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, 2022

Building a better
working world

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AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 22)

To the shareholders of REALIA BUSINESS, S.A.:

Report on the financial statements

Opinion

We have audited the financial statements of REALIA BUSINESS, S.A. (the Company), which comprise the balance sheet as at December 31, 2022, the income statement, the statement of changes in equity, the statement of cash flow, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

The key audit issues are those that, in our professional judgment, were the most significant in our audit of the financial statements for 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, 2022, the Company carried inventories amounting to 283,896 thousand 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, 2022 totaling 329,192 thousand 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, tacit 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, 2022, the Company recognized deferred tax assets amounting to 60,211 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.

Other information: management report

Other information refers exclusively to the 2022 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 2022 financial statements and its content and presentation are in conformity with applicable regulations.

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.

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

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of REALIA BUSINESS for the 2022 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 2022 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). In this regard the Corporate Governance Report and the Board Remuneration Report of the Board of Directors have been incorporated by reference in the Management Report.

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.

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 February 22, 2023.

Term of engagement

The (ordinary/extraordinary) general shareholders' meeting held on June 29, 2021 appointed us as auditors for an additional year, commencing on the financial year ended on December 31, 2021.

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)

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

February 22, 2023

Realia Business, S.A.

Financial Statements and Management Report for the year ended 31 December 2022

REALIA BUSINESS, S.A.

BALANCE SHEET AT 31 DECEMBER 2022

(Thousands of Euros)

ASSETS	Notes	2022	2021	EQUITY AND LIABILITIES	Notes	2022	2021
NON-CURRENT ASSETS		**425,441**	**434,756**	**EQUITY**	**Note 12**	**629,162**	**595,520**
Intangible assets	**Note 5**	**21**	**42**	***SHAREHOLDERS'S EQUITY***			
Computer software		21	42	**Share capital**		**196,864**	**196,864**
				Share premium		**528,492**	**528,492**
Property, plant and equipment	**Note 6**	**251**	**291**	**Reserves**		**331,543**	**329,265**
Properties for own use		11	11	Legal and bylaw reserves		24,987	22,709
Plant and other items of property, plant and equipment		240	280	Other reserves		306,556	306,556
Investment property	**Note 7**	**4,534**	**4,600**	**Treasury shares**		**(7,526)**	**(7,526)**
Land		1,903	1,809	**Prior years' losses**		**(463,853)**	**(474,351)**
Buildings		2,410	2,479	**Profit/ (loss) for the year**		**33,562**	**22,776**
Other fixtures		221	312	Grants, donations and legacies received		80	-
Non-current investments in Group companies and associates	**Notes 9.1 and 18.2**	**360,388**	**361,025**				
Equity instruments		329,192	311,562	**NON-CURRENT LIABILITIES**		**14,605**	**18,431**
Loans to companies		31,196	49,463	**Long-term provisions**	**Note 13.1**	**14,274**	**18,143**
				Non-current payables	**Note 16.5**	**91**	**51**
Deferred tax assets	**Note 16.4**	**60,211**	**68,765**	**Other non-current payables**		**240**	**237**
Other non-current assets		**36**	**33**				
CURRENT ASSETS		**321,618**	**326.557**	**CURRENT LIABILITIES**		**103,292**	**147,362**
Inventories	**Note 10**	**283,896**	**283,069**	**Short-term provisions**	**Note 13.1**	**508**	**516**
Land and building lots		193,662	197,718	**Current payables**	**Note 14**	**315**	**356**
Short-cycle construction work in progress		34,048	-	Other financial liabilities		315	356
Long-cycle construction work in progress		29,926	52,919	**Current payables to Group companies and associates**	**Notes 14 and 18.2**	**76,581**	**126,532**
Completed buildings		25,937	31,941	Other payables to Group companies and associates		76,581	126,532
Advances to suppliers		323	491	**Trade and other payables**	**Note 15**	**25,556**	**19,666**
Trade and other receivables	**Note 9.4**	**13,540**	**12,594**	Suppliers		10,044	7,514
Trade receivables from Group companies and associates	**Note 18.2**	2,740	4,106	Payable to suppliers, Group companies and associates	**Note 18.2**	5,378	4,794
Sundry accounts receivable		920	2,472	Sundry payables		1,482	1,510
Employees		1	1	Employees		111	124

Current tax assets	**Note 16.1**	9,296	5,733	Other payables to public entities	**Note 16.1**	1,684	2,660
Accounts receivable from public entities	**Note 16.1**	583	282	Customer advances	**Note 10**	6,857	3,064
Current investments in Group companies and associates	**Notes 9.2 and 18.2**	**11,802**	**13,565**	**Current accruals and deferrals**		332	**292**
Loans to companies	**Note 16.1**	11,802	13,565				
Current financial assets	**Note 9.2**	**830**	**1,367**				
Loans to companies		7	338				
Other financial assets		823	1,029				
Current accruals and deferrals		**333**	**26**				
Cash and cash equivalents	**Note 11**	**11,217**	**15,936**				
TOTAL ASSETS		**747,059**	**761,313**	**TOTAL EQUITY AND LIABILITIES**		**747,059**	**761,313**

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2022

REALIA BUSINESS S.A.

INCOME STATEMENT FOR 2022

(Thousands of Euros)

