, thanks to its extraordinary property portfolio, it must optimize its asset management to meet the new demands of tenants and the demands arising from Covid-19. In the development area, it must monitor the evolution of demand, its location and the typology of products on demand, with the purpose of adapting our new development projects and analyzing their viability and profitability, and finally, in the development and commercial operation of developments for residential rent, it must monitor the regulatory changes and its potential impact on the profitability and the legal protection of the business; nonetheless, the current assets in operation and the future developments in the pipeline should not be affected by these changes, since all these developments are of social housing (VPPB or VPPL).

Given the solid financial structure of the Group, its cash-flow generation capability and its LTV level, it is estimated that it will be able to seek funding from the financial market to obtain resources to face any new unforeseen socioeconomic and/or health circumstance that may affect the business.

For all these reasons, the Directors of the Company believe that the activity in the short term, and therefore the application of the going concern principle, is not in danger.

6. ALTERNATIVE PERFORMANCE MEASURES (APMS)

In order to meet the ESMA Guidelines on APMs, the following additional information is presented, to facilitate comparability, reliability and understanding of its financial information. The Group presents its results in accordance with the generally accepted accounting standards (IFRS), and some Alternative Performance Measurements that provide useful additional financial information to assess its performance and that are used by the Group to make its financial decisions and to evaluate the Company's performance. Below is the additional information about the indicators included in this management report.

EBITDA

The Group defines EBITDA as the operating profit, minus the impact of allocations to amortizations and changes in trade provisions.

EBITDA provides an analysis of the operating profit, excluding depreciation and amortization, since these are variable and do not represent cash and may vary substantially from one company to another, depending on accounting policies and the book value of assets. EBITDA is the best approximation to the Operating Cash-Flow before taxes, and reflects the generation of cash before the changes in Working Capital, and is an indicator widely used by investors in the valuation of businesses (valuation by multiples), and by rating agencies.

EBITDA	**Thousands of Euros**	
Profit and loss account	**2020**	**2019**
+ Operating result	37,352	60,650
+ Provision for amortization	303	327

+ Impairment and result of disposals of fixed assets	6	75
Changes in trade provisions	-14,262	11,521
	51,923	**49,531**

NET BANK BORROWINGS:

The Group defines net financial borrowings as the current and non-current debt with credit institutions, plus the rest of current and non-current financial liabilities, excluding from them the financing through participating loans and debts with property, plant and equipment suppliers, minus the balance of cash and cash equivalents.

Net financial borrowings is a financial indicator used by investors, financial analysts, rating agencies, creditors and others to determine the indebtedness position of a company.

Net bank borrowings	**Thousands of Euros**	
	2020	**2019**
Balance sheet data		
+ Non-current debt with credit institutions	528,061	559,511
+ Derivatives	5,530	6,900
+ Current debt with credit institutions	41,358	27,331
+ Derivatives	2,403	2,553
- Cash and cash equivalents	74,822	75,895
	502,530	**520,400**

NET NET ASSET VALUE (NNAV):

The Group calculates the NNAV based on the equity attributable to the Parent, adjusted by the gains implicit in working capital assets and own assets valued at market price, and deducting the taxes accrued for these implicit gains, in accordance with the fiscal regulation at the time of calculation:

Net Net Asset Value (NNAV)	**Million Euros**	
	2020	**2019**
Equity attributable to the Parent	1,035.75	1,037.22
+ Net gains from fixed assets for own use	2.07	2.04
+ Net gains from inventories	21.62	25.10
	1,059.44	**1,064.36**

LOAN TO VALUE (LTV):

Calculated as the ratio between the net indebtedness EFN and the GAV value of asset replacement (market value of assets increased by transaction costs), determined by an independent expert (CB Richard Ellis and TINSA, both according to the RICS valuation methodology):

Loan to Value (LTV)	**Thousands of Euros**	
	2020	**2019**
Ratio between		
Net indebtedness (EFN)	502,530	520,400
GAV Asset replacement value	1,954,162	1,981,794
	25.7%	**26.3%**

GAV (Liquidation Value):

Value of the assets, determined by independent experts (TINSA and CBRE).

