

Audit Report on Financial Statements  
issued by an Independent Auditor

REALIA BUSINESS, S.A.  
Financial Statements and Management Report  
for the year ended  
December 31, 2021

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## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

### *Valuation of inventories*

**Description** At December 31, 2021, the Company carried inventories amounting to 283,069 euros, which mainly comprise land Developments under construction and other properties that are being held for sale or are part of real estate developments. The disclosures pertaining to these assets can be found in note 10 to the accompanying financial statements.

As explained in note 4. g, inventories are measured at their acquisition cost, grossed up primarily by the cost of any development works and construction, the borrowing costs incurred during execution of the works, or their estimated market value, if lower, recording the corresponding provision for depreciation.

At year-end, management determines the market value using valuations carried out by independent experts in accordance with the valuation and appraisal standards published by Great Britain's Royal Institute of Chartered Surveyors (RICS). The determination of these values require that independent experts make complex estimates and judgments when establishing their assumptions. The various methodologies and main assumptions used and the valuations carried out are described in note 10 to the accompanying financial statements.

Due to the significance of the amounts, the high sensitivity of the analyses conducted in connection with changes in the assumptions used in the valuations, e.g., the costs and development, construction, and marketing periods applied to estimate the cash flows associated with inventories, we determined this to be a key audit issue.

### Our response

Our audit procedures related to this matter included:

- ▶ Reviewing the reasonableness of the valuation models used by independent experts, focusing, based on a sample of valuations carried out by these experts, on the reasonableness of the discount rate, the principal assumptions (e.g., costs, development, construction, and marketing periods) and comparable data used to estimate the projected future cash flows, as well as value testing procedures where applicable.
- ▶ Reviewing the disclosures included in the notes to the financial statements in accordance with the applicable regulatory reporting framework.

#### *Valuation of investments in group companies, jointly controlled entities, and associates*

**Description** As explained in notes 4.f and 9 to the accompanying financial statements, the Company has investments in group companies, jointly controlled entities, and associates at December 31, 2021 totaling 311,562 euros.

At least at each year-end, the Company tests these investments for impairment and, if necessary, estimates their recoverable amounts. To determine the recoverable amount, the Company estimates impairment by taking into account the investee's equity, adjusted for any unrealized capital gains existing on the measurement date (including goodwill, if any), net of the related tax effect. To estimate the aforementioned unrealized capital gains, the Company uses appraisals carried out by independent experts on real estate assets owned by each of the group companies, jointly-controlled entities, and associates, and compares them to the net book value of the related assets.

Due to the significance of the amounts and the high sensitivity of the analyses of assumptions used in the valuations carried out by independent experts when calculating unrealized capital gains, we determined this to be a key audit matter.

#### **Our response**

In this regard, our audit procedures included:

- ▶ Understanding management's processes for measuring equity investments, including evaluation of the design and implementation of relevant controls.
- ▶ Reviewing the analysis carried out by management to identify indications of impairment of investments in group companies, jointly controlled entities, and associates, as well as for calculating the recoverable amount where applicable.
- ▶ Reviewing the reasonableness of the valuation models used by independent experts to analyze the unrealized capital gains taken into account by management, focusing on a sample of valuations carried out by these experts, the reasonableness of the rents and/or comparable data used, the discount rates and initial yields used in calculations, in addition to performing value testing procedures where applicable.
- ▶ Reviewing the disclosures included in the notes to the financial statements in accordance with the applicable regulatory reporting framework.

#### *Recoverability of deferred tax assets*

**Description** As explained in note 16.4 to the accompanying financial statements, at December 31, 2021, the Company recognized deferred tax assets amounting to 68,765 thousand euros.

In accordance with the Company's accounting policies, as explained in note 4.j to the accompanying financial statements, deferred tax assets are only recognized when it is considered probable that there will be sufficient future taxable income to enable their application. The assessment by management of the recoverability of deferred tax assets is based on estimates of future taxable profit using the financial projections of the tax group, of which the Company is the parent, and taking into account applicable tax legislation.

Given the significance of the amount and the inherent complexity of the process of estimating future taxable income, we determined the assessment of the Company's tax group's ability to recover its deferred tax assets to be a key audit matter.

Our  
response

In relation to this matter, our audit procedures included:

- ▶ Understanding of the processes established management for assessing the recoverability of deferred tax assets, including evaluation of the design and implementation of relevant controls.
- ▶ Reviewing, in collaboration with our tax specialists, the assumptions used by the management when estimating the probability of generating sufficient future taxable income for the tax group based on budgets, business performance, and historical experience, for which we met with Group management.
- ▶ Reviewing the disclosures included in the notes to the financial statements in accordance with the applicable regulatory reporting framework.

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**Other information: management report**

Other information refers exclusively to the 2021 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. Our responsibility for the management report, in conformity with prevailing audit regulations in Spain, entails:

- a. Checking only that certain information included in the Corporate Governance Report and in the Board Remuneration Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.
- b. Assessing and reporting on the consistency of the remaining information included in the management report with the financial statements, based on the knowledge of the entity obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2021 financial statements and its content and presentation are in conformity with applicable regulations.

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**Responsibilities of the directors and the audit and control committee for the financial statements**

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the Company's financial reporting process.

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### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit and control committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and control committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and control committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **Report on other legal and regulatory requirements**

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### **European single electronic format**

We have examined the digital file of the European single electronic format (ESEF) of REALIA BUSINESS for the 2021 financial year, consisting of an XHTML file containing the financial statements for the year, which will form part of the annual financial report.

The directors of REALIA BUSINESS, S.A. are responsible for submitting the annual financial report for the 2021 financial year, in accordance with the formatting requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation).

Our responsibility consists of examining the digital file prepared by the directors of the Company, in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the financial statements included in the aforementioned digital file correspond in their entirety to those of the financial statements that we have audited, and whether the financial statements and the aforementioned file have been formatted, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital file examined corresponds in its entirety to the audited financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

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### **Additional report to the audit and control committee**

The opinion expressed in this audit report is consistent with the additional report we issued to the audit and control committee on Month 22, 2022.



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### Term of engagement

The (ordinary/extraordinary) general shareholders' meeting held on June 2, 2020 appointed us as auditors for an additional year, commencing on the financial year ended on December 31, 2020.

Previously, we were appointed as auditors by the shareholders for 3 years and we have been carrying out the audit of the financial statements continuously since the financial year ended on December 31, 2017.

ERNST & YOUNG, S.L.  
(Registered in the Official Register of  
Auditors under No. S0530)

(signed on the original version in Spanish)

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Fernando González Cuervo  
(Registered in the Official Register of  
Auditors under No. 21268)

February 22, 2022

# **Realia Business, S.A.**

Financial Statements and Management Report for  
the year ended 31 December 2021



**REALIA BUSINESS, S.A.**  
**BALANCE SHEET AT 31 DECEMBER 2021**

(Thousands of Euros)

<b>ASSETS</b>	<b>Notes</b>	<b>2021</b>	<b>2020</b>	<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>2021</b>	<b>2020</b>
<b>NON-CURRENT ASSETS</b>		<b>434,756</b>	<b>242,395</b>	<b>EQUITY</b>	<b>Note 12</b>	<b>595,520</b>	<b>572,744</b>
<b>Intangible assets</b>	<b>Note 5</b>	<b>42</b>	<b>44</b>	<b>SHAREHOLDERS'S EQUITY</b>			
Computer software		42	30	Share capital		196,864	196,864
Other intangible assets		-	14	Share premium		528,492	528,492
<b>Property, plant and equipment</b>	<b>Note 6</b>	<b>291</b>	<b>333</b>	<b>Reserves</b>		<b>329,265</b>	<b>329,265</b>
Properties for own use		11	13	Legal and bylaw reserves		22,709	22,709
Plant and other items of property, plant and equipment		280	320	Other reserves		306,556	306,556
<b>Investment property</b>	<b>Note 7</b>	<b>4,600</b>	<b>4,578</b>	<b>Treasury shares</b>		<b>(7,526)</b>	<b>(7,526)</b>
Land		1,809	1,692	<b>Prior years' losses</b>		<b>(474,351)</b>	<b>(464,600)</b>
Buildings		2,479	2,514	<b>Profit/ (loss) for the year</b>		<b>22,776</b>	<b>(9,751)</b>
Other fixtures		312	372				
<b>Non-current investments in Group companies and associates</b>	<b>Notes 9.1 and 18.2</b>	<b>361,025</b>	<b>162,081</b>				
Equity instruments		311,562	145,174	<b>NON-CURRENT LIABILITIES</b>		<b>18,431</b>	<b>14,671</b>
Loans to companies		49,463	16,907	<b>Long-term provisions</b>	<b>Note 13.1</b>	<b>18,143</b>	<b>14,414</b>
				<b>Non-current payables</b>	<b>Note 16.5</b>	<b>51</b>	<b>20</b>
<b>Deferred tax assets</b>	<b>Note 16.4</b>	<b>68,765</b>	<b>75,328</b>	<b>Other non-current payables</b>		<b>237</b>	<b>237</b>
<b>Other non-current assets</b>		<b>33</b>	<b>31</b>				
<b>CURRENT ASSETS</b>		<b>326,557</b>	<b>379,157</b>	<b>CURRENT LIABILITIES</b>		<b>147,362</b>	<b>34,137</b>
<b>Inventories</b>	<b>Note 10</b>	<b>283,069</b>	<b>324,132</b>	<b>Short-term provisions</b>	<b>Note 13.1</b>	<b>516</b>	<b>378</b>
Land and building lots		197,718	198,878	<b>Current payables</b>	<b>Note 14</b>	<b>356</b>	<b>331</b>
Short-cycle construction work in progress		-	55,347	Other financial liabilities		356	331
Long-cycle construction work in progress		52,919	36,903	<b>Current payables to Group companies and associates</b>	<b>Notes 14 and 18.2</b>	<b>126,532</b>	<b>6,511</b>
Completed buildings		31,941	32,513	Other payables to Group companies and associates		126,532	6,511
Advances to suppliers		491	491	<b>Trade and other payables</b>	<b>Note 15</b>	<b>19,666</b>	<b>26,553</b>
<b>Trade and other receivables</b>	<b>Note 9.4</b>	<b>12,594</b>	<b>9,591</b>	Suppliers		7,514	5,324
Trade receivables for sales and services		-	1	Payable to suppliers, Group companies and associates	<b>Note 18.2</b>	4,794	7,967
Trade receivables from Group companies and associates	<b>Note 18.2</b>	4,106	1,684	Sundry payables		1,510	999
Sundry accounts receivable		2,472	2,713	Employees		124	71
Employees		1	-				

Current tax assets	<b>Note 16.1</b>	5,733	4,659	Other payables to public entities	<b>Note 16.1</b>	2,660	2,007
Accounts receivable from public entities	<b>Note 16.1</b>	282	534	Customer advances	<b>Note 10</b>	3,064	10,185
<b>Current investments in Group companies and associates</b>	<b>Notes 9.2 and 18.2</b>	<b>13,565</b>	<b>7,378</b>	<b>Current accruals and deferrals</b>		<b>292</b>	<b>364</b>
Loans to companies	<b>Note 16.1</b>	13,565	7,378				
<b>Current financial assets</b>	<b>Note 9.2</b>	<b>1,367</b>	<b>369</b>				
Loans to companies		338	148				
Other financial assets		1,029	221				
<b>Current accruals and deferrals</b>		<b>26</b>	<b>505</b>				
<b>Cash and cash equivalents</b>	<b>Note 11</b>	<b>15,936</b>	<b>37,182</b>				
<b>TOTAL ASSETS</b>		<b>761,313</b>	<b>621,552</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>761,313</b>	<b>621,552</b>

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2021

**REALIA BUSINESS S.A.**  
**INCOME STATEMENT FOR 2021**

(Thousands of Euros)

	Notes	2021	2020
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	<b>Note 17.1</b>	<b>99,915</b>	<b>26,552</b>
Sales		94,284	22,231
Services		5,631	4,321
<b>Other operating income</b>		<b>157</b>	<b>313</b>
Non-core and other current operating income		157	313
<b>Procurements</b>	<b>Note 17.2</b>	<b>(36,508)</b>	<b>(44,238)</b>
Land and building lots used		(17,276)	(7,920)
Work performed by other companies		(17,672)	(23,384)
Write-down of land and building lots	<b>Note 10</b>	(1,560)	(12,934)
<b>Changes in inventories of finished goods and work in progress</b>	<b>Note 10</b>	<b>(34,468)</b>	<b>13,340</b>
Changes in inventories of finished goods and work in progress		(33,998)	13,302
Write-down of inventories of finished goods and work in progress		(470)	38
<b>Personnel costs</b>		<b>(3,525)</b>	<b>(3,328)</b>
Wages, salaries and similar expenses		(2,719)	(2,568)
Employee benefit costs	<b>Note 17.4</b>	(806)	(760)
<b>Other operating expenses</b>		<b>(8,752)</b>	<b>(4,226)</b>
Outside services	<b>Note 17.5</b>	(5,426)	(3,716)
Taxes other than income tax		(2,118)	(668)
Losses on impairment and changes in allowances for trade receivables	<b>Note 13.1</b>	(1,208)	158
<b>Property depreciation</b>	<b>Notes 5, 6 and 7</b>	<b>(396)</b>	<b>(387)</b>
<b>Excess provisions</b>	<b>Note 13.1</b>	<b>19</b>	<b>149</b>
<b>Impairment and gains or losses on disposals of non-current assets</b>		<b>323</b>	<b>211</b>
Impairment and other losses	<b>Note 6 and 7</b>	323	211
<b>Other gains or losses</b>		<b>(8)</b>	<b>(143)</b>
<b>PROFIT OR LOSS FROM OPERATIONS</b>		<b>16,757</b>	<b>(11,757)</b>
<b>Finance income</b>	<b>Note 17.6</b>	<b>1,002</b>	<b>340</b>
From investments in equity instruments		1,002	340
- Group companies and associates	<b>Note 18.1</b>	469	218
- Third parties		533	122
<b>Finance costs</b>	<b>Note 17.6</b>	<b>(40)</b>	<b>(68)</b>
On debts to group companies and associates		(40)	-
On debts to third parties		-	(68)
<b>Impairment and gains or losses on disposals of financial instruments</b>	<b>Note 17.6</b>	<b>8,433</b>	<b>(718)</b>
Impairment and other losses	<b>Note 9.1</b>	8,433	(726)
Gains or losses on disposals and others	<b>Notes 9.1 and 9.4</b>	-	8
<b>FINANCIAL PROFIT (LOSS)</b>		<b>9,395</b>	<b>(446)</b>
<b>PROFIT/ (LOSS) BEFORE TAX</b>		<b>26,152</b>	<b>(12,203)</b>
Income tax	<b>Note 16.3</b>	(3,376)	2,452
<b>PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>22,776</b>	<b>(9,751)</b>
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>22,776</b>	<b>(9,751)</b>

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2021.

**REALIA BUSINESS, S.A.**

**STATEMENT OF CHANGES IN EQUITY FOR 2021**

**A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE**

(Thousands of Euros)

	Notes	2021	2020
<b>LOSS/PROFIT PER PROFIT AND LOSS STATEMENT (I)</b>	<b>Note 3</b>	<b>22,776</b>	<b>(9,751)</b>
<b>TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY (II)</b>		-	-
<b>TOTAL TRANSFERS TO PROFIT OR LOSS (III)</b>		-	-
<b>TOTAL RECOGNIZED INCOME AND EXPENSE (I+II+III)</b>		<b>22,776</b>	<b>(9,751)</b>

The accompanying Notes 1 to 21 are an integral part of the statement of recognized income and expense of 2021.

**B) STATEMENT OF CHANGES IN TOTAL EQUITY**

(Thousands of Euros)

	Share capital	Share premium (Note 12)	Reserves (Note 12)	Treasury shares (Note 12)	Prior Years' Profit/Loss	Profit/Loss for the year	TOTAL
<b>2019 FINAL BALANCE</b>	<b>196,864</b>	<b>528,492</b>	<b>328,937</b>	<b>(3,277)</b>	<b>(467,609)</b>	<b>3,343</b>	<b>586,750</b>
<b>Total recognized income and expense</b>	-	-	-	-	-	(9,751)	(9,751)
<b>Transactions with shareholders:</b>							
Allocation of 2019 result:	-	-	334	-	3,009	(3,343)	-
Capital increases and decreases	-	-	-	-	-	-	-
Treasury stock transactions:	-	-	(6)	(4,249)	-	-	(4,255)
<b>2020 FINAL BALANCE</b>	<b>196,864</b>	<b>528,492</b>	<b>329,265</b>	<b>(7,526)</b>	<b>(464,600)</b>	<b>(9,751)</b>	<b>572,744</b>
<b>Total recognized income and expense</b>	-	-	-	-	-	22,776	22,776
<b>Transactions with shareholders:</b>							
Allocation of 2020 result	-	-	-	-	(9,751)	9,751	-
Capital increases and decreases	-	-	-	-	-	-	-
Treasury stock transactions	-	-	-	-	-	-	-
<b>2021 FINAL BALANCE</b>	<b>196,864</b>	<b>528,492</b>	<b>329,265</b>	<b>(7,526)</b>	<b>(474,351)</b>	<b>22,776</b>	<b>595,520</b>

The accompanying Notes 1 to 21 are an integral part of the statement of changes in equity in 2021.