	Notes	2022	2021
CONTINUING OPERATIONS			
Revenue	**Note 17.1**	**48,847**	**99,915**
Sales		42,045	94,284
Services		6,802	5,631
Other operating income		**237**	**157**
Non-core and other current operating income		237	157
Procurements	**Note 17.2**	**(37,118)**	**(36,508)**
Land and building lots used		(32,188)	(17,276)
Work performed by other companies		(22,644)	(17,672)
Write-down of land and building lots	**Note 10**	17,714	(1,560)
Changes in inventories of finished goods and work in progress	**Note 10**	**11,916**	**(34,468)**
Changes in inventories of finished goods and work in progress	**Note 17.2**	6,790	(40,379)
Write-down of inventories of finished goods and work in progress	**Notes 10 and 17.2**	5,126	5,911
Personnel costs		**(3,641)**	**(3,525)**
Wages, salaries and similar expenses		(2,770)	(2,719)
Employee benefit costs	**Note 17.4**	(871)	(806)
Other operating expenses		**(2,352)**	**(8,752)**
Outside services	**Note 17.5**	(4,938)	(5,426)
Taxes other than income tax		1,269	(2,118)
Losses on impairment and changes in allowances for trade receivables	**Note 13.1**	1,317	(1,208)
Property depreciation	**Notes 5, 6 and 7**	**(382)**	**(396)**
Excess provisions	**Note 13.1**	**-**	**19**
Impairment and gains or losses on disposals of non-current assets		**249**	**323**
Impairment and other losses	**Note 6 and 7**	249	323
Other gains or losses		**143**	**(8)**
PROFIT OR LOSS FROM OPERATIONS		**17,899**	**16,757**
Finance income	**Note 17.6**	**18,497**	**1,002**
From investments in Group companies	**Note 18.1**	17,656	-
From tradeable securities and other financial instruments		841	1,002
- Group companies and associates	**Note 18.1**	737	469
- Third parties		104	533
Finance costs	**Note 17.6**	**(1,177)**	**(40)**
On debts to group companies and associates		(1,123)	(40)
On debts to third parties		(54)	-
Change in fair value of financial instruments	**Notes 17.6 and 13.1**	**2,404**	**-**
Impairment and gains or losses on disposals of financial instruments	Note 17.6	346	8,433
Impairment and losses	**Notes 9.1 and 9.2**	346	8,433
FINANCIAL PROFIT (LOSS)		**20,070**	**9,395**
PROFIT/ (LOSS) BEFORE TAX		**37,969**	**26,152**
Income tax	**Note 16.3**	(4,407)	(3,376)
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**33,562**	**22,776**
PROFIT/LOSS FOR THE YEAR		**33,562**	**22,776**

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2022.

REALIA BUSINESS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR 2022

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE

(Thousands of Euros)

	Notes	2022	2021
LOSS/PROFIT PER PROFIT AND LOSS STATEMENT (I)	**Note 3**	**33,562**	**22,776**
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY (II)		**-**	**-**
TOTAL TRANSFERS TO PROFIT OR LOSS (III)		**-**	**-**
TOTAL RECOGNIZED INCOME AND EXPENSE (I+II+III)		**33,562**	**22,776**

The accompanying Notes 1 to 21 are an integral part of the statement f recognized income and expense of 2022.

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	Grant	TOTAL
2020 FINAL BALANCE	**196,864**	**528,492**	**329,265**	**(7,526)**	**(464,600)**	**(9,751)**		**572,744**
Total recognized income and expense	-	-	-	-	-	22,776		22,776
Transactions with shareholders:								
Allocation of 2020 result	-	-	-	-	(9.751)	9.751		-
Capital increases and decreases	-	-	-	-	-	-		-
Treasury stock transactions	-	-	-	-	-	-		-
2021 FINAL BALANCE	**196,864**	**528,492**	**329,265**	**(7,526)**	**(474,351)**	**22,776**		**595,520**
Total recognized income and expense	-	-	-	-	-	33,562		33,562
Transactions with shareholders:								
- Allocation of 2021 result	-	-	2,278	-	20,498	(22,776)		-
- Capital increases and decreases	-	-	-	-	-	-		-
- Treasury stock transactions	-	-	-	-	-	-		-
- Other transactions							80	80
2022 FINAL BALANCE	**196,864**	**528,492**	**331,543**	**(7,526)**	**(453,853)**	**33,562**	**80**	**629,162**

The accompanying Notes 1 to 21 are an integral part of the statement of changes in equity in 2022.

REALIA BUSINESS, S.A.

STATEMENT OF CASH FLOWS FOR 2022

(Thousands of Euros)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**43,388**	**54,286**
Profit/Loss for the year before tax		**37,969**	**26,152**
Adjustments:		**(44,084)**	**(12,361)**
- Depreciation and amortization charge	**Notes 5, 6 and 7**	382	396
- Impairment losses	**Notes 6, 7, 9.1 and 10**	(23,452)	(15,662)
- Changes in provisions		(1,290)	3,867
- Results of sale of financial instruments			-
- Finance income	**Note 17.6**	(18,497)	(1.002)
- Finance costs	**Note 17.6**	1,177	40
- Change in fair value of financial instruments		(2,404)	-
Changes in working capital:		**30,217**	**39,569**
- Inventories	**Note 10**	22,014	45,413
- Trade and other receivables	**Note 9.4**	2,506	711
- Other current assets		(306)	478
- Trade and other payables	**Note 15**	5,963	(6,961)
- Other current liabilities		40	(72)
Other cash flows from operating activities		**19,286**	**926**
- Interest paid		(1,068)	-
- Dividends received		17,656	-
- Interest received		334	444
- Income tax recovered (paid)	**Note 16**	2,548	482
- Other collections (payments(of operating activities		(184)	-
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**1,866**	**(195,574)**
Payments due to investment		**(14,650)**	**(195,574)**
- Group companies and associates		(14,635)	(194,701)
- Intangible assets		-	(33)
- Property, plant and equipment		(6)	(22)
- Property investments		-	(13)
- Other financial assets			(818)
- Other collections (payments) from operations		(184)	-
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**1,866**	**(195,574)**
Payments from investments		**(14,650)**	**(195,587)**
- Group companies and associates	**Note 9.1**	(14,635)	(194,701)
- Fixed assets		-	(33)
- Property, plant and equipment		(6)	(22)
- Investment property		-	(13)
- Other financial assets		(9)	(818)
Sales of financial assets		**16,516**	**13**
- Group companies and associates		15,166	6
- Other financial assets		1,350	7
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**(49,973)**	**120,042**
Collections and payments from equity instruments	**Note 12**	**80**	**-**
- Grants, donations and legacies received		80	-
Collections and payments from financial liabilities	**Note 14**	**(50,053)**	**120,042**
- Repayment of borrowings with Group companies and associates		2	120,000
- Proceeds from issue of other debts		2	42
- Repayment and write-down of borrowings with Group companies and associates		(50,000)	-
- Other debts		(57)	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(4,719)**	**(21,246)**
Cash and cash equivalents at beginning of year		**15,936**	**37,182**

Cash and cash equivalents at end of year	**Note 11**	**11,217**	**15,936**

The accompanying Notes 1 to 21 are an integral part of the cash flow statement of 2022.

Realia Business, S.A.

Annual Report

for the year ended 31 December 2022

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.

Subsequently, 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 consolidated financial statements for 2022 were formally drawn up by the Company's directors on 22 February 2023. The shareholders at the Annual General Shareholders' Meeting of Realia Business, S.A., held on 14 June 2022, approved the individual and consolidated financial statements for 2021, 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 based on the best information available at year-end 2022, 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 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.