The conciliation of the GAV asset replacement value and the GAV liquidation value recognized in the Group's financial statements is:

Valuation by independent experts		
	Million Euros	
GAV. Replacement value	**2020**	**2019**
Appraisal value of property assets Richard Ellis CB	1,578.21	1,600.90
Appraisal value of development assets TINSA	375.96	380.89
	1,954.16	**1,981.79**
• Transaction costs	**Million Euros**	
Appraisal value of property assets Richard Ellis CB	46.25	46.95
	46.25	**46.95**
GAV. Liquidation value	**Million Euros**	
	2020	**2019**
Appraisal value of property assets Richard Ellis CB	1,531.96	1,553.95
Appraisal value of assets TINSA	375.96	380.89
Total	**1,907.91**	**1,934.84**
Conciliation with Consolidated Financial Statements		
	Million Euros	
GAV. Liquidation value	**2020**	**2019**
Appraisal value of property assets Richard Ellis CB (1)	**1,531.96**	**1,553.95**
- Valuation of assets of companies consolidated with the equity method	-52.40	-54.00
- Valuation of property, plant and equipment (self-consumption)	-6.89	-6.89
+ Valuation inventories R Ellis	-9.90	-10.70
+ Carrying amount of advances to property investments non-valuated	1.36	1.19
Market value of Property Investments Financial Statements of the Group (Note 10)	**1,464.12**	**1,483.55**
Appraisal value of development assets TINSA (2)	**375.96**	**380.89**
- Asset valuation of companies consolidated using the equity method	-18.19	-18.19
- Valuation of inventories R Ellis	9.90	10.70
Market value of Inventories Financial Statements of the Group (Note 13)	**367.67**	**373.40**
Total GAV. Liquidation Value (1+2)	**1,907.91**	**1,934.84**

7. OUTLOOK FOR 2020

Despite the uncertainty caused by the impact of Covid-19 in 2021, the main lines of activity of the Realia Group for the year should focus on:

1) Maintaining the development activity, completing the developments in progress, and starting new projects paying special attention to their profitability, and to the viability of their commercial operation, taking into account the evolution of demand and the macro scenario of the Spanish economy, that are essential for the development business.

2) Continuing with the management of the land bank owned by the group, and its consolidation as urban land, with the corresponding increase in value.

3) Strengthening the actions that may contribute to the generation of cash and provide financial stability to the company and allow for the development of the activity, free from the ups and downs of financial markets.

4) Acquisition of new assets and/or land with potential value, either from its management or from the market.

5) Continuity and growth of the new business of developments for rent, with the construction of 2 new developments (with 195 homes), with the possibility of acquiring or developing new land for the same purpose of residential homes for rent.

6) Supporting its property subsidiaries to adapt their buildings and their business to the new trends in the office and shopping center market.

7) Supporting all our tenants/clients to face the difficulties they make have due to the negative impact that the anti-Covid measures taken in the different Autonomous Communities may have on their businesses.

8) Adapting our commercial offer to tenants, adjusting the contracts to the market demands, such as flexibility of space, term, etc...

In summary, 2021 raises a number of questions of different nature (social, economic, health, etc.), so the evolution of our sector, both in its property and its development businesses, will depend on how and when these questions will be answered, and the Realia Group will accordingly be monitoring the evolution in order to make decisions to maximize the value generation of the Group and its shareholders. This will be possible thanks to: a) the financial stability of Realia and its indebtedness capacity that will allow it to seize every opportunity for business and growth; b) the type of assets owned by the Realia Group, where all the office assets are located in prime areas, and its shopping centers, located in the city centers; c) the land bank owned by the group that ensures the continuity of its development activity; and d) the low overhead it bears, with a reduced team of highly-qualified professionals with experience in such complicated situations in the sector, like the experience of 2020.

8. RESEARCH AND DEVELOPMENT POLICY

The Company has not allocated any part of its budget to research and development activities.

9. EVENTS AFTER THE REPORTING PERIOD

After the date of the reporting period, on 16 February 2021, Realia Business S.A. acquires from Martinsa Fadesa, S.A., company in liquidation, 1,116 shares representing 33.33% of the company Inversiones Inmobiliarias Rústicas y Urbanas 2000 S.L. and the rights and obligations arising from the loan agreement it holds with that company. After this acquisition, Realia owns 66.69% of the company.

10. CORPORATE GOVERNANCE REPORT

The accompanying Corporate Governance Report 2020 prepared by the Company is an integral part of this management report.

ANNEX I:

2020

COMPANY	REGISTERED OFFICE	OWNER	LINE OF BUSINESS	EFFECTIVE PERCENTAGE OF OWNERSHIP	THOUSANDS OF EUROS			
					NET COST OF THE OWNERSHIP INTEREST	Investee Data (100%)		
						EQUITY		PROFIT (LOSS) BEFORE TAX
						SHARE CAPITAL	RESERVES AND PROFIT /LOSS (d)	
FULLY CONSOLIDATED COMPANIES:								
REALIA BUSINESS PORTUGAL UNIPESSOAL LDA.	Avda. Libertade, 249 (Lisbon)	REALIA BUSINESS S.A.	Property development	100.00%	-	-	-	14
SERVICIOS INDICE, S.A.	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS S.A.	Property development	50.50%	2,060	4,160	(81)	(152)
VALAISE, S.L.U.	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS S.A.	Real estate services	100.00%	9,010	910	7,920	(211)
REALIA PATRIMONIO, S.L.U. (*)	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS, S.A.	Lease	100.00%	118,781	90,000	53,712	16,370
REALIA CONTESTI S.R.L. (c)	Candiano Popescu, 63c (Bucharest)	REALIA BUSINESS, S.A.	Property development	100.00%	3,387	3,997	(610)	35
GUILLENA GOLF, S.L.U.	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS, S.A.	Services	100.00%	(122)	4	383	(248)
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	10.04%	37,940	54,881	163,416	19,372
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	PLANIGESA, S.A.	Lease	51.00%	57,600	54,881	163,416	19,732
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	BOANE 2003, S.A.U.	Lease	4.76%	8,414	54,881	163,416	19,732
BOANE 2003, S.A.U. (a)	P. Castellana, 41 (Madrid)	HERMANOS REVILLA, S.A.	Lease	100.00%	13,913	7,961	1,190	743
PLANIGESA, S.A. (a)	Avda. Camino de Santiago, 40 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	76.00%	44,564	46,878	26,135	6,875

(a) Companies belonging to the Planigesa Group

(b) Share capital of the company Realia Contesti, S.R.L. is 15,428 thousand Ron. The figure indicated in the result of the translation to euros at the exchange rate in force at the date of the capital injection
(c) Including the result of 2020
(d) Realia Business Portugal Unipessoal LDA was liquidated on 3 December 2020. Profit/loss before taxes correspond to the period between 1 January 2020 and 3 December 2020.

(*) Company audited by Ernst & Young, S.L.

2019

COMPANY	REGISTERED OFFICE	OWNER	LINE OF BUSINESS	EFFECTIVE PERCENTAGE OF OWNERSHIP	THOUSANDS OF EUROS			
					NET COST OF THE OWNERSHIP INTEREST	Investee Data (100%)		
						EQUITY		PROFIT (LOSS) BEFORE TAX
						SHARE CAPITAL	RESERVES AND PROFIT /LOSS (d)	
FULLY CONSOLIDATED COMPANIES:								
REALIA BUSINESS PORTUGAL UNIPESSOAL LDA.	Avda. Libertade, 249 (Lisbon)	REALIA BUSINESS S.A.	Property development	100.00%	398	250	330	(20)
REALIA POLSKA INWESTYCJE SP, ZOO (S.L. POLAND) (b)	Ul Pulawska, 228 (Warsaw)	REALIA BUSINESS S.A.	Property development	100.00%	-	-	-	(28)
SERVICIOS INDICE, S.A.	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS S.A.	Property development	50.50%	2,136	4,160	70	(107)
VALAISE, S.L.U.	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS S.A.	Real estate services	100.00%	9,010	910	8.079	(22)
REALIA PATRIMONIO, S.L.U. (*)	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS, S.A.	Lease	100.00%	118,781	90,000	37,469	19,101
REALIA CONTESTI S.R.L. (c)	Candiano Popescu, 63c (Bucharest)	REALIA BUSINESS, S.A.	Property development	100.00%	3,413	3,997	(584)	(16)
GUILLENA GOLF, S.L.U.	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS, S.A.	Services	100.00%	126	4	121	(416)
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	10.04%	37,940	54,881	163,732	22,269

HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	PLANIGESA, S.A.	Lease	51.00%	57,600	54,881	163,732	22,269
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	BOANE 2003, S.A.U.	Lease	4.76%	8,414	54,881	163,732	22,269
BOANE 2003, S.A.U. (a)	P. Castellana, 41 (Madrid)	HERMANOS REVILLA, S.A.	Lease	100.00%	13,913	7,961	1,803	801
PLANIGESA, S.A. (a)	Avda. Camino de Santiago, 40 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	76.00%	44,564	46,878	32,829	8,059

(e) Companies belonging to the Planigesa Group

(f) The company Realia Polska Inwestcyje S.P., ZOO was liquidated on 31 December 2019. Results before taxes cover the period between 1 January 2019 and 31 October 2019.

(g) Share capital of the company Realia Contesti, S.R.L. is 15,428 thousand Ron. The figure indicated in the result of the translation to euros at the exchange rate in force at the date of the capital injection

(h) Including the result of 2019

(*) Company audited by Ernst & Young, S.L.