**REALIA BUSINESS, S.A.**  
**STATEMENT OF CASH FLOWS FOR 2021**  
(Thousands of Euros)

	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES (I)</b>		<b>54,286</b>	<b>(3,191)</b>
Profit/Loss for the year before tax		26,152	(12,203)
<b>Adjustments:</b>		<b>(12,361)</b>	<b>13,353</b>
- Depreciation and amortization charge	Notes 5, 6 and 7	396	387
- Impairment losses	Notes 6, 7, 9.1 and 10	(15,662)	13,400
- Changes in provisions		3,867	(154)
- Results of sale of financial instruments		-	(8)
- Finance income	Note 17.6	(1,002)	(340)
- Finance costs	Note 17.6	40	68
<b>Changes in working capital:</b>		<b>39,569</b>	<b>(8,436)</b>
- Inventories	Note 10	45,413	(10,451)
- Trade and other receivables	Note 9.4	711	153
- Other current assets		478	(9)
- Trade and other payables	Note 15	(6,961)	1,669
- Other current liabilities		(72)	203
<b>Other cash flows from operating activities</b>		<b>926</b>	<b>4,094</b>
- Interest received		444	194
- Income tax recovered (paid)	Note 16	482	3,900
<b>CASH FLOWS FROM INVESTING ACTIVITIES (II)</b>		<b>(195,574)</b>	<b>1,490</b>
<b>Payments due to investment</b>		<b>(195,574)</b>	<b>(2,177)</b>
- Group companies and associates		(194,701)	(2,140)
- Intangible assets		(33)	(14)
- Property, plant and equipment		(22)	(20)
- Property investments		(13)	-
- Other financial assets		(818)	(3)
<b>CASH FLOWS FROM FINANCING ACTIVITIES (III)</b>		<b>120,042</b>	<b>(4,320)</b>
<b>Proceeds and payments relating to equity instruments</b>	Note 12	-	(4,255)
- Acquisition of equity instruments		-	(4,255)
<b>Proceeds and payments relating to financial liability instruments</b>	Note 14	<b>120,042</b>	<b>(65)</b>
- Repayment of borrowings with Group companies and associates		120,000	-
- Proceeds from issue of other debts		42	18
- Repayment and write-down of borrowings with Group companies and associates		-	(83)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)</b>		<b>(21,246)</b>	<b>(6,021)</b>
Cash and cash equivalents at beginning of year		37,182	43,203
Cash and cash equivalents at end of year	Note 11	15,936	37,182

The accompanying Notes 1 to 21 are an integral part of the cash flow statement of 2021.

## **Realia Business, S.A.**

Annual Report

for the year ended 31 December 2021

### **1. Activities of the company**

The Company 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, Madrid. On 13 April 2000, the Company became a limited liability company and changed its name to Realia Business S.A. on 16 June 2000.

Later on, on 2000, 2001 and 2005, several corporate transactions took place with group companies, recognized in the annual statements of those years, which provided the Realia group with a structure and a size closer to its present situation.

On 5 February 2007, the shareholders at the Company's Annual General Meeting approved the restructuring of the Realia Group through the incorporation of a new company, "Realia Patrimonio, S.L.U. (Sole-Shareholder Company), whose sole shareholder is Realia Business, S.A., and to which the property management activity of the Realia Group was contributed. The legally required disclosures relating to this transaction were included in the 2007 financial statements.

The object and main business activity of the Company 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 financial statements**

#### ***2.1 Regulatory financial information framework applicable to the Company***

The Directors, according to the regulatory financial reporting framework applicable to the Company, have prepared these financial statements, consisting of:

- a. The Spanish Commercial Code and all other Spanish corporate law.
- b. The Spanish National Chart of Accounts approved via Royal Decree 1514/2007 of 16 November, amended in 2021 by Royal Decree 1/2021, of 12 January, and the rest of the applicable mercantile law and its industry adaptations.
- c. The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- d. All other applicable Spanish accounting legislation.

## **2.2 Fair presentation**

The accompanying financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory framework for financial information applicable to the Company. Accordingly, they present fairly the Company's equity, financial position, results of operations and cash flows.

These financial statements, which were formally drawn up by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is expected that they will be approved without any changes.

The figures in all the financial statements of the company (balance sheet, profit and loss account, statements of changes in equity, cash-flow statements and the current annual report) are presented in euros. The operating currency of the Company is the Euro.

The Company is the head of a group of subsidiaries and is obliged under current legislation to draw up consolidated financial statements separately, in accordance with International Financial Reporting Standards as adopted by the European Union. The Realia Group's consolidated financial statements for 2021 were formally drawn up by the Company's directors on 22 February 2022. The shareholders at the Annual General Shareholders' Meeting of Realia Business, S.A., held on 29 June 2021, approved the separate and consolidated financial statements for 2020, and were filed at the Madrid Mercantile Registry.

## **2.3 Accounting principles**

The Directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

## **2.4 Key issues in relation to the measurement and estimation of uncertainty**

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate to the following:

- The useful life of the intangible assets, property, plant and equipment and investment property (Notes 4.a, 4.b and 4.c).
- The recoverable amount of property assets and inventories (Notes 4.c and 4.g).
- The recoverability of deferred tax assets (Note 4.j)
- The fair value of certain financial instruments (Note 4.f).
- The amount of certain provisions (Notes 4.l, 4.m and 4.n).

Impairment losses were calculated based on measurements undertaken by independent valuation experts (see Notes 4.b, 4.c and 4.g).

Although these estimates were made on the basis of the best information available at year-end 2021, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

## **2.5 Effects of the COVID-19 pandemic on the activity of the Company**

On 11 March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak an international pandemic, which led to an unprecedented health crisis with a strong impact on the macroeconomic environment and the evolution of businesses.

This caused several disruptions of the supply chain, raw materials and energy price raises, as well as the reduction in the supply of some components. The evolution of the pandemic is having an impact on the economy, and its effects in the coming months are uncertain and will depend to a great extent on the evolution and the spread of the pandemic.

As of the date of presentation of these financial statements, there have been no significant effects on the Company's activity and, according to the Directors' current estimates, no relevant effects are expected for the year 2022.

## **2.6 Grouping of items**

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding. However, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

## **2.7 Correction of errors**

No significant errors were detected in the preparation of the accompanying financial statements that would have made it necessary to restate the amounts included in the financial statements for 2020.

## **2.8 Changes in accounting policies**

In 2021, there were no significant changes in accounting policies with respect to those applied in 2020.

## **2.9 Inventory valuation methodology**

The Company values its development-related assets under "Inventories", according to the Professional Valuation Standards of the Total Institution of Chartered Surveyors Valuation Standards (RICS) of July 2017. This change in valuation methodology has suffered no changes in 2021 respect to the methodology applied in the previous year.

## **2.10 Comparative information**

The comparative information in this statements related to 2021 is presented for the purposes of comparing it to the information of 2020.

On 30 January 2021, Royal Decree 1/2021, of 12 January, was published, that amended the Chart of Accounts approved by Royal Decree 1514/2007, of 16 November. Changes to the Chart of Accounts are applicable to fiscal years beginning on or after January 1, 2021 and are mainly focused on the criteria for recognition, valuation and breakdown of income and financial instruments, as follows:

- Financial instruments

The changes have not materially affected these financial statements.

- Income recognition

The changes have not materially affected these financial statements.



## **2.10 Current assets and liabilities**

The Company has decided to report current assets and liabilities according to the normal operating conditions of the company. The current assets and liabilities with an estimated maturity higher than twelve months are the following:

	Thousands of Euros	
	2021	2020
Inventories	250,637	235,781
<b>Total current assets</b>	<b>250,637</b>	<b>235,781</b>
Trade and other payables	2,139	1,130
<b>Total current liabilities</b>	<b>2,139</b>	<b>1,130</b>

## **3. Allocation of profit or loss**

The proposed allocation of profit/loss for the year that the Company's directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
To legal reserve	2,278
To prior year's losses	20,498
<b>Total</b>	<b>22,776</b>

## **4. Accounting and valuation standards**

The main accounting and valuation standards used by the Company in the preparation of its financial statements of 2021, in accordance with the Spanish National Chart of Accounts, were as follows:

### **a) Intangible assets**

As a rule, intangible assets are recognized initially at acquisition or production cost. They are subsequently measured at cost minus any accumulated amortization and any accumulated impairment losses. These assets are amortized over their years of useful life.

The Company recognizes under "Intangible Assets" the costs incurred in the acquisition and development of software, including website development costs. Computer software maintenance costs are recognized with a charge to the income statement for the year in which they are incurred. Computer software is amortized on a straight-line basis over 3 years.

### *Impairment of intangible assets, materials and investment property*

At the end of each reporting period or whenever there are indications of impairment, the Company performs an "impairment test" on the possible loss of value that reduces the recoverable value of the assets below their carrying

amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

Company management has established the following procedure to perform the impairment test:

Recoverable amounts are calculated for each cash-generating unit, although in the case of property, plant and equipment, wherever possible, the impairment tests are performed individually for each asset.

Where an impairment loss subsequently reverses, the carrying amount of the assets or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized as income.

#### ***b) Property, plant and equipment***

Property, plant and equipment are initially recognized at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognized, if any, as indicated in Note 4.a).

The surpluses or net increases in value resulting from revaluations are depreciated over the tax periods in the remaining useful lives of the revalued assets.

Property, plant and equipment upkeep and maintenance expenses are recognized in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are recognized as a higher cost.

For non-current assets that necessarily take a period of more than twelve months to get ready for their intended use, the capitalized costs include such borrowing costs as might have incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other funds borrowed specifically or generally directly attributable to the acquisition or production of the assets.

In-house work on non-current assets is measured at the accumulated cost resulting from adding to the external costs the in-house costs, determined based on in-house materials consumption, direct labour and general manufacturing costs calculated using absorption rates similar to those used for the measurement of inventories.

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Depreciation rate
Buildings	1% - 4%
Plant	2% - 12%
Furniture and computer hardware	10% - 25%

**c) *Investment property***

“Investment Property” in the balance sheet reflects the values of the land, buildings and other structures held either to earn rents or for capital appreciation as a result of future increases in market prices.

Investment property is measured as described in Note 4.b) on property, plant and equipment.

The Company estimates the impairment losses on its investment property based on the fair value obtained from an appraisal performed by an independent expert.

**d) *Leases***

Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

*Operating leases*

Lease income and expenses from operating leases are recognized as income on an accrual basis.

Additionally, the acquisition cost of the leased asset is presented in the balance sheet according to the nature of the asset, increased by the costs directly attributable to the lease, which are recognized as an expense over the lease term, applying the same method as that used to recognize lease income.

Any payment or collection that may be made upon entering into an operational lease will be considered as an advanced payment or collection that will be charged to results throughout the lease period, depending on whether the benefits of the leased asset are received or transferred.

*Financial leases*

The Company did not perform any finance lease transactions as lessor or lessee.

**e) *Asset exchange transactions***

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

As a rule, the asset received in an asset exchange transaction with commercial substance is recognized at the fair value of the asset given, 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 profit and loss statement.

An asset exchange transaction is considered to have commercial substance when the cash flow configuration of the asset is different (risk, calendar and amount) from the configuration or if the asset delivered or the current value of the cash flow after taxes of

the activities of the company affected by the exchange is modified as a consequence of the transaction.

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) Financial instruments**

### *f.1) Financial assets*

As of January 1, 2021, the Company classifies financial assets according to the categories established in Royal Decree 1/2021, which amends several aspects of the Chart of Accounts regulated in Royal Decree 1514/2007.

On initial recognition, the Company classifies all financial assets into one of the categories listed below, which determine the initial and subsequent valuation method applicable:

Financial assets are classified in the following categories:

- Financial assets at fair value through profit or loss
- Financial assets at amortized cost
- Financial assets at fair value with changes in shareholders' equity
- Financial assets at cost

Financial assets owned by the Company are classified in the following categories:

Financial assets at amortized cost

The Company classifies a financial asset in this category, even when it is admitted for trading on an organized market, if the following conditions are met:

- The Company maintains its investments under a management model whose purpose is to receive the cash-flows arising from the execution of the contract.
- The contractual characteristics of the financial asset give rise, at specific dates, to cash flows that are solely collections of principal and interest on the principal amount outstanding. That is, the cash flows are inherent to an agreement that has the nature of an ordinary or common loan, notwithstanding that the operation is agreed at a zero or below-market interest rate.

In general, this category includes trade receivables ("trade accounts receivable") and non-trade receivables ("other accounts receivable").

Financial assets classified in this category are initially measured at fair value, which, unless there is evidence to the contrary, is assumed to be the transaction price, which is equivalent to the fair value of the consideration given, plus directly attributable transaction costs. That is, the inherent transaction costs are capitalized.

However, trade receivables maturing in less than one year and which do not have an explicit contractual interest rate, as well as receivables from personnel, dividends receivable and disbursements required on equity instruments, the amount of which

is expected to be received in the short term, are valued at their nominal value when the effect of not discounting cash flows is not significant.

The amortized cost method is used for the subsequent valuation. Interest accrued are recognized in the profit and loss account (financial income), applying the effective interest rate method.

Loans maturing in less than one year which, as described above, are initially valued at their nominal value, will continue to be valued at that amount, unless they are impaired.

In general, when the contractual cash-flows of a financial assets at amortized cost are modified due to the financial difficulties of the issuer, the Company analyses whether a loss can be recognized from the impairment of value.

#### Financial assets at cost

The Company includes in this category, in all cases:

- Investments in the equity of group, multi-group and associated companies (in the individual financial statements).

Investments included in this category are initially valued at cost, which is equivalent to the fair value of the consideration plus the directly attributable transaction costs; i.e. inherent transaction costs are capitalized.

In the case of investments in group companies, or there was an investment prior to its classification as a group, multi-group or associated companies, the cost of that investment will be considered as the book value that the investment should have had immediately before the company became a group, multi-group or associated company.

The subsequent valuation is made at cost, less any accumulated impairment losses, if any.

Group companies are considered those in which the bylaws or other agreements grant Realia Business, S.A. control over the investee; associated companies are those in which ownership interest is higher than 20% or has significant influence over their management.

The Company is the head of a holding of companies, in which it holds direct interests, which are detailed in Note 9.1. The detail of the main aggregates in the financial statements of the Realia Group for 2021, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, is as follows:

	Thousands of Euros	
	2021	2020
<b>Total assets</b>	<b>2,064,141</b>	<b>2,093,737</b>
Equity:		

Of the Parent	1,104,108	1,035,751
Attributable to non-controlling interests	76,732	238,033
Revenue	161,185	85,893
Profit/loss for the year:		
Of the Parent	57,861	2,113
Attributable to non-controlling interests	13,563	3,939

#### De-recognition of financial assets

The Company de-recognizes a financial asset from the balance sheet when:

- Contractual rights over the asset cash flows expire. Accordingly, a financial asset is derecognized when it expires and the Company has received the corresponding amount.
- The contractual rights to the cash flows of the financial asset have been transferred. In this case, the financial asset is derecognized when the risks and rewards of ownership have been substantially transferred. In particular, in repurchase agreements, factoring and securitizations, the financial asset is derecognized once the Company's exposure, before and after the transfer, to the variation in the amounts and timing of the net cash flows of the transferred asset has been compared, it is inferred that the risks and rewards have been transferred.

#### Impairment of the value of financial assets

##### Final assets at amortized cost

At least at year-end, the Company analyses whether there is objective evidence that the value of a financial asset, or a group of financial assets with similar risk characteristics valued collectively, has been impaired as a result of one or more events that have occurred after initial recognition and that cause a reduction or delay in the estimated future cash flows, which may be caused by the debtor's insolvency.

In case there is such evidence, impairment loss is calculated as the difference between the book value and the current value of future cash flows, including, where appropriate, those arising from the foreclosure from the collateral and personal guarantees, discounted at the effective interest rate calculated at the time of their initial recognition. In the case of variable interest rate financial assets, the rate applied is the effective interest rate corresponding to the closing date of the financial statements according to the contractual terms and conditions. The Company uses models based on statistical formulas or methods for the calculation of impairment losses of a group of financial assets.

Impairment losses, as well as their reversal when the amount of such loss decreases due to a subsequent event, are recognized as an expense or income, respectively, in the income statement. The reversal of impairment is limited to the carrying amount of the asset that would have been recognized at the date of reversal had no impairment loss been recognized.

As a substitute for the present value of future cash flows, the Company uses the market value of the instrument, provided that it is sufficiently reliable to be considered representative of the value that could be recovered by the Company.

## Financial assets at cost

In this case, the amount of the valuation adjustment is the difference between its book value and the recoverable amount, understood as the higher of its fair value less costs to sell and the present value of the future cash flows derived from the investment, which in the case of equity instruments are calculated, either by estimating those expected to be received as a result of the distribution of dividends by the investee and the disposal or de-recognition of the investment in the investee, or by estimating its share of the cash flows expected to be generated by the investee, both from its ordinary activities and from its disposal or de-recognition. Unless there is better evidence of the recoverable amount of investments in equity instruments, the estimate of the impairment loss on this type of asset is calculated on the basis of the equity of the investee and the unrealized gains existing at the valuation date, net of the tax effect.

The recognition of impairment losses and, if applicable, their reversal, are recorded as an expense or income, respectively, in the income statement. The reversal of the impairment is limited to the carrying amount of the investment that would have been recognized at the date of reversal if the impairment had not been recorded.

### *f.2) Financial liabilities*

At the time of initial recognition, the Company classifies all financial liabilities in one of the categories listed below:

- Financial liabilities at amortized cost
- Financial liabilities at fair value with changes to the profit and loss account

The financial liabilities owned by the Company are classified into the following categories:

- Financial liabilities at amortized cost

The Company classifies all financial assets in this category, except when they must be measured at fair value with changes to the profit and loss account.

Generally, this category includes trade accounts payable (“suppliers”) and non-trade accounts payable (“other creditors”).

Financial liabilities included in this category are initially measured at fair value which, unless there is evidence to the contrary, is considered to be the transaction price, equivalent to the fair value of the consideration received adjusted by the directly attributable transaction costs. In other words, the inherent transaction costs are capitalized.

However, trade payables maturing in less than one year and which do not have a contractual interest rate, as well as disbursements required by third parties on shares, the amount of which is expected to be paid in the short term, are valued at their nominal value, when the effect of not discounting the cash flows is not significant.

The amortized cost method is used for the subsequent valuation. Interest accrued are recognized in the profit and loss account (financial expense), applying the same effective interest rate.

However, trade payables maturing in less than one year and which, according to the above provisions, are initially valued at their nominal value, will continue to be valued at that amount.