2.6 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 2021.

2.7 Changes in accounting policies

In 2022, there were no significant changes in accounting policies with respect to those applied in 2021.

2.8 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 2022 respect to the methodology applied in the previous year.

2.9 Comparative information

According to corporate legislation, each of the items in the balance sheet, the profit and loss account, and the state of changes in equity and the cash-flow statement of 2022 is presented next to the corresponding items for 2021, for the purpose of comparison. The annual report also contains quantitative information of the previous year, except when an accounting standard specifically states that it not required.

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	
	2022	2021
Inventories	223,588	250,637
Total current assets	**223,588**	**250,637**
Trade and other payables	863	2,139
Total current liabilities	**863**	**2,139**

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
	2022
To legal reserve	3,356
To prior year's losses	30,206
Total	**33,562**

4. Accounting and valuation standards

The main accounting and valuation standards used by the Company in the preparation of its financial statements of 2022, 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 that, 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 parent 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 2022, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, is as follows:

	Thousands of Euros	
	2022	2021
Total assets	**2,092,231**	**2,064,141**
Equity:		
Of the Parent	1,177,082	1,104,108
Attributable to non-controlling interests	75,876	76,732
Revenue	113,336	161,815
Profit/loss for the year:		
Of the Parent	58,139	57,861
Attributable to non-controlling interests	3,333	13,563

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.

Adjustments of 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, if 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 based on 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 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 under 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, if 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 construction 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 2022 and 2021, 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 2022, when the market value was lower than the carrying amount.

On 31 December 2022 and 2021, TINSA determined the fair value of inventories applying the RICS methodology.

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, using 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 from 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 Realia Business, S.A. as the Parent of the Group.

The filing of consolidated tax returns gives rise to the inclusion in the Parent (Realia 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, so long as 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, so long as 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.

l) 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 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 2022 and 2021 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 2022	Joint Property Entities 2021
Revenue	1,511	1,196
Profit from operations	273	97
Assets	615	1,671
Liabilities	338	152

The joint property entity included in the Company's balance sheet and income statement at 31 December 2022 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 2022 and 2021 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
Cost – Balances at 31 December 2020	**694**	**14**	**708**
Additions	5	28	33
Disposals	(101)	-	(101)
Transfers	42	(42)	-
Balances as at 31 December 2021	**640**	**0**	**640**
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
Balances at 31 December 2022	**640**	**0**	**640**
Accumulated amortization – Balances at 31 December 2020	**(664)**	**-**	**(664)**
Provisions	(35)	-	(35)
Disposals	101	-	101
Balances as at 31 December 2021	**(598)**	**-**	**(598)**
Provisions	(21)	-	(21)
Disposals	-	-	-
Balances as at 31 December 2022	**(619)**	**-**	**(619)**
Net intangible assets – Balances at 31 December 2021	**42**	**-**	**42**
Balances at 31 December 2022	**21**	**-**	**21**

At year-end 2022 and 2021, the Company had fully amortized intangible assets still in a condition to be used according to the following detail:

	Thousands of Euros	
	2022	2021
Intangible assets	593	519
	593	**519**

6. Property, plant and equipment

The changes in 2022 and 2021 in "Property, plant and equipment" 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
Balances at 31 December 2020	**73**	**862**	**935**
Additions	-	6	6

Disposals	-	(3)	(3)
Balances at 31 December 2021	**73**	**865**	**938**
Additions	-	6	6
Disposals	-	(6)	(6)
Balances at 31 December 2022	**73**	**865**	**938**
Accumulated amortization Balances at 31 December 2020	**(9)**	**(542)**	**(551)**
Additions	-	(45)	(45)
Disposals	-	2	2
Balances at 31 December 2021	**(9)**	**(585)**	**(594)**
Additions	(1)	(46)	(47)
Disposals	-	6	6
Balances at 31 December 2022	**(10)**	**(625)**	**(635)**
Impairment losses - Balances at 31 December 2020	**(51)**	**-**	**(51)**
Additions	(2)	-	(2)
Balances at 31 December 2021	**(53)**	**-**	**(53)**
Additions	1	-	1
Balances at 31 December 2022	**(52)**	**-**	**(52)**
Property, Plant and Equipment - net Balances at 31 December 2021	**11**	**280**	**291**
Balances at 31 December 2021	**11**	**240**	**251**

At 2022 year-end, the Company had fully depreciated items of property, plant and equipment still in use, the detail being as follows:

	Thousands of Euros	
	2022	2021
Plant and other items of property, plant and equipment	104	106
	104	**106**

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2022 year-end, the property, plant and equipment were fully insured against these risks.

7. Investment property

The changes in 2022 and 2021 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
Cost -				
Balances at 31 December 2020	**5,408**	**10,546**	**3,057**	**19,011**
Additions	-	-	13	13
Balances at 31 December 2021	**5,408**	**10,546**	**3,070**	**19,024**
Additions	-	-	-	-
Accumulated depreciation - Balances at 31 December 2022	**5,408**	**10,546**	**3,070**	**19,024**
Charges for the year	-	(206)	(110)	(316)
Balances at 31 December 2021	**-**	**(2,810)**	**(1,437)**	**(4,247)**
Charges for the year	-	(206)	(108)	(314)
Balances at 31 December 2022	**-**	**(3,016)**	**(1,545)**	**(4,561)**
Accumulated amortization – Balances at 31 December 2020		**(2.604)**	**(1,327)**	**(3,931)**
Charges for the year/provisions	-	(206)	(110)	(316)
Balances as at 31 December 2021	**-**	**(2,810)**	**(1,437)**	**(4,247)**
Charges for the year/provisions	-	(206)	(108)	(314)
Balances as at 31 December 2022	**-**	**(3,016)**	**(1,545)**	**(4,561)**
Impairment losses - Balances at 31 December 2020	**(3,716)**	**(5,428)**	**(1,358)**	**(10,502)**
Charges for the year/provisions	117	171	37	325
Balances at 31 December 2021	**(3,599)**	**(5,257)**	**(1,321)**	**(10,177)**
Charges for the year/provisions	94	137	17	248
Balances at 31 December 2022	**(3,505)**	**(5,120)**	**(1,304)**	**(9,929)**
Net investment property –				
Balances at 31 December 2021	**1,809**	**2,479**	**312**	**4,600**
Balances at 31 December 2022	**1,903**	**2,410**	**221**	**4,534**

At 2022 and 2021 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 2022 and 2021, calculated on the basis of appraisals conducted by independent valuation experts not related to the Group, amounted to EUR 4,534 thousand and EUR 4,600 thousand, respectively.