ANNEX II:

2020

					Thousands of Euros				
						Investee Data (100%)			
						EQUITY			
COMPANY	**REGISTERED OFFICE**	**OWNER**	**LINE OF BUSINESS**	**EFFECTIVE PERCENTAGE OF OWNERSHIP**	**NET COST OF THE OWNERSHIP INTEREST**	**SHARE CAPITAL**	**RESERVES AND PROFIT/LOSS (d)**	**PROFIT (LOSS) BEFORE TAX**
INVERSIONES INMOBILIARIAS RÚSTICAS Y URBANAS 200, S.L.	c/ Ayala, 3 (Madrid9	REALIA BUSINESS, S.A.	Property development	33.36%	11,548	20	34,595	(27)
AS CANCELAS SIGLO XXI, S.L. (*)	Avda. Camino de Santiago, 40 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	50.00%	22,176	900	47,588	2,187

(d) Including the result of 2020

(*) Company audited by Ernst & Young, S.L.

2019

COMPANY	REGISTERED OFFICE	OWNER	LINE OF BUSINESS	EFFECTIVE PERCENTAGE OF OWNERSHIP	Thousands of Euros				
						Investee Data (100%)			
						EQUITY			
					NET COST OF THE OWNERSHIP INTEREST	SHARE CAPITAL	RESERVES AND PROFIT/LOSS (d)	PROFIT (LOSS) BEFORE TAX	
ASSOCIATES									
RONDA NORTE DENIA, S.L. (e)	Pza. Nicolás María Garelly, 2 – (Valencia)	REALIA BUSINESS, S.A.	Property development	32.63%	-	-	-	1	
INVERSIONES INMOBILIARIAS RÚSTICAS Y URBANAS 200, S.L.	c/ Ayala, 3 (Madrid9	REALIA BUSINESS, S.A.	Property development	33.36%	11,922	20	34,614	(32)	
AS CANCELAS SIGLO XXI, S.L. (*)	Avda. Camino de Santiago, 40 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	50.00%	22,176	900	48,337	4,559	

(d) Including the result of 2019

(e) Company liquidated on 10 April 2019

(*) Company audited by Ernst & Young, S.L.

APPENDIX III: Detail of Joint Ventures and Joint Property Interests.

2020

	Thousands of Euros		
	Total Revenue	**% of Ownership**	**Company in Which it is Consolidated**
Joint Property Investment:			
Comunidad de Bienes Turó del Mar	1,414	50.00%	Realia Business, S.A.

2019

	Thousands of Euros		
	Total Revenue	**% of Ownership**	**Company in Which it is Consolidated**
Joint Property Investment:			
Comunidad de Bienes Turó del Mar	3,684	50.00%	Realia Business, S.A.

PROTOCOL FILED BY ME, JESÚS RODRIGO FERNÁNDEZ, Secretary of the Board of Directors of REALIA BUSINESS, S.A., to state that:

The Consolidated Financial Statements - Consolidated ´Statement of Financial Position, Consolidated Profit and Loss Account, Consolidated global result statement, Consolidated Statement of changes in equity, Consolidated Cash Flow Statement and Consolidated Annual Report - and the Consolidated Management Report for 2020 have been drawn up following the European Single Electronic Format (FEUE), in accordance with the provisions of the Delegated Regulation (EU) 2019/815, with the identification number
8D05B9A2EADFAE9AAC1A34870D7B2CE41E9708A2036290AF4196C9E1F7064F89 by the Board of Directors of the Company on 24 February 2021, with the attendance and vote in favor of the Members of the Board, listed below. Since the meeting of the Board of Directors was held via videoconference and phone calls, the Financial Statements have not been signed by the Directors.

For the purposes of Royal Decree 1362/2007, of 19 October (art.8.1.b.), the undersigned Directors of REALIA BUSINESS, S.A. make the following statement of liability:

That, to the best of their knowledge, the Financial Statements prepared in accordance with the applicable accounting principles, offer an accurate picture of the equity, the financial situation and the results of the company, and of all the companies included in the consolidation perimeter, and the Management Report includes the accurate picture of the evolution and the corporate results and the position of the company and all the companies included in the consolidation, together with the description of the main risks and uncertainties that they face.

MR. JUAN RODRIGUEZ TORRES

Non-Executive Chairman

Proprietary Director

MR. GERARDO KURI KAUFMANN

Chairman of the Board

Executive Director

EAC INVERSIONES CORPORATIVAS, S.L.

Rep: MRS. ESTHER ALCOCER KOPLOWITZ

Member of the Board

Proprietary Director

MELILOTO, S.L.

Rep: MRS. ALICIA ALCOCER KOPLOWITZ

Member of the Board

Proprietary Director

MR. ELÍAS FERERES CASTEL

Member of the Board

Independent Director

MRS. XIMENA CARAZA CAMPOS

Member of the Board

Independent Director

Madrid, 24 February 2021

Signed: Jesús Rodrigo Fernández

SECRETARY OF THE BOARD OF DIRECTORS