#### De-recognition of financial liabilities

The Company derecognizes a previously recognized financial liability when any of the following circumstances apply:

- The obligation is extinguished either because payment to the creditor has been made to cancel the debt (through cash payment or other goods or services), or because the debtor is legally exempted from any responsibility for the liability.
- The Company's own financial liabilities are acquired, even with the intention of relocating them in the future.
- There is an exchange of debt instruments between a lender and a borrower, provided that they have substantially different terms, and the new financial liability that arises is recognized; similarly, a substantial modification of the current terms of a financial liability is recorded, as indicated for debt restructurings.

The accounting for the de-recognition of a financial liability is as follows: the difference between the carrying amount of the financial liability (or part thereof that has been de-recognized) and the consideration paid, including attributable transaction costs, and which also includes any asset transferred other than cash or liability assumed, is recognized in the income statement for the year in which it occurs.

Financial liabilities are those debits and payables of the Company that have arisen from the purchase of goods and services in the Company's ordinary course of business, or also those which, without having a commercial origin, cannot be considered as derivative financial instruments.

Debts and payables are initially measured at the fair value of the consideration received, adjusted for directly attributable transaction costs. Subsequently, such liabilities are measured at amortized cost.

Liability derivative financial instruments are valued at fair value, following the same criteria as those corresponding to financial assets held for trading described in the preceding section.

The Company derecognizes financial liabilities when the obligations giving rise to them are extinguished.

#### *f.3) Equity instruments*

An equity instrument represents a residual interest in a company's equity after deducting all of its liabilities.

Equity instruments issued by the Company are recognized under "Equity" for the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year are recognized at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognized directly from



equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognized directly in equity and in no case they are recognized as profit or loss.

**g) Inventories**

“Inventories” in the balance sheet includes the assets that the Company:

1. Holds for sale in the ordinary course of business;
2. Holds in the process of production, construction or development for such sale; or
3. Expects to consume in the production process or in the provision of services.

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 their acquisition cost, plus any urban development costs and other costs incurred in connection with the purchase (transfer tax, registration expenses, etc.) and, since 1 January 2008, any borrowing costs incurred during the construction period, or their fair value, if this is lower. When work on the property development commences, the capitalized cost of the land is transferred to property developments in progress, and development begins.

The costs incurred in property development (or in portions thereof) construction of which had not been completed at year-end are classified as work in progress. The cost relating to property developments for which construction was completed in the year is transferred from “Property Developments in Progress” to “Completed Properties”. These costs include those relating to building lots, urban development and construction, together with the related borrowing costs.

In the years ended 31 December 2021 and 2020, the Company did not capitalize borrowing costs as a higher value of inventories (see Note 10).

The carrying amount of the Company’s inventories is adjusted by recognizing the corresponding impairment loss, in order to bring it into line with the market value determined by an independent valuation expert in an appraisal conducted on 31 December 2021, when the market value was lower than the carrying amount.

On 31 December 2021 and 2020, TINSA determined the fair value of inventories applying the RICS methodology, following the agreement of the Board of Directors to change the valuation methodology from ECO to RICS.

The dynamic residual method is the basic, essential and fundamental method used in the valuation of land and plots, and is the method with the widest acceptance by the main actors of the real estate market. However, since it functions according to different variables, the data to be used as variables must be directly taken from the market, through the use of the comparison method as an instrument.

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 could generate differences between the fair value of the Company's inventories and the effective realizable value of the inventories.

#### ***h) Cash and cash equivalents***

"Cash and cash equivalents" includes available cash, bank current accounts, and deposits and temporary asset acquisitions that meet all the following requirements:

- They are convertible to cash
- At their time of acquisition, their maturity was not greater than three months.
- They are not subject to a significant risk of change in value
- They are part of the normal treasury management policy of the Company.

For the purposes of the cash flow statement, the occasional overdrafts that are part of the cash management of the Company are included as negative cash and other cash equivalents.

#### ***i) Foreign currency transactions***

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

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rate then prevailing. Any resulting gains or losses are recognized directly in the income statement in the year in which they arise.

#### ***j) Income tax***

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year, reduce the income tax expense.

The deferred tax expense or income relates to the recognition and de-recognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are 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, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination, and those related to investments in subsidiaries, associates and joint ventures in which the Company is able to control the timing of the reversal of their reversal, and it is probable that they will not be reversed in the foreseeable future.

Deferred tax assets are recognized to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilized.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognized under Shareholders' Equity.

Deferred tax assets recognized are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. In addition, unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that they will be recovered through future taxable profits.

Since 2007, the Company has filed consolidated tax returns pursuant to Law 27/2014, of 27 November, with Realía Business, S.A. as the Parent of the Group.

The filing of consolidated tax returns gives rise to the inclusion in the Parent (Realía Business, S.A.) of the individual income tax receivables and payables of the companies in the tax group.

### ***k) Revenue***

The Company recognizes revenue from a contract when control over the committed goods or services is transferred to the customer and generates a collection right thereon. The customer obtains control of the assets when they assume the risks and rewards, its physical possession is transferred and they have ownership.

Revenues earned over time are recognized based on the degree of progress towards the complete fulfilment of contractual obligations, provided that the Company has reliable information to measure the degree of progress.

Revenue from the sale of goods and the provision of services is measured at the monetary amount or, as the case may be, at the fair value of the consideration received or expected to be received. The consideration is the price agreed for the assets to be transferred to the customer, less: the amount of any discounts, price rebates or other similar items that the company may grant, as well as interest incorporated in the face value of the receivables.

For the accounting recording of revenues, the Company identifies the rights and obligations enforceable between the parties to the contract, the commitments to transfer

goods or provide services, determines the price of the transaction, allocates it to the obligations to be fulfilled for each good or service committed in the contract and recognizes the revenue when the customer obtains control of that good or service. In this sense, the Company reflects the sale of goods and income from services rendered without including the amounts corresponding to the taxes levied on these transactions, deducting as a lower amount of the transaction all discounts, whether or not included in the invoice, and which are not due to prompt payment, which are considered as financial expenses or income.

Revenue from sales of property units and the related costs are recognized on the date on which the keys are handed over to the customers, provided that the risks and rewards are transferred to the buyer, and the amount recognized in this connection under "Customer Advances" in the accompanying balance sheet is derecognized at that time.

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.

Interest and dividends on financial assets accrued after the time of acquisition are recorded as income in the income statement. Interest is recognized using the effective interest rate method and dividends are recognized when the right to receive them is declared. If the dividends distributed unequivocally derive from results generated prior to the date of acquisition because amounts in excess of the profits generated by the investee since the acquisition have been distributed, they are not recognized as income and are deducted from the carrying amount of the investment.

## ***1) Provisions and contingencies***

When preparing the financial statements the Company's directors made a distinction between:

- a. Provisions: credit balances covering current obligations arising from past events, whose cancellation is likely to result in an outflow of resources, but whose amount and/or time of cancellation are undetermined.
- b. Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control.

The financial statements include all the 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 financial statements, but rather are disclosed in the notes to the annual report, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognized at interest cost on an accrual basis.

Provisions are valued at the current value of the best possible estimate of the amount necessary to cancel or transfer the obligation, considering the information available about the event and its consequences, and recording the adjustments arising from the update of these provisions as a financial expense on an accrual basis.

The Company recognizes provisions for the expenses expected to be incurred from the completion of a property development to the definitive settlement thereof and of the period in which it is liable for quality flaws, latent defects, extraordinary repairs, after-sales services and other contingencies relating to delivered, completed or unsold properties.

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

**m) Termination benefits**

Under current legislation, the Company is required to pay termination benefits to employees terminated 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.

**n) Pension obligations**

For employees with at least two years' service, the Company has externalized a defined contribution pension plan to provide benefits in the form of a lump sum. Since June 2017, the Plan is assigned to Pensions Caixa 97, F.P., the managers and custodians of which 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 17.4). The aforementioned pension obligations are covered by an insurance policy for contributions exceeding the limits established by Law 35/2006. There are no other pension plans or additional obligations.

**o) Joint ventures**

For each item in the balance sheet and income statement, the Company includes the proportional part of the related balance sheets and income statements of the joint property entities in which it has ownership interests.

The joint property entities were included by making the required uniformity adjustments, reconciliations and reclassifications and by eliminating reciprocal asset and liability balances, and income and expenses.

The main aggregates at 31 December 2021 and 2020 of the joint property entities included in the financial statements of Realia Business, S.A. are as follows:

	Thousands of Euros	Thousands of Euros
	Joint Property Entities 2021	Joint Property Entities 2020
Revenue	1,196	707
Profit from operations	97	7
Assets	1,671	2,721
Liabilities	152	159

The joint property entity included in the Company's balance sheet and income statement at 31 December 2021 is not subject to statutory audit.

**p) Related party transactions**

The Company performs all its transactions with related parties on an arm's length basis. Additionally, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future. The main balances and transactions with related parties are detailed in Note 18.

**q) Cash flow statements**

In the cash-flow statements, the following expressions are used with the following meanings:

- Cash flows: Inflows and outflows of cash and cash equivalents.
- Cash flows of operating activities: payments and collection of the company's routine activities, and any other activity that cannot be classified as investment or financing.
- Cash flow of investment activities: payments and collections from purchases and disposals of non-current assets.
- Cash flow of financing activities: payments and collections from the placing and cancellation of financial liabilities, equity instruments or dividends.

**5. Intangible assets**

The changes in 2021 and 2020 in "Intangible Assets" in the balance sheet and the most significant information affecting this item were as follows:

Thousands of Euros	Computer Software	Advance on intangible assets	Total
<b>Balances as at 31 December 2019</b>	<b>694</b>	-	<b>694</b>
Additions	-	14	14
Transfers	-	-	-
<b>Balances as at 31 December 2020</b>	<b>694</b>	<b>14</b>	<b>708</b>
Additions	5	28	33
Disposals	(101)	-	(101)
Transfers	42	(42)	-
<b>Balances as at 31 December 2021</b>	<b>640</b>	-	<b>640</b>
<b>Accumulated amortization – Balances at 31 December 2019</b>	<b>(638)</b>	-	<b>(638)</b>
Provisions	(26)	-	(26)
<b>Balances as at 31 December 2020</b>	<b>(664)</b>	-	<b>(664)</b>
Provisions	(35)	-	(35)

Disposals	101	-	101
<b>Balances as at 31 December 2021</b>	<b>(598)</b>	-	<b>(598)</b>
<b>Net intangible assets –</b>			
<b>Balances as at 31 December 2020</b>	<b>30</b>	<b>14</b>	<b>44</b>
<b>Balances as at 31 December 2021</b>	<b>42</b>	-	<b>42</b>

At year-end 2021 and 2020, the Company had fully amortized intangible assets still in a condition to be used according to the following breakdown:

	Thousands of Euros	
	2121	2020
Intangible assets	519	620
	<b>519</b>	<b>620</b>

## 6. Property, plant and equipment

The changes in 2021 and 2020 in “Intangible Assets” in the balance sheet and the most significant information affecting this heading were as follows:

	Thousands of Euros		
	Properties for Own Use	Plant and other items of Property, Plant and Equipment	Total
<b>Balances at 31 December 2019</b>	<b>73</b>	<b>866</b>	<b>939</b>
Additions	-	29	29
Disposals	-	(33)	(33)
<b>Balances at 31 December 2020</b>	<b>73</b>	<b>862</b>	<b>935</b>
Additions	-	6	6
Disposals	-	(3)	(3)
<b>Balances at 31 December 2021</b>	<b>73</b>	<b>865</b>	<b>938</b>
<b>Accumulated amortization</b>	<b>(8)</b>	<b>(529)</b>	<b>(537)</b>
<b>Balances at 31 December 2019</b>			
Additions	(1)	(46)	(47)
Disposals	-	33	33
<b>Balances at 31 December 2020</b>	<b>(9)</b>	<b>(542)</b>	<b>(551)</b>
Additions	-	(45)	(45)
Disposals	-	2	2
<b>Balances at 31 December 2021</b>	<b>(9)</b>	<b>(585)</b>	<b>(594)</b>
<b>Impairment losses -</b>			
<b>Balances at 31 December 2019</b>	<b>(52)</b>	-	<b>(52)</b>
Additions	1	-	1

<b>Balances at 31 December 2020</b>	<b>(51)</b>	<b>-</b>	<b>(51)</b>
Additions	(2)	-	(2)
<b>Balances at 31 December 2021</b>	<b>(53)</b>	<b>-</b>	<b>(53)</b>
<b>Property, Plant and Equipment - net Balances at 31 December 2020</b>	<b>13</b>	<b>320</b>	<b>333</b>
<b>Balances at 31 December 2021</b>	<b>11</b>	<b>280</b>	<b>291</b>

At 2021 year-end, the Company had fully depreciated items of property, plant and equipment still in use, the detail being as follows:

	Thousands of Euros	
	2021	2020
Plant and other items of property, plant and equipment	106	108
	<b>106</b>	<b>108</b>

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2021 year-end, the property, plant and equipment were fully insured against these risks.

## **7. Investment property**

The changes in 2021 and 2020 in "Investment Property" in the balance sheet and the most significant information affecting this heading were as follows:

	Thousands of Euros			
	Land and building lots	Rental properties	Other fixtures	Total Investment Property
<b>Cost -</b>				
<b>Balances at 31 December 2019</b>	<b>5,408</b>	<b>10,546</b>	<b>3,057</b>	<b>19,011</b>
<b>Balances at 31 December 2020</b>	<b>5,408</b>	<b>10,546</b>	<b>3,057</b>	<b>19,011</b>
Additions	-	-	13	13
<b>Balances at 31 December 2021</b>	<b>5,408</b>	<b>10,546</b>	<b>3,070</b>	<b>19,024</b>
<b>Accumulated depreciation -</b>				
<b>Balances at 31 December 2019</b>	<b>-</b>	<b>(2,398)</b>	<b>(1,219)</b>	<b>(3,617)</b>
Charges for the year	-	(206)	(108)	(314)
<b>Balances at 31 December 2020</b>	<b>-</b>	<b>(2,604)</b>	<b>(1,327)</b>	<b>(3,931)</b>
Charges for the year	-	(206)	(110)	(316)
<b>Balances at 31 December 2021</b>	<b>-</b>	<b>(2,810)</b>	<b>(1,437)</b>	<b>(4,247)</b>
<b>Impairment losses -</b>				
<b>Balances at 31 December 2020</b>	<b>(3,716)</b>	<b>(5,428)</b>	<b>(1,358)</b>	<b>(10,502)</b>
Charges for the year/provisions	117	171	37	325



<b>Balances as at 31 December 2021</b>	<b>(3,599)</b>	<b>(5,257)</b>	<b>(1,321)</b>	<b>(10,177)</b>
<b>Investment property, net –</b>				
<b>Balances as at 31 December 2020</b>	<b>1,692</b>	<b>2,514</b>	<b>372</b>	<b>4,578</b>
<b>Balances as at 31 December 2021</b>	<b>1,809</b>	<b>2,479</b>	<b>312</b>	<b>4,600</b>

At 2021 and 2020 year-end, the Company had no property investments fully written-off in use.

The fair value of the Company's investment property at 31 December 2021 and 2020, calculated on the basis of appraisals conducted by independent valuation experts not related to the Group, amounted to EUR 4,600 thousand and EUR 4,592 thousand, respectively.

During 2021, the company commissioned a valuation of its property investments to an independent expert, according to the Valuation and Appraisal Standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain. For the calculation of the fair value, discount rates acceptable by a potential investor have been applied, in line with the rates applied by the market for assets of similar characteristics and locations.

In 2021, the Company reversed net property impairment provisions amounting to EUR 325 thousand (EUR 6 thousand in provisions and EUR 216 thousand in reversed impairment provisions due to depreciation in 2020).

### **Location and use**

The detail of the investments included under "Investment Property" in the accompanying balance sheet, which consists of buildings held to earn rents, and of the use thereof, is as follows:

- The María Tubau office building (Madrid) has a gross leasable area of 1,539 square meters and 5 parking spaces, and it is currently fully occupied.
- The Hato Verde Golf course (Seville), which has a gross area for sports use of 339,136 square meters and a gross buildable area of 2,661 square meters, both fully leased and operated by a Group company.

### **Related income and expenses**

In 2021 and 2020, the rental income for the investment property owned by the Company amounted to EUR 253 thousand and EUR 219 thousand, respectively (Note 17.1) and the operating expenses of all kinds relating thereto passed on to the tenants amounted to EUR 32 thousand (EUR 32 thousand in 2020) to the lessee of the María Tubau office building in Madrid.

At year-end 2021 and 2020, there were no restrictions on making new property investments, on the collection of rental income thereof or in connection with the proceeds obtained from a potential disposal thereof.

## **8. Leases**

### **8.1 Operating leases (lessee)**

At year-end 2021 and 2020, the Company had contracted with lessors 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:

Minimum operating lease payments	Nominal value	
	2021	2020
Within one year	66	51
Between two and five years	21	10
After five years	1	6
	<b>88</b>	<b>67</b>

Lease payments in 2021 related mainly to the lease of the building on Avenida Camino de Santiago, 40, which houses the Company's head offices, entered into with the company FEDEMES, S.L. (FCC Group).