During 2022, 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 2022, the Company reversed net property impairment provisions amounting to EUR 248 thousand (EUR 325 thousand in 2021).

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 2022 and 2021, the rental income for the investment property owned by the Company amounted to EUR 266 thousand and EUR 253 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 2021).

At year-end 2022 and 2021, 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 2022 and 2021, 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	
	2022	2021
Within one year	70	66
Between two and five years	11	21
After five years	-	1
	81	**88**

Lease payments in 2022 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 2022 and 2021, 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	
	2022	2021
Within one year	147	185
Between one and five years	-	47
After five years	-	-
	147	**232**

Lease payments in 2022 relate mainly to the lease of the building located on c/ María Tubau in Madrid and the Golf course located in Guillena (Seville).

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 2022 and 2021 is as follows:

2022

	Thousands of euros		
Non-current Financial Instruments	Equity Instruments	Long-term deposits	Total
Investments in Group companies and associates	329,192	-	329,192
Loans to companies	-	31,196	31,196
Total	**329,192**	**31,196**	**360,388**

2021

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

1) Ownership interest:

			% of Ownership			
			2022		2021	
Company	Address	Statutory activity	Direct	Effective	Direct	Effective
Group						

Servicios Índice, S.A.	Avda. Camino de Santiago, 40 (Madrid)	Real estate development	90.42%	90.42%	50.50%	50.50%
Hermanos Revilla, S.A.	Pº Castellana, 41 (Madrid)	Property lease	31.01%	32.56%	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%	66.70%	66.70%
Associates						
Desarrollo Urbanístico Sevilla Este, S.L., in liquidation	Alajarafe 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 2022:

Thousands of Euros						
		Profit or Loss				
Company	Share Capital	From Operations	Net	Other Equity Items	Total Equity	Dividends Received
Servicios Índice, S.A. (b)	4,160	(49)	(49)	(54)	4,057	-
Hermanos Revilla, S.A. (a)	54,881	20,316	14,742	163,113	232,736	8,326
Valaise S.L.U. (b)	2,910	414	279	26,081	29,270	-
Realia Patrimonio, S.L.U. (a)	90,000	21,954	24,982	58,938	173,920	13,589
Realia Contesti, SRL (b)	3,997	21	28	(601)	3,424	-
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, SL (b)	20	(16)	(114)	34,492	34,398	-
Guillena Golf, S.L.U. (b)	4	(501)	(375)	766	395	-
Total Group	**155,972**	**42,139**	**39,493**	**282,735**	**478,200**	**17,656**
Desarrollo Urbanístico Sevilla Este, S.L. in liquidation (b) (c)	1,392	-	-	(220,087)	(218,695)	-
Total associates	**1,392**	**-**	**-**	**(220,087)**	**(218,695)**	**-**
Total	**157,364**	**42,139**	**39,493**	**62,648**	**259,505**	**17,656**

(a) Financial statements audited by Ernst & Young, S.L. in 2022
(b) Unaudited financial statements
(c) Data as of May 2018

At 31 December 2021:

Thousands of Euros						
Company	Share Capital	Profit or Loss: From Operations	Profit or Loss: Net	Other Equity Items	Total Equity	Dividends Received
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	-
Total Group	**153,972**	**65,143**	**40,174**	**261,733**	**455,879**	**-**
Desarrollo Urbanístico Sevilla Este, S.L. in liquidation (b) (c)	1,392	-	-	(220,087)	(218,695)	-
Total associates	**1,392**	**-**	**-**	**(220,087)**	**(218,695)**	**-**
Total	**155,364**	**65,143**	**40,174**	**41,646**	**237,184**	**-**

(d) Financial statements audited by Ernst & Young, S.L. in 2021
(e) Unaudited financial statements
(f) Data as of May 2018

3) Investments:

At 31 December 2022:

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.	8,198	(106)	(4,530)	3,668
Hermanos Revilla, S.A.	153,736	-	-	153,736
Valaise, S.L.U.	29,010	-	-	29,010
Realia Patrimonio, S.L.U.	118,781	-	-	118,781
Realia Contesti S.R.L.	13,611	20	(10,187)	3,424
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L.	20,179	-	-	20,179
Guillena Golf S.L.U.	7,143	(375)	(6,749)	394
Total Group	**350,658**	**(461)**	**(21,466)**	**329,192**
Associates:				
Desarrollo Urbanístico Sevilla Este, S.L. in liquidation	61,401	-	(61,401)	-
Total associates	**61,401**	**-**	**(61,401)**	**-**
Total (Note 18.2)	**412,059**	**(461)**	**(82,867)**	**329,192**

At 31 December 2021:

Company	Thousands of Euros – Carrying Amount			
	Cost	Impairment Loss (recognized)	Accumulated Impairment Losses	Total

		reversed in the year (Notes 16.2 and 17.6)		
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
Total Group	**322,567**	**8,243**	**(21,005)**	**311,562**
Associates:				
Desarrollo Urbanístico Sevilla Este, S.L. in liquidation	61,401	-	(61,401)	-
Total associates	**61,401**	**-**	**(61,401)**	**-**
Total (Note 18.2)	**393,968**	**8,243**	**(82,406)**	**311,562**

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 2022 are as follows:

a) *Distribution of dividends Hermanos Revilla*

In January 2022, Realia Business, S.A. distributed to the company an interim dividend of EUR 8,326 thousand from 2021 results, EUR 4,259 thousand of which reduced the value of the ownership interest, as they were results prior to the purchase of the shares. The rest was recognized as financial income.

b) *Capital increase of Valaise.*

On 26 December 2022, Valaise increased capital by which the sole owner, Realia Business, S.A. underwrote 200,000 shares, for their full value of EUR 2,200 thousand, plus a share premium of EUR 18,000 thousand.

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

In January and June 2022, Realia Business, S.A., made an injection of capital for a total of EUR 250 thousand and EUR 400 thousand, respectively, with the purpose of providing liquidity and restore the losses from prior years.

d) *Purchases of shares Servicios Índice, S.A.*

On 17 March 2022, Realia Business, S.A. acquired the shares held by Nozar in Servicios Índice, S.A., increasing the ownership interest in the consolidated results of that company from 50.50% to 90.42%.

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.