### **8.2 Operating leases (lessor)**

At year-end 2021 and 2020, the Company 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:

Minimum operating lease payments	Thousands of Euros	
	Nominal value	
	2021	2020
Within one year	185	186
Between one and five years	47	143
After five years	-	-
	<b>232</b>	<b>329</b>

## **9. Financial assets (non-current and current) and other non-current assets**

### **9.1 Non-current financial assets**

The detail of "Non-Current Investments in Group Companies and Associates" at the end of 2021 and 2020 is as follows:

2021

	Thousands of euros		
	Equity Instruments	Long-term deposits	Total
Non-current Financial Instruments			
Investments in Group companies and associates	311,562	-	311,562
Loans to companies	-	49,463	49,463
<b>Total</b>	<b>311,562</b>	<b>49,463</b>	<b>361,025</b>

2020

Non-current Financial Instruments	Thousands of euros		
	Equity Instruments	Long-term deposits	Total
Investments in Group companies and associates	145,174	-	145,174
Loans to companies	-	16,907	16,907
<b>Total</b>	<b>145,174</b>	<b>16,907</b>	<b>162,081</b>

### 1) Ownership interest:

Company	Address	Statutory activity	% of Ownership			
			2020		2019	
			Direct	Effective	Direct	Effective
<b>Group</b>						
Servicios Índice, S.A.	Avda. Camino de Santiago, 40 (Madrid)	Real estate development	50.50%	50.50%	50.50%	50.50%
Hermanos Revilla, S.A.	Pº Castellana, 41 (Madrid)	Property lease	31.01%	32.56%	-	-
Valaise, S.L.	Avda. Camino de Santiago, 40 (Madrid)	Property lease	100.00%	100.00%	100.00%	100.00%
Realia Patrimonio, S.L.U.	Avda. Camino de Santiago, 40 (Madrid)	Property lease	100.00%	100.00%	100.00%	100.00%
Realia Contesti, S.R.L.	Candiano Popescu, 63 (Bucharest)	Real estate development	100.00%	100.00%	100.00%	100.00%
Guillena Golf, S.L.	Avda. Camino de Santiago, 40 (Madrid)	Real estate services provision	100.00%	100.00%	100.00%	100.00%
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L.	Av. Camino de Santiago, 40 (Madrid)	Real estate development	66.70%	66.70%	33.36%	33.36%
<b>Associates</b>						
Desarrollo Urbanístico Sevilla Este, S.L., in liquidation	Aljarafe Center, Plaza de las Naciones, Edificio de Oficinas (Mairena de Aljarafe - Sevilla)	Real estate development	30.52%	30.52%	30.52%	30.52%

None of the investee companies is listed on the Stock Market.

### 2) Equity position:

At 31 December 2021:

Company	Share Capital	Thousands of Euros				
		Profit or Loss		Other Equity Items	Total Equity	Dividends Received
		From Operations	Net			
Servicios Índice, S.A. (b)	4,160	27	27	(81)	4,106	-
Hermanos Revilla, S.A. (a)	54,881	36,457	26,849	163,114	244,844	-

Valaise S.L.U. (b)	910	287	167	7,920	8,997	-
Realia Patrimonio, S.L.U. (a)	90,000	28,763	13,590	56,316	159,906	-
Realia Contesti, SRL (b)	3,997	58	62	(664)	3,395	-
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, SL (b)	20	(31)	(103)	34,595	34,512	-
Guillena Golf, S.L.U. (b)	4	(418)	(418)	533	119	-
<b>Total Group</b>	<b>153,972</b>	<b>65,143</b>	<b>40,174</b>	<b>261,733</b>	<b>455,879</b>	-
Desarrollo Urbanístico Sevilla Este, S.L. in liquidation (a) (b)	1,392	-	-	(220,087)	(218,695)	-
<b>Total associates</b>	<b>1,392</b>	-	-	<b>(220,087)</b>	<b>(218,695)</b>	-
<b>Total</b>	<b>155,364</b>	<b>65,143</b>	<b>40,174</b>	<b>41,646</b>	<b>237,184</b>	-

(a) Financial statements audited by Ernst & Young, S.L. in 2020

(b) Unaudited financial statements

(c) Data as of May 2018

### At 31 December 2020:

Company	Thousands of Euros					
	Share Capital	Profit or Loss		Other Equity Items	Total Equity	Dividends Received
		From Operations	Net			
Servicios Índice, S.A. (b)	4,160	(152)	(152)	70	4,078	-
Valaise S.L.U. (b)	910	(118)	(158)	8,078	8,830	-
Realia Patrimonio, S.L.U. (a)	90,000	16,168	15,501	38,210	143,711	-
Realia Contesti, SRL (b)	3,997	28	35	(645)	3,387	-
Guillena Golf, S.L.U. (b)	4	(248)	(248)	631	387	-
<b>Total Group</b>	<b>99,071</b>	<b>15,678</b>	<b>14,978</b>	<b>46,344</b>	<b>160,393</b>	-
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L. (b)	20	(15)	(20)	34,615	34,615	-
Desarrollo Urbanístico Sevilla Este, S.L. in liquidation (b) (c)	1,392	-	-	(220,087)	(218,695)	-
<b>Total associates</b>	<b>1,412</b>	<b>(15)</b>	<b>(20)</b>	<b>(185,472)</b>	<b>(184,080)</b>	-
<b>Total</b>	<b>100,483</b>	<b>15,663</b>	<b>14,958</b>	<b>(139,128)</b>	<b>(23,687)</b>	-

(d) Financial statements audited by Ernst & Young, S.L. in 2020

(e) Unaudited financial statements

(f) Data as of May 2018

### 3) Investments:

#### At 31 December 2021

Company	Thousands of Euros			
	Carrying Amount			
	Cost	Impairment Loss (recognized) reversed in the year (Notes 16.2 and 17.6)	Accumulated Impairment Losses	Total
Group:				
Servicios Índice, S.A.	6,498	14	(4,424)	2,074
Hermanos Revilla, S.A.	157,995	-	-	157,995
Valaise, S.L.U.	9,010	-	-	9,010

Realia Patrimonio, S.L.U.	118,781	-	-	118,781
Realia Contesti S.R.L.	13,611	17	(10,207)	3,404
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L.	20,179	8,630	-	20,179
Guillena Golf S.L.U.	6,493	(418)	(6,374)	119
<b>Total Group</b>	<b>322,567</b>	<b>8,243</b>	<b>(21,005)</b>	<b>311,562</b>
Associates:				
Desarrollo Urbanístico Sevilla Este, S.L. in liquidation	61,401	-	(61,401)	-
<b>Total associates</b>	<b>61,401</b>	<b>-</b>	<b>(61,401)</b>	<b>-</b>
<b>Total (Note 18.2)</b>	<b>393,968</b>	<b>8,243</b>	<b>(82,406)</b>	<b>311,562</b>

At 31 December 2020:

Company	Thousands of Euros			
	Carrying Amount			
	Cost	Impairment Loss (recognized) reversed in the year (Notes 16.2 and 17.6)	Accumulated Impairment Losses	Total
Group:				
Servicios Índice, S.A.	6,498	(76)	(4,438)	2,060
Realia Business Portugal Unipessoal Lda.	-	(2)	-	-
Valaise, S.L.U.	9,010	-	-	9,010
Realia Patrimonio, S.L.U.	118,781	-	-	118,781
Realia Contesti S.R.L.	13,611	(26)	(10,224)	3,387
Guillena Golf S.L.U.	6,344	(248)	(5,956)	388
<b>Total Group</b>	<b>145,244</b>	<b>(352)</b>	<b>(20,618)</b>	<b>133,626</b>
Associates:				
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L.	20,179	(374)	(8,631)	11,548
Desarrollo Urbanístico Sevilla Este, S.L. in liquidation	61,401	-	(61,401)	-
<b>Total associates</b>	<b>81,580</b>	<b>(374)</b>	<b>(70,032)</b>	<b>11,548</b>
<b>Total (Note 18.2)</b>	<b>235,824</b>	<b>(726)</b>	<b>(90,650)</b>	<b>145,174</b>

The impairment losses registered in the year are based on estimates of the fair value of investments made using the principles described in Note 4.f).

The detail of the most significant transactions carried out in 2021 are as follows:

*a) Acquisition of Hermanos Revilla, S.A.*

On 21 December 2021, Realia Business, S.A. acquired 6,398,034 shares representing 31.01% of the company Hermanos Revilla, S.A., for an amount of EUR 157,985 thousand.

*b) Acquisition of Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L.*

On 26 February 2021, Realia Business, S.A. acquired 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. for a nominal value of 1 euro, as well as the rights and obligations arising from the loan agreement with the latter for an amount of EUR 3,999,999. After this acquisition, Realia owns a 66.70% stake in the company.

*c) Provision of funds to Guillena Golf, S.L.*

On July 2021, Realia Business, S.A., made an injection of capital for a total of EUR 150 thousand with the purpose of re-establishing the equity balance.

*d) Commitment to purchase shares of Servicios Índice S.A.*

In the second semester of 2021, the Company entered into a private contract, subject to condition precedent, for the purchase of shares of Servicios Índice, S.A., a company it already had a 50.5% ownership interest in, representing 39.92% of its share capital, for an amount of EUR 1,700 thousand. To date, the agreed condition precedent has not been fulfilled.

The most significant operations carried out during 2020 are the following:

*a) Dissolution and liquidation Realia Business Portugal Unipersonal Lda.*

During the Annual General Meeting of Realia Business Portugal Unipersonal Lda., held on 3 November, it was decided to dissolve and liquidate the company, and derecognize accordingly the cost of EUR 7,353 thousand and the impairment of EUR 6,955 thousand. On 3 December 2020, these agreements were filed in the Trade Registry and the company was extinguished, with a negative result of EUR 8 thousand (Note 17.6).

*b) Provision of funds to Guillena Golf, S.L.*

On April and December 2020, Realia Business, S.A., made two injections of capital for a total of EUR 510 thousand with the purpose of re-establishing the equity balance.

#### **4) Non-current loans to Group companies**

On 28 January 2019, the Company granted a loan to its investee Valaise, S.L. for EUR 9 Million, maturing on January 2020, and renewable for one-year periods until 28 January 2024. On 2 October 2019, the loan was novated to increase the nominal amount to EUR 10 Million. On 26 February 2020, a modifying novation of the interest rate was signed, accruing effective since 1 January 2020 an interest rate referenced to one-year Euribor rate (so long as it is positive), plus 1.30%. On 1 June 2021, a new novation of the loan was signed to increase the nominal amount from EUR 9 Million to a maximum of EUR 28 Million. The amount drawn down at 31 December 2021 was EUR 19,294 thousand (EUR 16,907 thousand at 31 December 2020) (Note 18.2). The loan will help finance the acquisition of building plots at Tres Cantos (Madrid) and will provide liquidity for the development of council housing for rent.

On 27 July 2021, the Company granted its investee Realia Patrimonio, S.L. a loan for EUR 30,000 thousand, maturing in May 2025. The applicable interest rate is the rate applied to the syndicated loan of its subsidiary, and the amount drawn down at 31 December 2021 amounts to EUR 30,000 thousand. The purpose of this loan is for the voluntary, partial and early repayment on 27 July 2021 of the loan subscribed by Realia Patrimonio, S.L. with several financial institutions.

#### **9.2 Current financial assets and current investments in Group companies and associates**

The detail of “Current Investments in Group Companies and Associates” and “Current Financial Assets” at the end of 2021 and 2020 is as follows:

2021

Current financial instruments	Thousands of Euros	
	Loans and other	Loans to Group Companies/ Associates (Note 18.2)
Loans and receivables	338	13,565
Other financial assets	1,029	-
	<b>1,367</b>	<b>13,565</b>

2020

Current financial instruments	Thousands of Euros	
	Loans and other	Loans to Group Companies/ Associates (Note 18.2)
Loans and receivables	148	7,378
Other financial assets	221	-
	<b>369</b>	<b>7,378</b>

“Loans and receivables” includes mainly loans to group companies and associates that earn interest at market rates.

At 31 December 2021, the company has short-term loans granted for an amount of EURO 13,565 thousand (EUR 7,378 thousand at 31 December 2020), (EUR 4,465 at 31 December 2020), EUR 8,999 thousand of which (EUR 4,465 thousand at 31 December 2020) correspond to the principal plus interest of the loans granted to the group company Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L. (formerly an Associate) and EUR 4,327 thousand are the result of the filing of consolidated tax returns that the company maintains with Realía Patrimonio, S.L.U. (EUR 2,684 at 31 December 2020).

At 31 December 2021, “Other financial assets” reflects mainly the amounts deposited in courts as a result of the judicial decisions in litigations around the Fuente de San Luis (Valencia) development for an amount of EUR 690 thousand and the Arroyo de la Encomienda development for an amount of EUR 185 thousand. Additionally, it reflects the legal deposit of EUR 120 thousand deposited in court as a result of the allocation of plot RC 1.9 in Valdemoro (Madrid).

### **9.3 Information on the nature and level of risk of financial instruments**

#### *Qualitative information*

The Company has a risk map in which the procedures that may give rise to these risks within its organization are analysed and quantified, and measures are taken to prevent them.

The Company’s financial risk management is centralized in its Financial Department, which has established the mechanisms required to control exposure to interest rate and exchange rate fluctuations and credit and liquidity risk.

The main financial risks affecting the Company are the following.

*a) 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 on delivery of the asset. With regard to the sale of land, it is normal practice to allow customers certain payment deferrals. There are currently no unguaranteed commercial loans for land sales, whereas these amounted to EUR 8,188 thousand at 31 December 2020, which the Company wrote down in full for the related risk (see Note 9.4). Lastly, there is no material risk with regard to the lease of property assets. Company management has recognized provisions for all these contingencies based on the late payment period of doubtful debts or insolvencies.

*b) 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.

At year-end 2021 and 2020, the company does not have any bank borrowings with credit institutions. On 21 December 2021, the Company formalized a loan with a company of the group, Fomento de Construcciones y Contratas, S.A. for an amount of EUR 120,000 thousand, earning an interest rate referenced to 6-month Euribor (so long as it is positive), plus 1.10% and maturing in one year, on 21 December 2022, although this will be tacitly extended for an additional year, if not expressly denounced at least two months before the date of the claim; the purpose of this loan was the acquisition of a stake of 31.01% in Hermanos Revilla, S.A. (Note 9.1).

Realia has not resorted to the financial system for leverage, and believes that given the company's solvency and the commercial quality and profitability of its projects, it would have no problem obtaining liquidity at competitive costs from financial institutions.

Additionally, at year-end 2021, Realia Business has positive working capital for EUR 179 Million (EUR 345 Million in 2020).

The main aggregates of the cash projections of Realia Business for the next twelve months, based on a minimum basis of recurring business, dividends and other payments received for services provided to Group companies, led to estimated collections of EUR 62 Million which, together with estimated payments of EUR 52 Million, give rise to a positive net cash flow of EUR 10 Million which, together with the current EUR 16 Million cash flow held by the Company, will be dedicated to new real estate projects, search for land opportunities and new investments in Group companies for the build-to-rent activity.

*c) Solvency risk*

At 31 December 2021, the only financial debt of Realia Business, S.A. is the loan granted by the group company Fomento de Construcciones y Contratas, S.A., it has no bank borrowings, and has cash and cash equivalents amounting to EUR 15,936 thousand (EUR 37,182 thousand in 2020).



	Thousands of Euros	
	2021	2020
Borrowings from Group companies	120,040	-
Bank borrowings	-	-
Cash and cash equivalents (Note 11)	15,936	37,182
<b>Net bank or similar borrowings</b>	<b>104,104</b>	<b>(37,182)</b>

At year-end 2021, the Company has positive working capital for EUR 179 Million.

*d) Interest rate risk*

Realia Business, S.A. does not use hedges to manage its exposure to interest rate fluctuations.

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

*e) Foreign currency risk*

Regarding foreign currency risk, the Company has no debts in currencies other than euro, and its financial investments in markets with other currencies are very small, so the risk is not very significant.

*f) Market risk arising from COVID-19*

It is expected that the evolution of the sixth wave of Covid-19, in which we are immersed, as well as other future waves, will have less incidence, both at a personal level and at the level of impact on economic and productive activities, so the outlook is brighter than in previous periods. This improvement in health and production should definitely contribute to the revival of the Spanish economy, where GDP is estimated to grow by around 5.6% in 2022.

If these prospects are consolidated, their impact on the real estate sector can be summarized as follows:

- a) Maintenance of the demand for new housing, which allows to continue developments in progress and start new projects; however, there is a high risk of crisis in the supply of raw materials and in the construction labour market; if this continues, it will result in a significant increase in production costs, with the corresponding impact on the developer's margins and/or the increase in final prices.
- b) The evolution of the market is uneven, depending on the different geographic areas, locations and product types, because Covid-19 has led demand to change its approach, its preferred locations and the type of product.

- c) Tightening, to the point of disappearance, of financing for developers, with a greater demand for economic and commercial viability of new developments, as well as the financial muscle of the developer.
- d) Scarce financing for the purchase of land, since financial entities currently believe it should be financed with own funds.
- e) Consolidation of other financial agents that may enter into certain projects from which they demand high yields and interest rates well above those of traditional banking entities.
- f) In the segment of residential assets for rent, rents may tend to go down due to several factors:
  - 1) Greater stock of housing for rent with new BTR projects and new policies of development of social housing for rent and 2) Emergence of regulatory standards aimed at preventing rental price tensions.
- g) In the segment of tertiary assets for rent (offices, commercial premises and shopping centres), the impact of Covid-19 has been crucial to rethink future trends, which will probably change current business models and therefore the need for spaces to implement them. The impact is different depending on offices and commercial premises and shopping centres: 1) rents will remain stable in offices, and will drop slightly in shopping centres and commercial premises, closely linked to expectations of consumption recovery. 2) The volume of space contracts will tend to be stable or with a slight downward trend both in offices (telework, unemployment..) and in commercial premises and shopping centres (drop in consumption, @commerce...) and 3) New contractual relations with tenants, with contracts incorporating flexibility of the contracted spaces, shorter duration of contracts and the inclusion of clauses against exceptional situations (Covid-19 or similar). All these problems will force lessors to introduce new asset management techniques, and in some cases, to adapt them to the new demands for space and the needs of tenants.

In the case of Realia, 291 units were handed over in 2021 amounting to 94.12 M€, versus 99 units in 2020 for 21.12 M€. The most relevant examples are the deliveries of the new developments “Realia Parque del Ensanche I”, “Valdebebas Único”, “Brisas de Son Dameto” and “Essencia de Sabadell”, with 208 units delivered for 80.43 M€. The rest of the deliveries were completed developments, notably “Hato Verde V” and “Altos de Santa Bárbara”, with the delivery of 52 units for 10.03 M€.

Therefore, COVID-19 had no significant impact on developments, maintaining the expected pace of deliveries and is expected to continue in this line in the coming months.

Realia continues with all its projects in progress with the purpose of completing and delivering them in the coming years (2022-2024) and keeps working on new projects to market, but their launch will depend on the evolution of the area where they are located and additionally, on the possible impact on selling prices and construction costs.