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. Subsequently, on 2 October 2019, 1 June 2021 and 23 September 2022, the loan was novated to increase the nominal amount by EUR 10 Million, EUR 9 Million and EUR 17 Million, respectively, up to a total amount of EUR 45 Million. Additionally, the loan was novated on several occasions, the last of which took place on 4 November 2022, establishing that as of January 2023, the interest rate applied would by the one-year Euribor rate plus 0.65%.

On 1 December 2022, the sole partner, Realia Business, S.A. agreed to underwrite and pay the capital increase of Valaise S.L.U. for an amount of EUR 2,000 thousand, through the issue of 200,000 10€ shares and a share premium of EUR 18,000 thousand (90€/share) through the repayment of the loan granted to Valaise according to the contract entered into on 28 January 2019 and its annexes.

The parties agreed to reduce the limit of the loan contract by EUR 20 Million, down to EUR 25 Million; the amount drawn down at 31 December 2022 was EUR 11,579 thousand (EUR 19,294 thousand at 31 December 2021) (Note 18.2). This purpose of this loan is the acquisition of land lots in Tres Cantos (Madrid) and provide liquidity for the construction of subsidized housing for rent on the lots.

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 2022 amounts to EUR 19,446 thousand EUR 30,000 thousand at 31 December 2021). The purpose of this loan is the voluntary, partial and early repayment on 27 July 2021 of the syndicated loan of 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 2022 and 2021 is as follows:

2022

	Thousands of Euros	
Current financial instruments	Loans and other	Loans to Group Companies/ Associates (Note 18.2)
Loans and receivables	7	11,802
Other financial assets	823	-
	830	**11,802**

2021

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

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

At 31 December 2022, the company has short-term loans granted to Group companies and associates for an amount of EURO 11,802 thousand (EUR 13,565 thousand at 31 December 2021), EUR 9,090 thousand of which (EUR 8,999 thousand at 31 December 2021) 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 1,685 and EUR 722 thousand are the result of the filing of consolidated tax returns that the company maintains with Realia Patrimonio, S.L.U and Hermanos Revilla, S.A. (EUR 4,327 at 31 December 2021 from Realia Patrimonio S.L.U.).

At 31 December 2022, "Other financial assets" reflects mainly the amounts deposited in courts after the judicial decisions in litigations around the Fuente de San Luis (Valencia) development, for an amount of EUR 705 thousand. It also includes the deposit of EUR 86 thousand from the payment of the capital gain arising from the sale of the Pinto Frenos land, which was appealed as it is considered a sale not subject to tax since it generated losses, During the year, plot RC 1.9 in Valdemoro was allocated, and the refund of the deposit given in 2021 for an amount of EUR 120 thousand was agreed.

Additionally, the balance of loans and receivables in 2021 for an amount of EUR 338 thousand was cancelled during the year, due to the favourable decision on a litigation that entailed the reversal of EUR 806 thousand under "impairment and losses" in the accompanying profit and loss account (Note 17.6)

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 analyzed 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 commercial loans for land sales. Finally, the risk related to the lease of property is not material. 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 2022 and 2021, 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 a spread of 1.10% and maturing in one year, on 21 December 2022, although this was 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). EUR 50,000 thousand from that loan were repaid during 2022.

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 2022, Realia Business has positive working capital for EUR 218 Million (EUR 179 Million in 2021).

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 87 Million which, together with estimated payments of EUR 50 Million, give rise to a positive net cash flow of EUR 37 Million which, together with the current EUR 11 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 and servicing the debt.

c) Solvency risk

At 31 December 2022, 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 11,217 thousand (EUR 15,936 thousand in 2021).

	Thousands of Euros	
	2022	2021
Borrowings from Group companies (Note 14)	70,080	120,040
Cash and cash equivalents (Note 11)	11,217	15,936
Net bank or similar borrowings	**58,863**	**104,104**

At year-end 2022, the Company has positive working capital for EUR 218 Million.

d) Interest rate risk

Realia Business, S.A. does not use hedges to manage its exposure to interest rate fluctuations. Its only financial debt at year-end is an intra-group loan granted by Fomento de Construcciones y Contratas, S.A.

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.

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

All the economic forecasts for 2022 have been upset by the events during the year. The strong upturn of inflation with disproportionate rise in energy costs, the global supply chain disruptions that led to the scarcity of commodities and the start of the invasion of Ukraine prevented a strong economic recovery. Faster-than-expected withdrawal of monetary stimulus in the face of rising inflation and increased risk aversion in the wake of war and geopolitical tensions have led to a tightening of global financial conditions since the beginning of 2022.

Even though the Spanish GDP ended the year with a growth of 5.5%, higher than the most recent estimates from the Bank of Spain, the high inflation rate (5.7%) and underlying inflation rate (7%) set an uncertain economic context that is not favourable for consumption and investment. The expected GDP growth rates for 2023 and 2024 are 1.3% and 2.7%, respectively.

In view of this situation, the Spanish economy and the rest of economies of our environment are subject to a great uncertainty due to different macroeconomic, geopolitical and socioeconomic aspects of varying nature and severity,

Despite the difficulties of the current macroeconomic environment, it is expected than the following will occur in 2023:

a) Maintenance of the demand for new housing, which allows continuing developments in progress. Harder access to financing may cause the extension of the sales terms and the increase in final prices.

b) The start of new projects will be conditioned by the “raw materials” crisis in the “construction labour market”, the current spiraling inflation and the drop in savings; it these continue, production costs will rise, with its corresponding impact on developer’s margins and/or the increase in final prices and therefore on demand.

c) The evolution of the market will be uneven, depending on the different geographic areas, locations and product types; because Covid-19 has caused demand to change its approach, its preferred locations and the type of product.

d) Scarce and selective financing for developers, with a greater demand for economic and commercial viability of new developments, as well as the financial muscle of the developer. The difficulties and requirements demanded from buyers to access financing for their homes will also increase, and financial institutions will emphasize buyer’s solvency and the profitability of the operation proposed.

e) Scarce financing for the purchase of land, since financial entities currently believe it should be financed with own funds.

f) 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.

g) In the segment of residential assets for rent, the regulatory measures adopted by the government to prevent tensions in rent prices is not achieving the results desired. The legislative uncertainties arising from the New State Law on the Right to Housing, still under parliamentary proceedings, with no certainty about its content and scope, is causing investors, developers and buyers to put their decisions on hold, and even some players are disinvesting in this segment of activity. The draft bill of this Law includes a number of changes, such as caps on rent prices and the regulation of the time limits for the disqualification of subsidized housing. Depending on the final wording of the law, the “Built to Rent” activity may be affected more or less negatively, and therefore it would affect the Realia Group as well.