Regarding the property area, where the company operates through controlling financial holdings, the impact of COVID-19 was reduced in 2021 compared to the

previous year; however, especially in the retail sector, it maintained its policy of implementing supporting measures to retailers granting discounts and aids to flexibility to face rent payment, but in very specific cases and depending on the impact of the measures adopted by the Autonomous Community where they are located on their activities. Additionally, the demand for space has been affected by telework and e-commerce.

Given the Group's sound financial structure and its LTV level, it is estimated that in the event of any new and unforeseen socio-economic circumstance affecting the business, it will be able to tap the financial markets and obtain resources to respond to such eventuality.

Due to all these reasons, the Directors of the Company believe that the activity is not in danger in the short term, and therefore, neither is the application of the principle of going concern.

#### **9.4 Trade and other receivables**

"Trade and other receivables" includes the following concepts:

	Thousands of Euros	
	2021	2020
Clients and accounts receivable	-	1
Group companies and associates (Note 18.2)	4,106	1,684
Sundry receivables	2,472	2,713
Employees	1	-
Current tax assets (Note 16.1)	5,733	4,659
Other receivables from Public Administrations (Note 16.1)	282	534
<b>Total trade and other receivables</b>	<b>12,594</b>	<b>9,591</b>

In 2021, an agreement was reached with the debtor, under insolvency proceeding, of the commercial loan generated from the sale of land, cancelling all commercial loans from the sale of land, which amounted to EUR 8,188 thousand, fully provisioned, with the following detail of movements during 2021:

	Thousands of Euros			
	Balance at 31.12.2020	Additions	Disposals	Balance at 31.12.2021
Clients and accounts receivable	8,191	-	(8,191)	-
Impairment of loans from commercial transactions	(8,190)	(1)	8,191	-
<b>Total</b>	<b>1</b>	<b>(1)</b>	<b>-</b>	<b>-</b>

	Thousands of Euros			
	Balance at 31.12.2019	Additions	Disposals	Balance at 31.12.2020
Clients	8,202	-	(11)	8,191
Impairment of loans from commercial transactions	(8,198)	-	8	(8,190)
<b>Total</b>	<b>4</b>	<b>-</b>	<b>(3)</b>	<b>1</b>

“Sundry receivables” includes mainly the account receivable from the refund of the advanced payments made for the purchase of the Valdemoro (R7) land, after the final court ruling rendering the contract void. On 7 June 2018, the company was awarded in public auction and for an amount of EUR 2,300 thousand the plot RC 1.9, located at the West-North UDE unit of Valdemoro. After the auction was judicially annulled, the plot was auctioned again in January 2020, and the company was awarded the plot for EUR 2,490 thousand. On 30 December 2021, the judicial writ formalizing the award was awarded and came fully into force on January 2022. The collection of interest and judicial cost is still pending. The Directors believe that the amount recognized in the debt ledger is very close to its fair value.

## **10. Inventories**

The detail of “Inventories” at 31 December 2021 and 2020 is as follows:

	Thousands of Euros					
	2021			2020		
	Cost	Write-downs	Net	Cost	Write-downs	Net
Land and building lots	613,233	(415,515)	197,718	618,275	(419,397)	198,878
Short-cycle construction work in progress	-	-	-	60,080	(4,733)	55,347
Long-cycle construction work in progress	83,946	(31,027)	52,919	61,927	(25,024)	36,903
Completed buildings	37,725	(5,784)	31,941	40,036	(7,523)	32,513
Advances to suppliers	491	-	491	491	-	491
<b>Total</b>	<b>735,395</b>	<b>(452,326)</b>	<b>283,069</b>	<b>780,809</b>	<b>(456,677)</b>	<b>324,132</b>

The fair value of inventories at 31 December 2021 and 2020, calculated on the basis of appraisals conducted by independent valuation experts not related to the Group, as described in Note 4.g, amounted to EUR 311,178 thousand and EUR 353,063 thousand, respectively. In 2021, the Company reversed the write-down of inventories in order to adjust their carrying amount to market value, which gave rise to a positive net reversal of EUR 1,560 thousand for the write-down of land and building lots (net loss for write-down of EUR 12,934 thousand in 2020) and a net positive reversal for the write-down of impairment of finished products and construction in progress for delivery of finished products, and the adaptation of their carrying amount to market value of EUR 5,911 thousand (net reversal of EUR 38 thousand in 2020), recognized under “Write-down of land and building plots” and “Write-down of inventories of completed buildings and construction in progress” in the accompanying profit and loss statement .

The changes in terms of gross cost in “Inventories” during the years ended 31 December 2021 and 2020 were the following:

	Thousands of Euros					
	Land and Building Lots	Long-Cycle developments in progress	Short-cycle developments in progress	Completed Buildings	Net Write-Downs	Total
<b>Balance at 31 December 2019</b>	<b>618,635</b>	<b>78,107</b>	<b>34,629</b>	<b>36,006</b>	<b>(443,781)</b>	<b>323,596</b>
Additions	1,025	13,299	16,837	-	(14,751)	16,410
Disposals	(1,385)	-	-	(16,835)	1,855	(16,365)
Transfers	-	(29,479)	8,614	20,865	-	-

<b>Balance at 31 December 2020</b>	<b>618,275</b>	<b>61,927</b>	<b>60,080</b>	<b>40,036</b>	<b>(456,677)</b>	<b>323,641</b>
Additions	12,073	4,904	12,699	49	(5,141)	24,584
Disposals	-	-	-	(75,139)	9,492	(65,647)
Transfers	(17,115)	17,115	(72,779)	72,779	-	-
<b>Balance as at 31 December 2021</b>	<b>613,233</b>	<b>83,946</b>	<b>-</b>	<b>37,725</b>	<b>(452,326)</b>	<b>282,578</b>

### Land and building lots

In 2021, the Company started 2 new developments in “Sabadell FII – 55 units” and “Parque del Ensanche II – 80 units” in Alcalá de Henares – Madrid. This entailed the transfer of “Land and building lots” to “Long-cycle developments in progress” for an amount of EUR 17,155 thousand. Additionally, the development “Glorias – 48 units” in Barcelona has been resumed.

Furthermore, EUR 72,779 thousand were transferred from “Short-cycle developments in progress” to “Buildings completed”, corresponding to the completed developments of “Realia Parque del Ensanche I”, “Valdebebas Único” and “Essencia de Sabadell”.

Finally, additions were made to “Land and sites”, mainly for the acquisition of a plot of land for tertiary use in Valdebebas amounting to EUR 9,939 thousand.

With the onset of the health crisis, the Group has not launched any new developments commercially in 2020, even though it continued to work on the projects and administrative permits, awaiting to determine the final impact of Covid-19, on demand, selling prices and production costs.

Two developments in Madrid and Alcalá de Henares were transferred from “Long-cycle developments in progress” to “Short-cycle developments in progress”, since delivery was planned within 12 months. The amount transferred was EUR 29,479 thousand. Additionally, a development in Palma de Mallorca was transferred from “Short-cycle developments in progress” to “Buildings completed”.

### Advances to suppliers

The detail of “Advances to Suppliers” at 31 December 2021 and 2020 is as follows:

Land	Province	Thousands of Euros	
		2021	2020
Valdebebas	Madrid	473	473
El Molar	Madrid	18	18
<b>Total</b>		<b>491</b>	<b>491</b>

Advances to suppliers in 2021 and 2020 related to urban development costs charged by the Valdebebas Development and Apportionment Entity. During the year, this entity sold the land for commercial use, which resulted in a reduction in the advanced payments registered.

### Inventories held as collateral for mortgage loans

At 31 December 2021 and 31 December 2020, there were no inventories held as collateral for mortgage loans.

## Sale commitments

Property development and land sale commitments entered into with customers at 31 December 2021 and 2020 (arranged as earnest money and other agreements) amounted to EUR 25,539 thousand and EUR 57,176 thousand, respectively.

Out of these amounts, EUR 3,064 thousand and EUR 10,185 thousand correspond to "Customer advances" and are recognized under "Trade Payables" in the accompanying balance sheet (see Note 15). Of these amounts, EUR 1,869 thousand were collected in 2021 (EUR 9,055 thousand in 2020). The remainder amount, EUR 1,121 thousand, relates to commitments from asset exchange transactions and assignment of rights to the Valdebebas Development and Apportionment Entity.

## Capitalized borrowing costs

As described in Note 4.g, the Company capitalizes the borrowing costs incurred in the year which relate to inventories that have a production cycle of more than one year. In 2020 and 2019, no borrowing costs were capitalized for this concept.

The detail of the capitalized borrowing costs is as follows:

	Thousands of Euros			
	31.12.2021		31.12.2020	
	Interest capitalized in the year	Accumulated capitalized interest	Interest capitalized in the year	Accumulated capitalized interest
Land and building lots	-	7,599	-	7,599
Long-cycle construction work in progress	-	-	-	474
Short-cycle construction work in progress	-	1,489	-	1,489
Completed buildings	-	640	-	1,289
<b>Total</b>	-	<b>9,728</b>	-	<b>10,851</b>

## 11. Cash and cash equivalents

The detail of "Cash and cash equivalents" at year-end 2021 and 2020 is as follows:

	Thousands of Euros	
	2020	2019
Current accounts	15,931	37,177
Other cash equivalents	5	5
<b>Total</b>	<b>15,936</b>	<b>37,182</b>

At 31 December 2021 and 31 December 2020, there were no amounts pledged for this concept.

## **12. Equity and Shareholders' equity**

At 31 December 2021 and 2020, the share capital of the Parent Company is composed by 820,265,698 shares, all of them bearer shares with a nominal value of EUR 0.24 per share, fully subscribed and paid up.

The majority shareholders at 31 December 2021, according to the shares reported to the Comisión Nacional del Mercado de Valores (hereinafter, CNMV) are the following:

Shareholders	% of ownership
Soinmob Inmobiliaria Española, S.A.U.	23.23%
FC and C.L.S.U. (subsidiary 83.03% owned by FCC, S.A.)	50.10%
Rest	26.67%
	<b>100%</b>

On 30 June 2020, a reverse merger operation took place in Mexico between Control Empresarial de Capitales, S.A. de Capital Variable and Inversora Carso S.A. de Capital Variable, owner of 99.99% of the former company, according to which the first company becomes a stockholder of Realia Business S.A. The merger is the result of a corporate restructuring for the purpose of simplifying the corporate structure and reducing costs, for it eliminates redundant corporate structures, and centralizes and integrates the management and administrative functions of the investees into a single holding company (CEC).

According to the relevant event reported by Fomento de Construcciones y Contratas, S.A. on 8 October 2021, the real estate subsidiary of FCC, FCyC, S.L., reached an agreement with Control Empresarial de Capitales, S.A. de C.V. ("CEC") for the acquisition by FCyC, S.L. of 13.11% of the share capital of Realia Business, S.A. ("Realia") from CEC for an effective amount of EUR 83.9 Million (equivalent to a price of 0.78 euros/share), reaching a direct control interest in Realia of 50.1%, which represents its global consolidation in the FCC Group. Subsequently, this ownership interest has increased.

Also in October, CEC sold 23.23% of the share capital of Realia Business, S.A. to Soinmob Inmobiliaria Española, S.A.U. for an effective amount of EUR 148.6 Million (equivalent to a price of 0.78 euros/share).

Additionally, according to the reports to CNMV, Control Empresarial de Capitales, S.A. de Capital Variable has an interest in the FCC Group and in Soinmob Inmobiliaria Española, and therefore, would have an effective ownership interest on Realia Business, S.A., direct and indirect, of 62.16%.

At 31 December 2020, the share capital of the company was represented by 820,265,698 shares. The majority shareholders, according to the shares reported to the CNMV, are the following:

Shareholders	% interest
Control Empresarial de Capitales, S.A. de Capital Variable	36.35%
FCyC, S.L.U. (subsidiary 100% owned by FCC S.A.)	36.98%
Rest	26.67%
	<b>100%</b>

At 31 December 2021 and 2020, the shares of the company were traded in the Madrid and Barcelona Stock Markets. The price of the company shares at 31 December 2021 and the average price in the last quarter were 0.80 and 0.75 € per share, respectively (0.68 € and 0.64 € per share respectively at 31 December 2020).

### **12.1 Legal reserve**

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

At year-end 2021, the balance of this reserve amounted to EUR 22,709 thousand (EUR 22,709 at 31 December 2020), and is still not fully constituted.

### **12.2 Treasury shares**

At the General Shareholders' Meeting held on 22 June 2015, authorization was granted to buy back treasury shares, during the maximum period legally allowed, and pursuant to the requirements of article 146 of the Law on Corporations. This agreement was ratified at the General Shareholders' meeting held on 2 June 2020, under the same conditions.

The changes in 2021 were as follows:

	Number of Shares	Thousands of Euros
<b>Balances at 31 December 2019</b>	<b>3,434,241</b>	<b>3,277</b>
Acquisitions	5,742,228	4,249
<b>Balances at 31 December 2020</b>	<b>9,176,469</b>	<b>7,526</b>
Acquisitions	-	-
<b>Balances at 31 December 2021</b>	<b>9,176,469</b>	<b>7,526</b>

The average price of the treasury shares at year-end 2021 was 0.82 €/share (0.82 €/share in 2020). The total number of treasury shares accounts for 1.119 % of the total shares.

### **12.3 Restricted reserves**

At 31 December 2021 and 2020, there are restricted reserves for an amount of EUR 43,764 thousand, and arose on 15 June 2000 as a result of the transfer of capital to reserves following the capital reduction at Produsa Este, S.A., now Realia Business, S.A., and an additional EUR 112 thousand established due to the coming into force of the Euro in 2002 (the amount was the same at 31 December 2020).

### **12.4 Share premium**

The Consolidated Spanish Law on Corporations expressly permits the use of the share premium balance to increase capital and does not establish any specific restrictions as



to its use for other purposes. The share premium amounted to EUR 528,492 thousand at 31 December 2020 (EUR 528,492 thousand in 2020).

### **13. Provisions and contingencies**

#### **13.1 Provisions**

The detail of the provisions in the balance sheets as at 31 December 2021 and 2020 and of the main changes therein in the years then ended is as follows:

##### *Long term*

Long-term Provisions	Thousands of Euros		
	Warranty Provisions	Other Provisions	Total
<b>Balance at 31 December 2019</b>	<b>4,606</b>	<b>9,431</b>	<b>14,037</b>
Additions	-	832	832
Amounts used and reversed	-	(149)	(149)
Transfers	(306)	-	(306)
<b>Balance at 31 December 2020</b>	<b>4,300</b>	<b>10,114</b>	<b>14,414</b>
Additions	3,120	1,261	4,381
Amounts used and reversed	-	(709)	(709)
Transfers	57	-	57
<b>Balance at 31 December 2021</b>	<b>7,477</b>	<b>10,666</b>	<b>18,143</b>

The amount recognized under “Warranty Provisions” at year-end 2021 relates firstly, to the estimation made by the Company to cover the expenses expected to be incurred from the completion of a property development to the definitive settlement thereof and the end of the period in which it is liable for quality flaws, latent defects, extraordinary repairs, after-sales services and other contingencies relating to properties delivered in the last ten years, arising out of claims from third parties or litigations in progress, and secondly, to the guarantee for the sale of financial stakes.

Additionally, the amount recognized under “Other Provisions” corresponds to the estimates made by the Company arising from changes in the current urban development plans or their administrative proceedings that may reduce the buildable space area in some areas where the company is positioned.

##### *Short term*

Short-term Provisions	Thousands of Euros
	Warranty Provisions
<b>Balance at 31 December 2019</b>	<b>909</b>
Amounts used/reversed	(837)
Transfers	306
<b>Balance at 31 December 2020</b>	<b>378</b>
Amounts used/reversed	195
Transfers	(57)
<b>Balance at 31 December 2021</b>	<b>516</b>

The amount indicated corresponds to the “Guarantees” previously mentioned that are expected to produce a use of resources in the short-term.

### 13.2 Contingencies

The Company is the defendant in certain disputes in relation to the liability arising from its business activities. The lawsuits, which may be significant in number, represent scantily material amounts when considered individually and none of them is particularly noteworthy. In any case, the Company considers that the provisions recognized in the accompanying financial statements for the risk of litigation are sufficient, and there are no possible risks requiring disclosure.

### 14. Financial liabilities

The detail of “Current Payables”, and “Current Payables to Group Companies and Associates” at 31 December 2021 and 2020 is as follows:

2021

Class	Thousands of Euros		
Categories	Current Financial Instruments		
	Bank Borrowings and Other Financial Liabilities	Other	Total
Payables to Group Companies and Associates (Note 18.2)	-	126,532	126,532
Other financial liabilities	-	356	356
<b>Total</b>	-	<b>126,888</b>	<b>126,888</b>

2020

Class	Thousands of Euros		
Categories	Current Financial Instruments		
	Bank Borrowings and Other Financial Liabilities	Other	Total
Payables to Group Companies and Associates (Note 18.2)	-	6,511	6,511
Other financial liabilities	-	331	331
<b>Total</b>	-	<b>6,842</b>	<b>6,842</b>

The movements in “Current and non-current debts and items due” during 2021 and 2020 was as follows:

2021	31.12.2020	Provisions	Write-downs	31.12.2021
<i>Debts and items payable to Group companies and associates</i>				
To other Group companies, current	6,511	120,021		126,532
Other financial liabilities	331	25	-	356
<b>Total</b>	<b>6,842</b>	<b>120,046</b>	-	<b>126,888</b>

2020	31.12.2019	Provisions	Write-downs	31.12.2020
<i>Debts and items payable to Group companies and associates</i>				
To other Group companies, current	6,379	132	-	6,511
Other financial liabilities	312	19	-	331
<b>Total</b>	<b>6,691</b>	<b>151</b>	<b>-</b>	<b>6,842</b>

### Bank borrowings

The company had no bank borrowings at 31 December 2021 and 2020.

### Borrowings from Group companies

On 21 December 2021, the Company formalized a loan with a group company, Fomento de Construcciones y Contratas, S.A. for an amount of EUR 120,000 thousand, earning an interest rate referenced to 6-month Euribor (so long as it is positive), plus 1.10%, and maturing in one year, 21 December 2022, even though this term will be tacitly extended for an additional year, unless expressly denounced at least two months in advance. This loan was used for the acquisition of a 31.01% stake in Hermanos Revilla, S.A. (Note 9.1).

The balance of borrowings from Group companies includes mainly creditors corresponding to the balance of tax liabilities resulting from fiscal consolidation for an amount of EUR 6,491 thousand (EUR 6,511 thousand at 31 December 2020).

### 15. Trade and other payables

The detail of “Trade and Other Payables” at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2020	2019
Payable to suppliers		
For purchase of land	3,170	3,170
Payable to other suppliers	4,344	2,154
Payable to suppliers – Group companies and associates	4,794	7,967
Sundry accounts payable	1,510	999
Employee receivables	124	71
Other payables to public entities (Note 16.1)	2,660	2,007
Customer advances (Notes 4.k and 10)	3,064	10,185
	<b>19,666</b>	<b>26,553</b>

“Trade and Other Payables” includes mainly the amounts payable for construction projects and associated costs, purchases of land and advances received from customers prior to recognition of the sale of properties.

The Directors consider that the carrying amount of trade payables approximates their fair value.

Following is the detailed information required by Additional Provision Three provided for in Law 15/2010 of 5 July (amended through Final Provision Two of Law 31/2014, of 3 December), prepared according to the ICAC (Accounting and Account Audit Institute) Resolution of 29 January 2016, on disclosures required related to the average payment period to suppliers in commercial transactions.

	2021	2020
	Days	Days
Average payment period to suppliers	74	74
Paid transactions ratio	78	80
Transactions pending payment ratio	38	39
	Thousands of Euros	Thousands of Euros
Total payments made in the year	24,331	32,810
Total outstanding payments	3,193	5,718

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

Solely for the purposes of providing the information required by this Resolution, suppliers are the trade creditors for the supply of goods and services and therefore, include the figures relating to "Suppliers", "Suppliers Group companies and Associates" and "Sundry Accounts Payable" under "Current Liabilities" in the current liabilities of the balance sheet.

The "average payment period to suppliers" is the time between the delivery of goods or services by the supplier and the payment of the transaction.

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

Additionally, the ratio of outstanding payment transactions corresponds to the ratio whose numerator is the sum of the products corresponding to late payments, by the number of days of late payment (difference between the calendar days elapsed from the start of the payment period until the payment of the transaction) and whose denominator is the total amount of outstanding payments.

The maximum payment period applicable to the Company in 2021 under Law 3/2004, of 29 December, on combating later payments in commercial transactions and pursuant to the transitory provisions of Law 15/2010, of 5 July, is of 60 days, since the conditions provided for in Law 11/2013, of 26 July, are fulfilled. The Company makes all its payments on the 15<sup>th</sup> of every month.

## **16. Public Administration and tax matters**

The Company has filed consolidated tax returns as parent of the tax group since 2007. A consolidated tax group, as regulated in Title VI, Chapter VII of Law 27/2014, of 27 November, is made up of a parent and all the subsidiaries, whether public or private limited liability companies, that are resident in Spain and in which the parent has a direct ownership interest of at least 75%.

The tax group number assigned is 135/07.

On 10 December 2018, the Company, as the parent of tax group 135/07, received a notice of initiation of an audit 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 file an appeal to the Economic and Administrative Regional Court of Madrid.

### **16.1 Current tax receivables and tax payables**

The detail of the current tax receivables and payables is as follows:

#### *Tax receivables*

	Thousands of Euros	
	2021	2020
VAT and Canary Islands general indirect tax payable	279	531
Social Security bodies	3	3
Corporate income tax refundable	5,733	4,659
<b>Total (Note 9.4)</b>	<b>6,015</b>	<b>5,193</b>

The balance of Income Tax payables at 31 December 2021 corresponds to tax withholdings and advanced payments of the Corporate Income Tax for the year for an amount of EUR 5,152 thousand, and EUR 581 thousand to the settlement of the Corporate Income Tax (EUR 581 thousand and EUR 4,078 thousand at 31 December 2020).

#### *Tax payables*

	Thousands of Euros	
	2021	2020
Income tax refundable	101	109
VAT and Canary Islands general indirect tax payable	656	1,267
Accrued social security payables	55	56
Other	1,848	575
<b>Total (Note 15)</b>	<b>2,660</b>	<b>2,007</b>

“Other” includes mainly local taxes (tax on increase in urban land value, taxes on economic activities, etc.).

### **16.2 Reconciliation of the accounting profit/loss to the tax loss**

The reconciliation of the accounting profit/loss to the tax loss for income tax purposes is as follows:

2021

	Thousands of Euros		
	Profit and Loss Statement		
	Increase	Decrease	Total
Profit/loss before tax			<b>26,152</b>
Income tax:			
<b>Permanent differences</b>			<b>(53)</b>
Life insurance contributions	3		
Penalties and surcharges	7		
Other non-deductible expenses		(63)	
<b>Temporary differences</b>			<b>(14,691)</b>
Arising in the year -			4,442
Impairment of securities (Note 9.1)	417		
Other provisions	2,647		
Deductible portfolio provision reversal			
Inventory impairment provision	1,378		
Arising in prior years -			(19,133)
Other provisions			
Financial expenses		(2,065)	
Non-deductible depreciation and amortization charge		(30)	
Tax adjustment of securities portfolio		(8,660)	
Insolvencies		(8,378)	
Taxable income rest of companies in tax group			<b>11,408</b>
Taxable income rest of companies of the tax group			17,810
Offset of prior year's tax losses of tax group			-
			(14,399)
<b>Taxable profit of tax group</b>			<b>14,819</b>

2020

	Thousands of Euros		
	Profit and Loss Statement		
	Increase	Decrease	Total
Profit/loss before tax			<b>(12,203)</b>
Income tax:			
<b>Permanent differences</b>			<b>229</b>
Life insurance contributions	12		
Penalties and surcharges	154		
Other non-deductible expenses	63		
<b>Temporary differences</b>			<b>(5,670)</b>
Arising in the year -			4,238
Impairment of securities (Note 9.1)	726		
Other provisions	55		

Deductible portfolio provision reversal	3,457		
Arising in prior years -			(9,908)
Other provisions		(1)	
Provision for impairment of finished products and property, plant and equipment		(2,460)	
Non-deductible depreciation and amortization charge		(30)	
Tax adjustment of securities portfolio	55	(515)	
Result of the liquidation of R. Portugal		(6,957)	
Prior tax loss of Parent of tax group			<b>(17,644)</b>
Taxable income rest of companies in tax group			9,873
Offset of prior year's tax losses of tax group			-
<b>Taxable profit of tax group</b>			<b>(7,771)</b>

The main permanent differences in 2021 and 2020 are the result of:

**Adjustments made in 2021:**

- In 2021, a positive adjustment was made for EUR 2,647 thousand for the provisions for risks and expenses, and 1,378 thousand for inventories impairment.
- Negative adjustment of EUR 2,065 thousand in 2021, pursuant to the current Corporate Tax regulation, article 16 by Law 27/2014, of 27 November, that establishes a general limitation in the deduction of "net financial expenses", which in practice becomes an specific temporary taxation rule that allows the deduction in future years, similarly to the offset of negative taxable income.

Thus, net financial expenses will be deductible, with a limit of 30% of the operating profit for the year. For these purposes, the standard defines "net financial expenses" as the excess of financial expenses over income derived from the assignment to third parties of equity accrued in the tax period. In any case, net financial expenses of the tax period of up to 1 million euros will be deductible, without any limit.

- Negative adjustment in 2021 of EUR 8,378 thousand corresponding to the reversal of provisions for insolvencies adjusted in prior years.
- Pursuant to the provisions of Article 13.2 of the current corporate income tax regulation in force by Law 27/2014, of 27 November, which established that impairment losses on securities representing ownership interests in the capital or equity of entities shall not be deductible (see Note 9.1), during 2021 a positive adjustment of EUR 417 thousand was made for the depreciation of the portfolio and a negative adjustment of EUR 8,660 thousand for reversals of portfolio provisions from prior years of the company Inversiones Inmobiliarias, Rústicas y Urbanas 2000, SL.

## Adjustments made in 2020:

- Positive adjustment of EUR 143 thousand in 2020, corresponding to the sanction, signed in disagreement and appealed in time, resulting from the tax inspection of years 2014-2015.
- Pursuant to the amendment of Transitory Provision Sixteen of the Tax Law, introduced by Royal Decree Law 3/2016, of 2 December, that establishes that the reversion of the loss resulting from the value impairment of stakes that were tax deductible for years before 2013 and not after that date, should be made for a minimum annual amount on a straight-line basis during five years, a positive adjustment to the carrying amount has been made for EUR 3,457 thousand and EUR 55 thousand at 31 December 2020, with no amounts pending consolidation in 2021.

Due to the positive adjustments arising from the inspection to the securities portfolio, the value of this portfolio has been reduced by EUR 504 thousand.

- Negative adjustment of EUR 6,957 thousand in 2020 for the losses generated by the liquidation of investee Realia Business Portugal (see note 9.1). This adjustment was made pursuant to art. 17.8 of Law 27/2014 of 27 November, which provides that the difference between the market value of the elements received and the tax value of the cancelled interest must be incorporated into the tax base, and art. 21.8, that establishes that the negative income generated in case of the extinction of the investee will be tax deductible, unless they result from a restructuring operation, in which case the negative income amounts will be subtracted from the amount of dividends received over the ten years prior to the extinction, provided that these dividends benefited from an exemption regime.
- Negative adjustment in 2020 of EUR 2,460 thousand for the reversal of inventories adjusted in prior years.
- Positive adjustment of EUR 726 thousand in 2020, pursuant to Article 13.2 of the current Corporate Tax regulation, in force by Law 27/2014, of 27 November, that established that the impairment losses of the securities representing an interest on the capital or equity of the entities shall not be deductible (see Note 9.1).
- Positive adjustment of EUR 2,647 thousand for asset provisions and EUR 1,378 thousand for the provisions for the impairment of inventories in 2021.

The detail of tax loss carryforwards at 31 December 2021 and 31 December 2020 is as follows:

2021

Year Incurred	Thousands of Euros							Tax Asset Recognized
	Tax Losses		Total Tax Loss	Consolidation Adjustments (Dividends/ Investment Securities)	Tax Loss Offset	Total Tax Loss of Tax Group	Total Tax Loss Recognized	
	Parent Companies	Tax Group Subsidiaries						
2008	18,835	(15,807)	3,028	59,636	-	-	-	-
2009	36,987	(27,005)	9,981	11,475	-	-	-	-
2010	48,622	10,229	58,852	550	-	30,070	656	163
2011	45,296	1,347	46,642	17,725	-	64,637	64,367	16,092



2012	257,906	(24,581)	223,325	11,968	-	245,293	87,163	21,791
2013	46,942	(31,337)	15,605	13,879	-	29,485	-	-
2014	(5,155)	15,177	10,023	21,066	-	31,089	17,732	4,433
2015	9,739	(19,646)	(9,907)	-	3,918	-	-	-
2016	(39,081)	(25,294)	(64,375)	-	63,213	-	-	-
2017	(6,993)	(12,550)	(19,543)	-	11,730	-	-	-
2018	(4,464)	(12,632)	(17,096)	-	9,656	-	-	-
2019	(14,702)	(6,372)	(21,074)	-	10,537	-	-	-
2020	22,182	(10,748)	11,434	-	-	11,434	-	-
2021	(11,409)	(17,391)	(28,800)	-	14,399	-	-	-
<b>Total</b>	<b>404,705</b>	<b>(176,610)</b>	<b>228,095</b>	<b>136,299</b>	<b>113,453</b>	<b>411,738</b>	<b>169,918</b>	<b>42,479</b>

## 2020

Year Incurred	Thousands of Euros							Tax Asset Recognized
	Tax Losses		Total Tax Loss	Consolidation Adjustments (Dividends/ Investment Securities)	Tax Loss Offset	Total Tax Loss of Tax Group	Total Tax Loss Recognized	
	Parent Companies	Tax Group Subsidiaries						
2008	18,835	(15,807)	3,028	59,636	-	-	-	-
2009	36,987	(27,005)	9,982	11,475	-	-	-	-
2010	48,622	10,229	58,851	550	-	44,468	15,806	3,951
2011	45,296	1,347	46,643	17,725	-	64,368	64,368	16,092
2012	257,906	(24,581)	223,325	11,968	-	245,293	87,163	21,791
2013	46,942	(31,337)	15,605	13,879	-	29,485	-	-
2014	(5,155)	15,177	10,022	21,066	-	31,089	17,732	4,433
2015	9,739	(19,646)	(9,907)	-	(3,918)	-	-	-
2016	(39,081)	(25,294)	(64,375)	-	(63,213)	-	-	-
2017	(6,993)	(12,550)	(19,543)	-	(11,730)	-	-	-
2018	(4,464)	(12,632)	(17,096)	-	(9,656)	-	-	-
2019	(14,702)	(6,372)	(21,074)	-	(10,537)	-	-	-
2020	17,644	(9,873)	7,771	-	-	7,771	-	-
<b>Total</b>	<b>411,576</b>	<b>(158,344)</b>	<b>253,232</b>	<b>136,299</b>	<b>(99,054)</b>	<b>422,472</b>	<b>185,069</b>	<b>46,267</b>

This list of tax loss carryforwards includes the adjustments made by the tax inspection, which reduced the tax losses (unused) of the parent of the tax group, according to the following detail:

Year	Thousands of Euros
2008	2,351
2009	6,234
2010	4,227
2011	507
2012	1,531
2013	1,640
2014	1,358
2015	5,208
<b>Total</b>	<b>23,056</b>

Furthermore, since the company had a positive tax base in 2015, the increase of the tax loss made by the inspection, produced a higher tax loss carryforward from prior years for an amount of EUR 2,064 thousand.

Out of the EUR 23,056 thousand, 61% of this amount caused an increase in non-capitalized temporary differences that will be carried forward to subsequent periods (EUR 504 thousand have been reversed during 2020, as they correspond to the securities portfolio).

In 2021, the variation in tax credits for loss carryforwards amounted to EUR 3,788 thousand as a consequence of the reclassification of tax credits due to deductions, and EUR 1,010 thousand in 2020 as a consequence of the offset of tax bases applied by the Company.

The consolidation adjustments arose mainly from the elimination of dividends paid among the various companies composing the tax group. The elimination thereof led to a reduction in tax credit carryforwards, which were used to increase the tax group's tax loss carryforwards.

The Company only recognizes deferred tax assets associated with tax losses that the Directors expect to recover (see Note 4.j), within the periods allowed by the new tax legislation (see Note 16.4).

At year-end 2021, the Company had unrecognized tax loss carryforwards amounting to EUR 60,459 thousand (EUR 59,426 thousand at year-end 2020): EUR 60,455 thousand from negative tax bases and EUR 4 thousand from deductions (see Note 16.4); (EUR 59,351 thousand and EUR 74 thousand respectively, at 31 December 2020). All tax assets indicated in the financial statements, recognized or not, generated until 31 December 2015, which account for 97% of the total credits, of the company and its tax group, have been inspected and their deductibility has been accepted according to current tax legislation.

### **16.3 Reconciliation of the accounting profit/loss to the income tax expense**

The reconciliation of the accounting profit/loss to the income tax expense in 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Accounting profit/loss before tax	26,152	(12,203)
Permanent differences	(53)	229
Unrecognized temporary differences	(12,595)	2,342
<b>Total tax base</b>	<b>13,504</b>	<b>(9,632)</b>
Tax charge at 25%	(3,376)	2,407
Other	-	45
<b>Total income tax benefit (expense) recognized in the income statement</b>	<b>(3,376)</b>	<b>2,452</b>

The breakdown of "Others" is as follows:

	Thousands of Euros	
	2021	2020
Adjustment from the settlement of income tax of prior year	-	(45)
<b>Total</b>	<b>-</b>	<b>(45)</b>

The breakdown of the Income Tax for 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Current tax	(3,900)	2,285
Net deferred asset (Notes 16.4 and 16.5)	524	123
Tax adjustment from prior years	-	45
<b>Total tax income/(expense)</b>	<b>(3,376)</b>	<b>2,452</b>

#### 16.4 Deferred tax assets recognized

The detail of “Deferred Tax Assets” at 31 December 2021 and 2020 is as follows:

Deferred Tax Assets	Thousands of Euros	
	2021	2020
Temporary differences:		
Non-deductible finance costs	14,638	15,154
Non-deductible depreciation and amortization charge	22	30
Provision for charges	604	604
Elimination of provisions in tax consolidation	-	-
Other	114	114
Tax asset recognized	53,387	59,426
<b>Total deferred tax assets</b>	<b>68,765</b>	<b>75,328</b>

At 31 December 2021, tax assets and credits are recognized for EUR 53,387 thousand (EUR 59,426 thousand at 31 December 2020) that, even though the recovery period for part of them might be higher than 10 years, are recognized in the balance sheet since the Directors of the Company believe that based on the best estimate about future results of the Company and latent capital gains of the Group’s assets, it is likely that these assets will be recovered.

All the tax credits recognized in the financial statements generated until 31 December 2015, which account for 97% of the total credits, of the company and its tax group, have been reviewed and their deductibility according to current tax legislation has been accepted.