h) In the segment of tertiary assets for rent (offices, commercial premises and shopping centers), the impact of Covid-19 has been crucial to rethink future trends, which will probable change current business models and therefore the need for spaces to implement them. The foreseeable scenario is as follows: 1) rents will remain stable in offices and shopping centers, and variable rent linked to the sales of retailers will have greater weight. 2) The volume of contracts will tend to be stable or with a slight downward trend both in offices (telework, unemployment..) and in commercial premises and shopping centers (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).

i) In line with subparagraph h, lessors will need to introduce new asset management techniques and, in some cases, to adapt them to new demands for space and the needs of lessees; this will require capex investments and actions on most of assets for rent, to adapt them to the news trends of digitalization, sustainability and efficiency.

j) Downward trend in property asset valuation due an increase in the yields demanded by investors due to higher cost of capital.

k) All these factors combined may have a negative effect on the Group's accounts, and the intensity of the impact will be determined by the capacity of the Spanish economy to recover GDP growth that will allow economic activity, consumption, employment and savings capacity to recover.

The Realia Group believes it must focus its efforts on the three lines of business that it carries out now, directly or through its investees. In the property area, its extraordinary portfolio, reinforced by the acquisition of a 37.1% stake in Hermanos Revilla, places it in an outstanding position, but it will have to tackle the actions described under subparagraph i). In the development area, it will need to pay attention to the evolution of demand, its locations and the type of products on demand, in order to adapt our new development projects and analyze their viability and yield, with special attention to the risk of cost increases (labour and supplies), taking on these projects when the risk of commercialization and the profitability risk are visible and can be established; finally, with respect to the development and operation of developments for housing rent, it must also keep an eye on the regulatory change and its potential impact on the profitability and legal certainty of the business.

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	
	2022	2021
Clients and Group companies and associates (Note 18.2)	2,740	4,106
Sundry receivables	920	2,472
Employees	1	1
Current tax assets (Note 16.1)	9,296	5,733

Other receivables from Public Administrations (Note 16.1)	583	282
Total trade and other receivables	**13,540**	**12,594**

“Trade and other receivables from Group companies and associates” decreased by EUR 1,366 thousand in 2022, mainly due to the collection of invoices for services provided to Group companies.

“Sundry receivables” are the balances arising from the Company’s ordinary activity. The main change in 2022 was the reduction of EUR 2,160 thousand corresponding to the advanced payments made for the purchase of a land plot in Valdemoro (R7, 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.

Additionally, “Current tax assets” increased by EUR 3,563 thousand in 2022, mainly due to income tax advanced payments for 2022, and to the collection of the 2020 income tax settlement.

10. Inventories

The detail of “Inventories” at 31 December 2022 and 2021 is as follows:

	Thousands of Euros					
	2022			2021		
	Cost	Write-downs	Net	Cost	Write-downs	Net
Land and building lots	584,598	(390,936)	193,662	613,233	(415,515)	197,718
Short-cycle construction work in progress	34,048	-	34,408	-	-	-
Long-cycle construction work in progress	62,535	(32,609)	29,926	83,946	(31,027)	52,919
Completed buildings	31,878	(5,941)	25,937	37,725	(5,784)	31,941
Advances to suppliers	323	-	323	491	-	491
Total	**713,382**	**(429,486)**	**283,896**	**735,395**	**(452,326)**	**283,069**

The fair value of inventories at 31 December 2022 and 2021, 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 303,146 thousand and EUR 311,178 thousand, respectively.

In 2022, 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 17,714 thousand for the write-down of land and building lots (net loss for write-down of EUR 1,560 thousand in 2021) 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 5,126 thousand (net reversal of EUR 5,911 thousand in 2021), 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 2022 and 2021 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
Balance at 31 December 2020	**618,275**	**61,927**	**60,080**	**40,036**	**(456,677)**	**323,641**
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	-	-
Balance as at 31 December 2021	**613,233**	**83,946**	**-**	**37,725**	**(452,326)**	**282,578**
Additions	3,402	11,499	11,972		(6,695)	20,178
Disposals	(22,950)	(204)		(25,564)	29,535	(19,183)
Transfers	(9,087)	(32,706)	22,076	19,717	-	-
Balance at 31 December 2022	**584,598**	**62,535**	**34,048**	**31,878**	**(429,486)**	**283,573**

Land and building lots

In 2022, the Company started a new development in San Juan, Alicante, under the commercial name of “Levante Dreams”, with 48 semi-detached housing units. This entailed the transfer of “Land and building lots” to “Long-cycle developments in progress” for an amount of EUR 9,141 thousand.

Furthermore, tree developments were transferred from “Long-cycle developments in progress” to “Short-cycle developments in progress”: “Realia Parque del Ensanche II” in Alcalá de Henares, “Glories BCN” in Barcelona and “Essencia de Sabadell II” in Sabadell, for an amount of EUR 41,972 thousand, since the delivery was planned within 12 months.

Additionally, an amount of EUR 19,717 was transferred from “Short-cycle developments in progress” to “Buildings completed”, corresponding to the completed development of “Essencia de Sabadell Phase II”.

Finally, “Land and building lots” incorporated plot RC-1.9 in Valdemoro for EUR 2,512 thousand, and EUR 21,422 thousand were derecognized after the sale of the Pinto Frenos Knorr land, EUR 683 thousand for a plot in Nou Nazareth in San Juan de Alicante, EUR 794 thousand for the land assigned to the Junta de Compensación de Valdebebas, (Valdebebas Development and Apportionment Entity) and EUR 51 thousand for a plot in Ayamonte.

In 2021, the Company started 2 new developments in “Essencia de Sabadell II – 55 units” and “Realia Parque del Ensanche II – 80 units” in Alcalá de Henares, Madrid. This entailed the transfer of EUR 17,115 thousand from “Land and plots” for “Long-cycle developments in progress”. Additionally, it resumed the “Glorias – 48 units” development in Barcelona.

Additionally, 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 Niko” and “Essencia de Sabadell I”. Finally, it recognized EUR 9,939 thousand under "Land and plots", mainly due to the acquisition of a plot for tertiary use in Valdebebas.