The total “recognized tax asset” at 31 December 2021 amounts to EUR 53,387 thousand (EUR 59,426 thousand at 31 December 2020) and corresponds to the tax charge from negative tax bases of years 2010, 2011, 2012 and 2014 for EUR 42,479 thousand (EUR 46,627 thousand at 31 December 2020), as detailed in Note 16.2, and EUR 10,908 thousand from tax credit carryforwards (EUR 13,159 thousand at 31 December 2020), corresponding tax credit carryforwards, the detail being as follows:

	Thousands of Euros						
	Tax Credit Carryforwards		Total Tax Credits	Consolidation Adjustments (Dividends)	Unrecognized Tax Credits	Recognized Tax Credits	Total Tax Credits
	Companies	In the Tax Group					
	Parent	Subsidiaries					
2008	15,138	439	15,577	(15,120)	-	457	457
2009	3,000	4,763	7,763	(3,000)	-	4,763	4,763
2010	483	15	498	(450)	-	48	48
2011	2,552	4,522	7,074	(5,401)	-	1,673	1,673
2012	2,524	1,983	4,507	(3,185)	-	1,322	1,322
2013	1,662	2,046	3,708	(2,432)	-	1,276	1,276
2014	4,558	1,969	6,527	(5,265)	-	1,262	1,262
2015	6	105	111	-	4	107	111
	<b>29,923</b>	<b>15,843</b>	<b>45,765</b>	<b>(34,853)</b>	<b>4</b>	<b>10,908</b>	<b>10,912</b>

This list of tax loss carryforwards includes the adjustments made by the tax inspection in 2020, which reduced the tax losses of the parent of the tax group, according to the following detail:

<b>Year</b>	<b>Thousands of euros</b>
2008	2
2009	20
2010	21
2011	10
2012	665
2013	3
<b>TOTAL</b>	<b>721</b>

Furthermore, since the company had a positive tax base on 2015, the increase in the tax base after the inspection entailed an additional EUR 651 thousand in tax credits.

Most of the unrecognized tax credits included under “Total Tax Credits” correspond to the deduction resulting from double taxation of dividends from the parent of the Tax Group and the Group Companies, which, after consolidation adjustments, became tax charges in the consolidated tax statement.

According to Transitory Provision 24.3 of Law 27/2014 of the Income Tax, the detail of tax benefits with a time limit for their application depending on their maturity, and corresponding to the reinvestment of extraordinary income and international double taxation, is as follows:

<b>Thousands of Euros</b>		
<b>Deadline for offset</b>	<b>Tax benefits outstanding 2021</b>	<b>Tax benefits outstanding 2019</b>
2024	4,763	5,213
2025	15	15
<b>Total</b>	<b>4,778</b>	<b>5,228</b>

### **16.5 Deferred tax liabilities**

Under the General State Budget Law 11/2020, of 30 December for 2021, published in the Official Gazette (BOE) of 31 December 2020, an exemption is contemplated for dividends and capital gains resulting from article 21 of the Corporate Income Tax Law, in case they arise from ownership interests higher than 5% or a cost above 20 million, for Spanish companies or companies resident in a country with a double taxation convention or minimum nominal taxation of 10%, which until now were 100% exempt, is limited, for fiscal years starting since 1 January 2021, to 95% of the gains disclosed, which actually means the effective taxation of 1.25% of the dividend paid or the gain realized.

For these reasons, the Company has decided to evaluate the Financial Statements, according to the current regulation, the following deferred tax liabilities must be recognized for the unused reserves of the affiliates and associates of the Company.

The detail of “Deferred Tax Liabilities” at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Consolidation adjustments	51	20
<b>Total deferred tax liabilities</b>	<b>51</b>	<b>20</b>

### **16.6 Years open for review and tax audits**

Under current legislation, taxes cannot be deemed to have been definitely settled until the tax authorities have reviewed the tax returns filed or until the four-year statute-of-limitations has expired. At year-end 2021, the Company had years 2017 to 2021 open for review for all state taxes. The Company’s directors consider that the tax returns for the aforementioned taxes have been filed correctly and therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions such liabilities as might arise would not have a material effect on the accompanying financial statements.

On 10 December 2018, the Company, as the Parent of Tax Group 135/07, received a notification of the initiation of an audit and inspection procedure of years 2014 and 2015, open for review by the tax authorities for the consolidated Income Tax, and the periods between November 2014 and December 2015 for the Value Added Tax. These audits are of a general nature, and include the review of all of the tax bases pending application, or tax benefits pending application, according to the provisions of article 66. bis 2 of the General Tax Law, which led to the review of the negative tax bases generated from 2008 to 2015. The inspection activities concluded on 12 November 2020 with the signing of the corresponding assessment signed in agreement, which led to the transfer of the unrealized negative tax bases for an amount of EUR 13,470 thousand to unrealized temporary differences that will be reversed in subsequent years. Additionally, the parent company of the tax Group has filed pleadings to the proposed sanction of EUR 143 thousand of 17 December 2020.

Additionally, Law 34/2015 of 21 September, which partially amends Tax Law 58/2003, of 17 December, establishes that the right of the authorities to start the process of review of the tax bases settled or pending settlement or deductions applied or pending application, will have a statute of limitations of ten years, counted from the day after the conclusion of the regulatory period established for the filing of tax returns or tax returns corresponding to the fiscal year or period in which the right to offset such tax bases or charges, or to apply such benefits, 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, including the declaration of the 78 days elapsed from 14 March to 30 May 2020 as a period that is “exempt from calculation” for tax purposes.

## **17. Revenues and expenses**

### **17.1 Revenues**

The sales figure relates in full to sales made in Spain.

The detail of sales, by type of revenue, for 2021 and 2020, is as follows:

Line of Business	Thousands of Euros	
	2021	2020
Revenue from the sale of property developments and land	94,031	22,012
Rent revenue (Note 7)	253	219
Revenue from services	5,631	4,321
	<b>99,915</b>	<b>26,552</b>

During the year, the delivery of units started from the new developments completed “Realia Parque del Ensanche I”, in Alcalá de Henares, “Valdebebas Único” in Madrid, and “Essencia de Sabadell” in Sabadell, and continued with the delivery of the development Brisas de Son Dameto in Palma de Mallorca, with an total impact of EUR 80,426 thousand on revenues.

The breakdown by geographical market of the revenue for 2021 and 2020 is as follows:

Geographical Markets	Thousands of Euros	
	2021	2020
<b>Spain:</b>		
Andalusia	8,491	3,586
Balearic Islands	12,714	10,875
Catalonia	14,744	736
Madrid	60,400	5,529
Valencia	3,087	4,405
Castilla y León	479	1,402
Rest	-	19
	<b>99,915</b>	<b>26,552</b>

## 17.2 Procurements

The detail of “Procurements” at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Purchases and procurements	(34,948)	(31,304)
Write-down of land and building lots	(1,560)	(12,934)
	<b>(36,508)</b>	<b>(44,238)</b>

## 17.3 Detail of purchases by origin

The Company made all of its purchases in 2021 and 2020 in Spain.

## 17.4 Employee benefit costs

The detail of “Employee Benefit Costs” in 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
<b>Employee benefit costs:</b>		
Contributions to pension plans (Note 4.n)	(164)	(147)
Other employee benefit costs	(642)	(613)
	<b>(806)</b>	<b>(760)</b>

### 17.5 External services

The breakdown of “External Services” in the profit and loss statement corresponding to reporting periods ended on 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Leases and taxes	118	117
Repair and upkeep	39	24
Independent professional services	174	209
Insurance premiums	81	29
Bank and related expenses	58	74
Publicity, advertising and PR	229	282
Supplies	26	16
Other services	4,701	2,965
<b>Total external services</b>	<b>5,426</b>	<b>3,716</b>

The increase in “Other Services” is mainly due to the marketing fee accrued associated to the delivery of product in 2021.

### 17.6 Finance income and finance costs

The detail of the finance income and finance costs in 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Income from investment securities in Group companies and associates (Note 18.1)	469	218
Income from investment securities in third parties	-	122
Other income	533	-
<b>Total finance income</b>	<b>1,022</b>	<b>340</b>
Borrowing costs for loans with Group companies	(40)	-
Other borrowing costs	-	(68)
<b>Total finance costs</b>	<b>(40)</b>	<b>(68)</b>
Impairment losses on investment securities in Group companies and associates (Note 19.1)	8,243	(726)
Profit (loss) from disposals and others (Note 19.1)	190	8
<b>Financial profit/loss</b>	<b>8,433</b>	<b>(446)</b>

## 18. Related party transactions and balances

### 18.1 Related party transactions

The detail of the transactions with related parties in 2021 and 2020 is as follows:

2021

	Thousands of Euros	
	Group Companies (a)	Associates (b)
Sales	155	-
Services provided and received	3,528	2,061
Non-core and other current operating income	94	1
Procurements	(1,571)	(10,591)
External services	(129)	(129)
Finance income (Note 17.6)	469	-
Financial expenses (Note 17.6)	(40)	-
Impairment and loss of financial instruments (Note 9.1)	8,243	-
	<b>10,479</b>	<b>(8,658)</b>

(a) Includes transactions with companies of the FCC Group after 31/10/21.

(b) Includes transactions with companies of the FCC Group until 31/10/21.

2020

	Thousands of Euros	
	Group Companies (a)	Associates (b)
Sales	130	-
Services provided and received	2,129	2,156
Non-core and other current operating income	91	6
Procurements	-	(25,170)
External services	(3)	(269)
Finance income (Note 17.6)	214	4
Impairment and loss of financial instruments (Note 9.1)	(352)	(374)
	<b>2,209</b>	<b>(23,647)</b>

## 18.2 Related party balances

The detail of the on-balance sheet balances with related parties at 31 December 2021 and 2020 is as follows:

At year-end 2021

	Thousands of Euros	
	Group Companies (a)	Associates
Non-current financial assets:		
Equity instruments (Note 9.1)	311,562	-
Loans to companies (Note 9.1)	49,463	-
Trade receivables (Note 9.4)	4,051	55
Current financial assets:		
Loans to companies (Note 9.2)	13,565	-
Non-current payables	25	-
Current payables (Note 14)	126,532	-



Trade payables	4,793	1
	<b>247,291</b>	<b>54</b>

(a) Includes the balances of the companies of the FCC Group.

At year-end 2020

	Thousands of Euros	
	Group Companies	Associates
Non-current financial assets:		
Equity instruments (Note 9.1)	133,626	11,548
Loans to companies (Note 9.1)	16,907	-
Trade receivables (Note 9.4)	520	1,164
Current financial assets:		
Loans to companies (Note 9.2)	2,913	4,465
Non-current payables	26	-
Current payables (Note 14)	6,511	-
Trade payables	-	7,967
	<b>160,503</b>	<b>25,144</b>

(a) Includes the balances of the companies of the FCC Group.

### 18.3 Remuneration of Directors and senior executives

The detail of the average remuneration received in 2021 and 2020 by the members of the Board of Directors and senior executives of Realia Business, S.A., broken down by concepts, is as follows:

2021

	Average No. of Persons	Thousands of Euros				
		Salaries	Other Remuneration	Bylaw-Stipulated Emoluments	Pension Plans	Insurance Premiums
Directors	6	-	355	321	-	-
Senior executives	4	664	3	-	43	2
<b>TOTAL</b>	<b>10</b>	<b>664</b>	<b>358</b>	<b>321</b>	<b>43</b>	<b>2</b>

2020

	Average No. of Persons	Thousands of Euros				
		Salaries	Other Remuneration	Bylaw-Stipulated Emoluments	Pension Plans	Insurance Premiums
Directors	6	-	355	319	-	-
Senior executives	4	624	4	-	42	-
<b>TOTAL</b>	<b>10</b>	<b>624</b>	<b>359</b>	<b>319</b>	<b>42</b>	<b>-</b>

Details of each of the directors' individual remuneration are provided in the Company's annual remuneration report for 2021.

The Parent has a civil liability insurance policy to cover directors, executives and representatives, for which it paid a premium of EUR 30 thousand in 2021 and EUR 14 thousand in 2020.

#### **18.4 Situations of conflict of interest involving the directors**

At year-end 2021, the members of the Board of Directors of Realia Business, S.A. have not reported to the rest of members of the Board any situation of conflict of interest, either direct or indirect, that they or any party related to them may have with the interests of the Company, according to the provisions of the Law on Corporations. However, they did report the following:

- Mr. Juan Rodríguez Torres, Mr. Gerardo Kuri Kaufmann, Mrs. Esther Alcocer Koplowitz and Mrs. Alicia Alcocer Koplowitz abstained from the deliberations and vote on several agreements related to the awarding of contracts to companies of the FCC Group.

### **19. Environmental information**

In view of the business activities carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that may be material with respect to its equity, financial position or results.

### **20. Additional information**

#### **20.1 Headcount**

The average number of employees, by professional category, in 2021 and 2020, is as follows:

Professional Category	Average Number of Employees	
	2021	2020
Senior executives	4	4
Management and university graduates	23	19
Other line personnel and further education college graduates	6	7
Clerical staff	8	9
	<b>41</b>	<b>39</b>

At year-end 2021 and 2020, the number of employees at the Company was 40 and 40 respectively.

In addition, the headcount at the end of 2021 and 2020, by gender and category, was as follows:

Professional Category	2021		2020	
	Men	Women	Men	Women
Senior executives	3	1	3	1
Management and university graduates	14	9	11	10
Other line personnel and further education college graduates	4	1	7	-
Clerical staff	4	4	4	4
	<b>25</b>	<b>15</b>	<b>25</b>	<b>15</b>

At year-end 2021 and 2020, the Company does not have any employee with a degree of disability equal of higher than 33%.

## **20.2 Fees paid to auditors**

In 2021, the fees for financial audit and other services provided by the Company's auditors, Ernst & Young, S.L. or by a firm in the same group or related to the auditors, were as follows:

2021

Description	Services provided by the Financial Auditor and by Related Companies
Audit services	62
Other non- audit related services	8
<b>Total audit and related services</b>	<b>70</b>

2020

Description	Services provided by the Financial Auditor and by Related Companies
Audit services	62
Other non- audit related services	12
<b>Total audit and related services</b>	<b>74</b>

## **21. Events after the reporting period**

There have been no relevant events after the reporting date.

## **22. Additional note for English translation.**

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

# **Realia Business, S.A.**

Management Report

for the year ended

31 December 2021

## **Management Report for the year ended 31 December 2021**

### **1. THE COMPANY AND ITS ORGANIZATIONAL AND OPERATIONAL STRUCTURE**

Realia Business, S.A. is the head of the REALIA Corporation, which is part of the FCC holding, and 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 Centres and Commercial 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. (87.76% of direct and indirect ownership interest and 100% of controlling interest) and As Cancelas S.A. (50% direct interest). This activity is carried on entirely in Spain.

These equity investments represent around 36.36 % of the value on the asset side of the Realia Business, S.A.'s balance sheet.

- b) **PROPERTY DEVELOPMENT AND LAND 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 property development business is carried on in Spain and Romania (ownership of one urban plot of 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 fully marketed at year-end. It also owns 2 developments in progress in the same municipality for 195 subsidized homes (VPL and VPPB) for rent; development has already started and commercial operation is expected to start in the first half of 2023.

The parent Company, Realia Business, S.A. is listed on the Spanish Stock Market Interconnection System in Madrid and its most significant shareholders include FCyC, S.L., a company of the FCC Group, and Soinmob Inmobiliaria Española, S.A.U., with ownership interests reported to the CNMV of 50.10% and 23.23%, respectively.

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 2021, the following changes took place in the Company's financial investments:

- On 16 February 2021, Realia Business, S.A. acquired the shares of Martinsa-Fadesa in the company Inmob. Rústicas y Urbanas 2000, S.L., increasing its stake in the company from 33.36% to 66.70%.

Later, on 2 December, the company amended its bylaws to reduce the minimum number of votes to adopt a resolution at the AGM from 80% to 50% of the share capital, and to allow the Board of Directors to adopt resolutions with a simple majority of the votes of the attendants, instead of a minimum of 5/6 of the votes. The result of these changes is that in Realia Business, S.A. acquires control of the company, and integrates it through the global consolidation method.

- On July 2021, the sole partner made an injection of capital into Guillena Golf, S.A.U. of EUR 150 thousand to cover the losses generated in 2020 and to restore the equity balance. This did not change the percentage of integration of the company in the Group.
- On 21 December 2021, Realia Business, S.A. and Realia Patrimonio, S.L.U. acquired 31.01% and 6.1% respectively of the company Hermanos Revilla, S.A., which represented the entire stake of the Revilla family on the company, and increased the ownership percentage on the consolidated result of the company from 48.79% to 87.76% and entails a controlling interest of 100%.

## 3. **AVERAGE PAYMENT PERIOD**

Following is the information required by Additional Provision Three of Law 15/2010, of 5 July (amended through Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with ICAC's Resolution of 29 January 2016, relating to the disclosures to be included in the financial statements on the average payment period to suppliers in commercial transactions.

	<b>2021</b>
	Days
Average payment period to suppliers	74
Ratio of paid transactions	78

Ratio of payable transactions	38
	<b>Thousands of Euros</b>
Total payments made	24,331
Total outstanding payments	3,193

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

Solely for the purposes of providing the information provided for in this Resolution, suppliers are the trade creditors for the supply of goods and services and therefore, include the figures relating to "Suppliers", "Suppliers Group companies and Associates" and "Sundry Accounts Payable" under "Current Liabilities" in the balance sheet.

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

The ratio of paid transactions is the quotient whose numerator is the sum of the products corresponding to the amounts paid, by the number of payment days, (difference between calendar days elapsed from the date the payment period starts and the payment of the transaction) and whose denominator is the total amount of payments made.

Likewise, the ratio of transactions payable corresponds to the ratio whose numerator is the sum of the products corresponding to the amounts payable, by the number of days of outstanding payment (difference between the calendar days elapsed from the date the payment period starts until the last day of the period of the financial statements) and whose denominator is the total amount of outstanding payments.

The maximum payment period applicable to the Company in 2020 under Law 3/2004, of 29 December, on combating late payments in commercial transactions and pursuant to the transitory provisions of Law 15/2010, of 5 July, was 60 days, since the conditions provided for in Law 11/2013, of 26 July, are fulfilled, and payment date to suppliers is made on the 15<sup>th</sup> or next working day of every month.

#### **4. MAIN AGGREGATES OF 2021:**

The main aggregates of the Company during 2021 were the following:

- Realia Business recorded total revenues of EUR 100.1 Million in 2021, versus EUR 26.9 Million in 2020, a 272% increase. During 2021, new developments started to deliver units to the buyers; 291 units were delivered for an amount of EUR 94.0 Million.
- Ebitda in 2021 was EUR 13.7 Million, versus EUR 1.0 Million in 2020, an increase of 1,270%.
- During 2021, the company provisioned EUR 1.6 Million for the impairment of its land and building lot inventories, based on valuations from independent experts. In 2020, it made a provision of EUR 12.9 Million due to the impact of Covid-19.

Additionally, it reversed the provisions for developments in progress and completed developments for EUR 5.9 Million, against the reversal of EUR 0.04 Million in 2020.

Additionally, provisions were made for commercial transactions for an amount of EUR 1.2 Million, compared to EUR 0.2 Million in 2020.

All these provisions had a total positive impact in 2021 of EUR 3.1 Million, compared to the negative impact of EUR 12.7 Million in 2020. Accordingly, the variation between these years produced a total positive impact of EUR 15.8 Million.

- Financial revenues during 2021 amounted to 1.0 M €, compared to 0.3 M € in 2020. This increase is due mainly to the higher financial revenues arising from loans to Group companies.
- The financial result of Realia at 31 December 2021 was 9.4 M €, versus -0.4 M € in 2020, mainly due to the impact of the investment made on investee Inmobiliarias Rústicas y Urbanas 2000, S.K., which increased its ownership interest on that company to 66.70%.
- Earnings before taxes at 31 December 2021 amounted to EUR 26.2 Million, and earnings after taxes reached EUR 22.8 Million, versus EUR -12.2 Million and EUR -9.8 Million respectively, in 2020. This increase in earnings before and after taxes is explained by the increase in the number of housing units delivered in the different developments completed by the company, and by the impact of the provisions mentioned above, mainly due to the impact of Covid-19 in the valuations performed by independent experts in 2020.

## **BANK AND INTRA-GROUP BORROWINGS**

In 2021, just like in the previous year, Realia Business, S.A. had no outstanding bank borrowings.

On the occasion of the purchase by Realia Business, S.A. of 31.01% of the shares of the company Hermanos Revilla on 21 December, for an amount of EUR 158.0 Million, the parent of the holding it belongs to, Fomento de Construcciones y Contratas, S.A. granted an intragroup loan for an amount of EUR 120 Million to partially finance this purchase, and the remaining EUR 38 Million was financed with the cash available.

According to the relevant event reported, the main parameters are:

Amount: 120 Million euros

Term: 1 year, renewable for one more year

Fixed cost: 1.1%

Realia Business intends to outsource this loan to a financial institution during 2022.

## **CASH POSITION**

At year-end 2021, Realia Business, S.A. has a positive cash balance for EUR 15.9 M, which will allow the company, together with future cash flows, investments in investees



and the acquisition of new assets, to face the financial needs required for the development of its business.

## **ASSET VALUATION**

Since the activity of Realia Business, S.A. is carried out directly and through its financial investments, the following are the parameters of the valuations performed at 31 December 2021 by two independent experts using RICS methodology:

- At 2021 year-end, the property assets of the Realia Group, including assets of companies consolidated through the equity method, have a market value of EUR 1,905.7 Million, 0.1% lower than in 2020. In like for like terms, excluding assets acquired and disposed, as well as the investments made during 2021, the variation over 2020 would be 2.8%. During 2021, the plot located in Parc Central (22@) Barcelona has been sold, as well as other “non-core” assets owned by Hermanos Revilla, for a total amount of EUR 41.6 Million.
- The net net asset value (NNAV) (See APMS, item 6) at December 2021, is EUR 1,129 Million, versus EUR 1,059 Million in December 2020. In unit terms, the share price was 1.39 per share, 6.1 % higher than in 2020 (1.31 €/share).
- 80% of the asset value corresponds to the property activity (EUR 1,523.6 Million), and 20% (EUR 382.1 Million), to the residential homebuilding business.

\* All the property assets of Realia Business, S.A. all the rest of subsidiaries are free of mortgage charges, except the property assets of investee Realia Patrimonio, S.L.U. which are mortgaged as a guarantee of the syndicated loan.

## **PROPERTY MANAGEMENT BUSINESS**

This business is mainly carried out through the holdings in the subsidiaries Realia Patrimonio, Hermanos Revilla, Valaise and the company consolidated through the equity method, As Cancelas Siglo XXI.

- Rent income in 2021, including As Cancelas Siglo XXI and excluding passed-on expenses, amount to EUR 67.67 Million, a 5.1% increase over 2020. This increase is basically due to the increase in the rental income generated by the new homebuilding Build to Rent (BTR) business, which started operating on July 2020, the gradual recovery of the economic activity that led to a reduction in aids to tenants to cope with Covid-19, and the increase in rent from the update of the prices of office contracts.
- Global occupancy of the properties in operation reached 92.5% at year-end 2021, compared to 93.2% in 2020. This slight decrease is the consequence of the impact of the health crisis on leases (lower activity of businesses, flex spaces, telework...); it is expected that the positive evolution of Covid-19 will gradually increase the demand for space from new tenants, although the contractual relations of tenants are changing in terms of flexibility of spaces and the duration of contracts.
- No new investments in new property assets for tertiary use took place in 2021; nonetheless, work continues on the upgrade of their performance, such as energy efficiency, hospitality areas, common services, gyms...) and on the

adaptation of rental space for the new types of demand requested by the market (co-working, flexible space...), with the aim of providing advanced solutions to the demands of our current and future customers. The amount invested in capex on our buildings in 2021 amounted to EUR 2.8 Million.

- In 2021, the plot located at Parc Central (22@) Barcelona was sold, as were some “non-core” assets of Hermanos Revilla, for a total amount of EUR 41.6 Million.
- On 21 December 2021, Realia Business, S.A. and Realia Patrimonio, S.L.U. acquired 31.01% and 3.1% respectively of the company Hermanos Revilla, S.A., which represented the whole stake of the Revilla family on the company, and increased the percentage on the consolidated result of the company from 48.79% to 87.75% and entails 100% control over it.
- Likewise, in 2021 the commercial operation of buildings for rent (BTR) continued, a line of business carried out through VALAISE, S.L.U., 100% owned by Realia Business, S.A. AT year-end 2021, there are 85 subsidized housing units (VPPB) in commercial operation in the municipality of Tres Cantos (Madrid), all of them already leased. There are 2 additional projects in progress in the same municipality, for 195 subsidized housing units (VPPL and VPPB) for rent, with an investment of EUR 42.9 Million planned, of which EUR 15.6 Million have already been invested.

## **RESIDENTIAL HOMEBUILDING BUSINESS**

This business is mainly carried out through the parent, Realia Business, S.A.

The main figures for this activity are the following:

- 291 units were delivered in 2021, for an amount of EUR 94.0 Million, compared to 99 units for EUR 21.1 Million in 2020, an increase of 345.5%. This increase is mainly due to the deliveries of the new developments of Realia; 208 units from these developments were delivered, and the remaining 82 units correspond to developments completed before 2020.
- At year-end 2021, Realia has a stock of 321 units (housing units, commercial premises and offices) completed or in progress and pending delivery (70 of them already sold or pre-sold). It also has 41 single-family plots aimed at sale for self-development.
- The land portfolio of the Realia Group amounts to 6,946,216 sq. m. in different stages of urban consolidation, with a buildable space area estimated at 1,752,340 sq. m. The most relevant variations were the following:
  - Global integration of 100% of the company Inversiones Inmobiliarias Rústicas y Urbanas 200 S.L. (66.7% owned by the company), and represented an increase in the gross surface area for planning of 1,194,750 sq. m., with an estimated buildable space area of 433,170 sq. m.
  - During the first semester of 2021, we were notified the agreement of the plenary session of the City Council of San Roque, Cádiz, that rejected the

final approval of the Partial Plan of the Finca Guadalquitón. Regardless of the fact that this agreement has been appealed to the Administrative Court, as well as the agreement on the Extension of the Natural Park of Los Alcornocales to include Finca Guadalquitón within its scope, this refusal has resulted in the reduction of the estimated buildable space of Realia's current land portfolio by 291,442 sq. m. For this reason, the company has filed a claim for financial responsibility, which is being processed through the administrative appeal process, as compensation for the damages suffered.

- At December 2021, the fair value of land, developments in progress and finished product that make up "Inventories" reached a value of EUR 379.6 Million, according to a valuation by TINSA using RICS methodology.

## STOCK MARKET INFORMATION

The main stock exchange market aggregates of the parent company Realia Business, S.A. in 2021 and their evolution are as follows:

Share price at year-end 2021 (€/share)	0.796
Share price at year-end 2020 (€/share)	0.680
Variation in share price (%)	17.1%
Market capitalization at year-end 2021 (€)	652.9 M€
Maximum share price during the year (€/share)	0.80
Minimum share price during the year (€/share)	0.62
Average share price during the year (€/share)	0.6853
Average daily traded volume (€)	83,000 €
Average daily traded volume (shares)	119,000

At the General Meeting of Shareholders held on 22 June 2015, authorization was approved to buy back treasury shares, for the maximum period legally permitted, and pursuant to the requirements established in art.146 of the Law on Corporations. This agreement was ratified at the General Meeting of Shareholders held on 2 June 2020, under the same conditions.

The movements during the year were as follows:

	No. of shares	Thousands of Euros
<b>Balances at 31 December 2019</b>	<b>3,434,241</b>	<b>3,277</b>
Acquisitions	5,742,228	4,249
<b>Balances at 31 December 2020</b>	<b>9,176,469</b>	<b>7,526</b>
Acquisitions	-	-
<b>Balances at 31 December 2021</b>	<b>9,176,469</b>	<b>7,526</b>

The average price of treasury shares at year-end 2021 is 0.82 €/share (0.82 € per share in 2020). The number of treasury shares accounts for 1.119% of the total.

## **5. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES**

Macroeconomic forecasts for 2021 have not been met and economic recovery has slowed down. Mass vaccination has taken place in Spain during 2021, and despite the successive waves, the impact of Covid 19 is still uncertain, but it is being viewed with greater optimism and together with the arrival of the European Funds may contribute to the early and rapid recovery of GDP to pre-Covid levels, having been estimated to reach 5.6% growth in 2022. However, if the prospects described above are consolidated, their impact on the real estate sector can be summarized as follows:

- a) Maintaining the demand for new housing that will allow to continue with the developments in progress and to start new projects; however, there is a high risk of suffering a “raw materials” and “construction labour market” crises, which if they were to persist, will cause a major increase in production costs, with its corresponding impact on developers’ margins and/or raises in final prices.
- b) The evolution of the market will continue to be uneven, depending on the different geographical areas, locations and types of product, as Covid-19 has made demand rethink where it wants to be located and in what type of product.
- c) Financing for developers will continue to be tightened, to the point of almost disappearing, with greater demands on the economic and commercial viability of new developments, as well as on the financial muscle of developers.
- d) Scarce financing for the purchase of land, as financial entities currently believe own funds should be used for that purpose.
- e) Consolidation of other financial agents that may enter into certain projects, from which they demand high yields and interest rates well above those of traditional banking entities.
- f) In the residential assets for rent segment, rents will tend to go down due to several factors: 1) Higher housing for rent stock with new BTR projects and new developments policies for social housing for rent and 2) Emergence of regulatory standards aimed at avoiding tensions in rental charges.
- g) In the segment of assets for tertiary rent (offices, commercial premises and shopping centres), 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 centres: 1) Office rent prices will remain stable, and will tend to go down in shopping centres 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 centres (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.

- h) 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.

Given the solid financial structure of the Group, the type of assets it owns and its cash-flow generating capability, it is estimated that it will be capable of face any new unforeseen socio-economic or health-related circumstance that may affect the business, thanks to its cash position, and might even seek funding from the financial or capital markets to obtain resources to cover such a contingency.

In view of the above, and in order to maintain the financial and shareholding stability of the Realia Group, the main focus of our work will be:

- 1) Maintaining the development activity, completing projects in progress and starting new projects, albeit paying special attention to their profitability and the viability of their marketing, taking into account the evolution of demand and the macro scenario of the Spanish economy, which are crucial for the development business.
- 2) Strengthening the actions that allow the generation of cash and provide financial stability to the company and developing the business, independently from the ups and downs of the financial markets.
- 3) Acquisition of new assets and/or land with great potential value, either by management or by the market, and well as continuing to manage its current land bank.
- 4) Continuing and reinforcing the new business of developments for rent, with 2 new developments (195 units), with the possibility of acquiring or developing new land for residential housing for rent.
- 5) Support its property subsidiaries to adapt their buildings and their business to the new trends in the office and shopping centre markets.

## **Financial risk management objectives and policies**

### *Qualitative information*

The Company has a risk map, drawn up 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 Financial Department is responsible for the management of risks for the Company, and has established the necessary mechanisms to control the exposure to changes in interest rates and exchange rates, as well as credit and liquidity risks.

These are the main financial risks for the Company:

#### *a) 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. There are currently no unsecured commercial loans for land sales, which amounted to EUR 8.188 thousand at 31 December 2020, which the Company fully wrote down (Note 9.4). Lastly, the risk related to the lease of property assets is not significant. The management of the Company has made provisions for all these contingencies, according to the default or insolvency terms.

#### *b) 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 Company had no bank borrowings at 31 December 2020 and 2021. On 21 December 2021, the Company formalized a loan with Fomento de Construcciones y Contratas, S.A., a group company, for an amount of EUR 120,000, earning an interest rate referenced to 6-month Euribor (as long as it is positive), plus an additional 1.10%, maturing in one year, 21 December 2022, even though the term will be considered as tacitly extended for another year, if not expressly denounced at least two months before the date of the claim; the purpose of this loan was the acquisition of a stake of 31.01% in Hermanos Revilla, S.A. (Note 9.1).

Realia has not sought leveraging in the financial system, and believes that due to the solvency of the company and the commercial quality and profitability of its projects, it would not have any difficulty on obtaining liquidity at competitive prices from the banks.

At year-end 2021, Realia Business has positive working capital for EUR 179 Million (EUR 345 Million in 2020).

The main aggregates of the cash projections of Realia Business 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 62 Million which, together with estimated payments of EUR 52 Million, including new developments, gives rise to a positive net cash flow of EUR 10 Million, which together

with the current cash flow of the Company, EUR 16 Million, will be allocated to new projects, the purchase of land and new investments in Group companies for the build to rent activity.

*c) Solvency risk*

At 31 December 2021, the financial debt of Realia Business, S.A. is the loan granted by Fomento de Construcciones y Contratas, S.A., a company of the Group, has no net financial debt and has cash and cash equivalents for an amount of EUR 15,396 thousand (EUR 37,182 thousand in 2020).

	Thousands of euros	
	2021	2020
Financial debt with Group companies	120,040	-
Bank borrowings	-	-
Cash and cash equivalents (Note 11)	15,936	37,182
<b>Net financial debt</b>	<b>104,104</b>	<b>(37,182)</b>

At year-end 2021, the company has a positive working capital of EUR 179 Million.

*d) Interest rate risk*

The Company has no hedges to manage its exposure to interest rate fluctuations.

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

*e) Exchange rate risk*

Regarding exchange rate risk, the Company has no borrowings in currencies other than euro, and its financial investments in markets with other currencies are very small, and therefore there is no significant foreign currency risk.

**i) ALTERNATIVE PERFORMANCE MEASURES (APMS)**

The following additional information is presented in order to comply with ESMA's Guidelines on APMS, to improve comparability, reliability and comprehension of its financial information. Following is the additional information of the indicators included in this management report.

**EBITDA = Gross operating result**

The Group defines **EBITDA** as the operating result, minus the amount of provisions for write-downs and impairments.

EBITDA provides an analysis of operating results, excluding depreciation and amortization, since these are variables that do not represent cash and may vary substantially from one company to another, depending on accounting policies and the carrying amount of assets. EBITDA is the best approach to the Operational Cash-Flow before taxes, and reflects the generation of cash before changes in

the Working Capital, and is an indicator widely used by investors for the valuation of businesses (valuation by multiples), and by rating agencies.

#### **NET BANK BORROWINGS:**

**The group defines net bank borrowings** as the current and non-current debt with banks, plus the rest of current and non-current financial liabilities, excluding financing from participating loans and debts to property, plant and equipment suppliers, minus the cash and cash equivalents balance.

**Net bank borrowings** is a financial indicator used by investors, financial analysts, rating agencies, creditors and other to determine the debt position of a company.

#### **NET NET ASSET VALUE (NNAV):**

**The Group calculates NNAV** based on the net equity attributed to the parent, adjusted by the capital gains implicit in the current assets for own use valued at market price and deducting the tax accrued for the implicit gains, according to the tax regulation applicable at the time of calculation.

### **j) FORECAST FOR 2022**

Despite the uncertainty brought about by the impact of Covid-19 in 2022, the main lines of activity for Realia Business for the year will focus on:

- 1) Maintaining the development activity, completing the projects in progress, and the start of new projects, paying special attention to their profitability, and to the viability of their commercial operation, taking into account the demand and the macro scenarios of the Spanish economy that are essential for the development activity.
- 2) Continuing with the land bank management owned by the group, consolidating it gradually as urban land, with the corresponding increase in value.
- 3) Strengthening the actions that promote 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 value potential, either as a result of their management or the market.
- 5) Continuance and expansion of the new development activity of housing for rent, that will launch 2 new developments (195 homes), with the possibility of acquiring or developing new land to build new residential housing for rent.
- 6) Supporting its property subsidiaries to adapt their buildings and their business to new trends in the office and shopping centre markets.
- 7) Support all our tenants/clients against the difficulties they may have in their businesses due to the negative impact of the anti-Covid measures adopted in each Autonomous Community.



- 8) Adapting our commercial relations with tenants, adapting the contracts to market demands, such as flexibility of spaces, duration, etc.

In summary, 2022 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 centres, located in the city centres; 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 as those that occurred in the previous years.

## **8. - RESEARCH AND DEVELOPMENT POLICY**

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

### **k) EVENTS AFTER THE REPORTING PERIOD**

No relevant events occurred after the reporting date.

## **l) CORPORATE GOVERNANCE REPORT**

The accompanying Corporate Governance Report 2021 prepared by the Company is an integral part of this management report.