Advances to suppliers

The detail of "Advances to Suppliers" at 31 December 2022 and 2021 is as follows:

Land	Province	Thousands of Euros	
		2022	2021
Valdebebas	Madrid	-	473
El Molar	Madrid	323	18
Total		**323**	**491**

Advances to suppliers in 2022 correspond to the land located at El Molar, where the company plans to increase its current ownership interest.

Advances to suppliers in 2021 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 2022 and 31 December 2021, 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 2022 and 2021 (arranged as earnest money and other agreements) amounted to EUR 41,639 thousand and EUR 25,539 thousand, respectively.

Out of these amounts, EUR 6,857 thousand and EUR 3,064 thousand correspond to "Customer advances" and are recognized under "Trade Payables" in the accompanying balance sheet (see Note 15).

Capitalized borrowing costs

As described in Note 4.g, the Company capitalizes the borrowing costs incurred in the year that relate to inventories that have a production cycle of more than one year. In 2022 and 2021, no borrowing costs were capitalized for this concept.

The detail of the capitalized borrowing costs is as follows:

	Thousands of Euros			
	31.12.2022		31.12.2021	
	Interest capitalized in the year	Accumulated capitalized interest	Interest capitalized in the year	Accumulated capitalized interest

Land and building lots	-	5,932	-	7,599
Long-cycle construction work in progress	-	1,732	-	1,489
Short-cycle construction work in progress	-	525	-	-
Completed buildings	-	331	-	640
Total	**-**	**8,520**	**-**	**9,728**

11. Cash and cash equivalents

The detail of "Cash and cash equivalents" at year-end 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Current accounts	11,211	15,931
Other cash equivalents	6	5
Total	**11,217**	**15,936**

At 31 December 2022 and 31 December 2021, there were no amounts pledged for this item.

12. Equity and Shareholders' equity

At 31 December 2022 and 2021, 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 2022, 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 y C, S.A. (subsidiary 80.03% owned by FCC, S.A.)	51.89%
Rest	24.88%
	100%

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, according to which the first company becomes a stockholder of Realia Business S.A. The merger is the result of a corporate restructuring to simplify 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. (currently FCyC S.A.), 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, during 2022, this ownership interest has increased.

Also in October 2021, 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 61.71%.

At December 2021, the majority shareholders, according to the shares reported to the CNMV are the following:

Shareholders	% interest
Soinmob Inmobiliaria Española, S.A.U.	23.23%
FCyC, S.L.U. (subsidiary 80.03% owned by FCC S.A.)	50.10%
Rest	26.67%
	100%

At 31 December 2022 and 2021, the shares of the company traded in the Madrid and Barcelona Stock Markets. The price of the company shares at 31 December 2022 and the average price in the last quarter rose to 1.07 and 1.03 € per share, respectively (0.80 € and 0.75 € per share respectively at 31 December 2021).

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 so long as 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 2022, the balance of this reserve amounted to EUR 24,987 thousand (EUR 22,709 at 31 December 2021), 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 2022 were as follows:

	Number of Shares	Thousands of Euros
Balances at 31 December 2020	**9,176,469**	**7,526**
Acquisitions	-	-

Balances at 31 December 2021	**9,176,469**	**7,526**
Acquisitions	-	-
Balances at 31 December 2022	**9,176,469**	**7,526**

The average price of the treasury shares at year-end 2022 was 0.82 €/share (0.82 €/share in 2021). The total number of treasury shares accounts for 1.119 % of the total shares.

12.3 Restricted reserves

At 31 December 2022 and 2021, 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 2021).

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 2022 (EUR 528,492 thousand in 2021).

13. Provisions and contingencies

13.1 Provisions

The detail of the provisions in the balance sheets as at 31 December 2022 and 2021 and of the main changes therein in the years then ended is as follows:

Long term

	Thousands of Euros		
Long-term Provisions	**Warranty Provisions**	**Other Provisions**	**Total**
Balance at 31 December 2020	**4,300**	**10,114**	**14,414**
Additions	3,120	1,261	4,381
Amounts used and reversed	-	(709)	(709)
Transfers	57	-	57
Balance at 31 December 2021	**7,477**	**10,666**	**18,143**
Additions		11	11
Amounts used and reversed	(3,386)	(186)	(3,572)
Transfers	(308)		(308)
Balance at 31 December 2022	**3,783**	**10,491**	**14,274**

The amount recognized under “Warranty Provisions” at year-end 2022 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.

EUR 2,403 thousand were reversed during 2022, ensuring the regularization of the selling price of financial stakes by Servicios Índice, S.A., after the elimination of the risk through the buy-back of said stake. Additionally, EUR 1,317 thousand were reversed from the favourable ruling on litigations related to construction defects, of which the principal, EUR 903 thousand, were the result of the resolution of the lawsuit lodged by the Housing Association of Jardín del Vivero I, after reaching an out-of-court agreement certified by the Court.

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

	Thousands of Euros
Short-term Provisions	**Warranty Provisions**
Balance at 31 December 2020	**378**
Amounts used/reversed	195
Transfers	(57)
Balance at 31 December 2021	**516**
Amounts used/reversed	(316)
Transfers	308
Balance at 31 December 2022	**508**

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 2022 and 2021 is as follows:

2022

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)	-	76,581	76,581
Other financial liabilities	-	315	315
Total	**-**	**76,896**	**76,896**

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
Total	**-**	**126,888**	**126,888**

The movements in “Current and non-current debts and items due” during 2022 and 2021 were as follows:

2022	31.12.2021	Net disposals	Write-downs	31.12.2022
Debts and items payable to Group companies and associates				
To other Group companies, current	126,532	49	(50,000)	76,581
Other financial liabilities	356	(41)	-	315
Total	**126,888**	**8**	**(50,000)**	**76,896**

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

Bank borrowings

The company had no bank borrowings at 31 December 2022 and 2021.

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). EUR 50,000 thousand were repaid early during 2022, and there are only EUR 80 thousand outstanding for interest accrued at the reporting date.

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 6,501 thousand (EUR 6,491 thousand at 31 December 2021).

15. Trade and other payables

The detail of "Trade and Other Payables" at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Payable to suppliers		
For purchase of land	3,170	3,170
Payable to other suppliers	6,874	4,344
Payable to suppliers – Group companies and associates	5,378	4,794
Sundry accounts payable	1,482	1,510
Employee receivables	111	124
Other payables to public entities (Note 16.1)	1,684	2,660
Customer advances (Note 4.k)	6,857	3,064
	25,556	**19,666**

"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 18/2022 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.

	2022	2021
	Days	Days
Average payment period to suppliers	60	74
Paid transactions ratio	67	78
Transactions pending payment ratio	34	39
	Thousands of Euros	Thousands of Euros
Total payments made in the year	25,210	24,331
Total outstanding payments	6,792	3,193

Total payments made before the deadline established by the regulation on late payments	21,632	22,253
	Ratio	Ratio
	86	91
Total number of invoices paid during the year	2,708	2,432

Number of invoices paid before the deadline established by the regulation on late payments	2,339	1,826
	Ratio	Ratio
	86	75

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" 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 2022 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 15th 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 companies Hermanos Revilla S.A. and Boane S.A.U. joined the tax group during 2022.

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 disciplinary 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. On 24 October 2022, this Court informed us of the deliberation of the allegations submitted by the company, and on 23 January 2023, the Tax Authority notified the executory agreement of the economic-administrative resolution and proceeded to refund the amounts paid by the company.

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	
	2022	2021
VAT and Canary Islands general indirect tax payable	580	279
Social Security bodies	3	3
Corporate income tax refundable	9,296	5,733
Total (Note 9.4)	**9,879**	**6,015**

The balance of Income Tax payables at 31 December 2022 corresponds to the Corporate Income Tax for the year for an amount of EUR 4,067 thousand, and EUR 5,229 thousand to the settlement of the Corporate Income Tax (EUR 5,152 thousand and EUR 581 thousand at 31 December 2021).

Tax payables

	Thousands of Euros	
	2021	2020
Income tax refundable	185	101
VAT and Canary Islands general indirect tax payable	1,096	656
Accrued social security payables	61	55
Other	342	55
Total (Note 15)	**1,684**	**2,660**

“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:

2022

	Thousands of Euros		
	Profit and Loss Statement		
	Increase	Decrease	Total
Profit/loss before tax			**37,969**

Income tax:			
Permanent differences			**(16,906)**
Life insurance contributions	11		
Penalties and surcharges		143	
Dividends		16,774	
Other non-deductible expenses			
Temporary differences			**(11,736)**
Arising in the year -			
Impairment of securities (Note 9.1)	461		
Other provisions	486		
Deductible portfolio provision reversal			
Inventory impairment provision			
Arising in prior years -			
Other provisions	5	7,300	
Financial expenses		4,552	
Non-deductible depreciation and amortization charge		30	
Tax adjustment of securities portfolio			
Insolvencies		806	
Taxable income rest of companies in tax group			**9,327**
Taxable income rest of companies of the tax group			33,193
Offset of prior year's tax losses of tax group			(10,630)
Taxable profit of tax group			**31,890**

2021

	Thousands of Euros		
	Profit and Loss Statement		
	Increase	Decrease	Total
Profit/loss before tax			**26,152**
Income tax:			
Permanent differences			**(53)**
Life insurance contributions	3		
Penalties and surcharges	7		
Other non-deductible expenses		(63)	
Temporary differences			**(14,691)**
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		(8,660)	

portfolio			
Insolvencies		(8,378)	
Taxable income rest of companies in tax group			**11,408**
Taxable income rest of companies of the tax group			17,810
Offset of prior year's tax losses of tax group			- (14,399)
Taxable profit of tax group			**14,819**

The main permanent differences in 2022 and 2021 are the result of:

Adjustments made in 2022:

- During 2022, a positive adjustment of EUR 486 thousand was made for the provisions for inventories impairment.

- Negative adjustment of EUR 4,552 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 2022 of EUR 806 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), a positive adjustment of EUR 461 thousand was made in 2022.

- Negative adjustment of EUR 7,300 thousand corresponding to the reversal of provisions for inventories impairment for EUR 3,512 thousand and EUR 3,788 thousand for the reversal of the provision for expenses and liability.

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.

The detail of tax loss carryforwards at 31 December 2022 and 31 December 2021 is as follows:

2022

			Thousands of Euros					
Year Incurred	Tax Losses		Total Tax Loss	Consolidation Adjustments (Dividends/ Investment Securities)	Tax Loss Offset	Total Tax Loss of Tax Group	Total Tax Loss Recognized	Tax Asset 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	-	-
2011	45,296	1,347	46,642	17,725	-	64,637	53,625	13,406
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	-	-	-
2022	(9,326)	(33,193)	(42,519)	-	10,630	-	-	-
Total	**395,379**	**(209,803)**	**185,576**	**136,299**	**124,083**	**412,008**	**185,520**	**39,630**

2021

			Thousands of Euros					
Year Incurred	Tax Losses		Total Tax Loss	Consolidation Adjustments (Dividends/ Investment Securities)	Tax Loss Offset	Total Tax Loss of Tax Group	Total Tax Loss Recognized	Tax Asset 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	-	-	-
Total	**404,705**	**(176,610)**	**228,095**	**136,299**	**113,453**	**411,738**	**169,918**	**42,479**

At year-end 2022, the Company had unrecognized tax loss carryforwards amounting to EUR 60,493 thousand (EUR 60,459 thousand at year-end 2021), all of them from negative tax bases (see Note 16.4). All tax assets reported 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 revised 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 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Accounting profit/loss before tax	37,969	26,152
Permanent differences	(16,906)	(53)
Unrecognized temporary differences	(3,367)	(12,595)
Total tax base	**17,696**	**13,504**
Tax charge at 25%	(4,424)	(3,376)
Other	17	-
Total income tax benefit (expense) recognized in the income statement	**(4,407)**	**(3,376)**

The breakdown of the Income Tax for 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Current tax	(6,517)	(3,900)
Net deferred asset (Notes 16.4 and 16.5)	2,093	524
Tax adjustment from prior years	17	-
Total tax income/(expense)	**(4,407)**	**(3,376)**

16.4 Deferred tax assets recognized

The detail of "Deferred Tax Assets" at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
Deferred Tax Assets	2022	2021
Temporary differences:		
Non-deductible finance costs	13,597	14,638
Non-deductible depreciation and amortization charge	15	22
Provision for charges	-	604
Other	114	114
Tax asset recognized	46,485	53,387
Total deferred tax assets	**60,211**	**68,765**

At 31 December 2022, tax assets (EUR 39,630 thousand) and tax credits (EUR 6,855 thousand) are recognized, for a total of EUR 46,485 (EUR 53,387 thousand at 31 December 2021) 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.

The total "recognized tax credit" at 31 December 2022 amounts to EUR 46,485 thousand) (EUR 53,387 thousand at 31 December 2021) and corresponds to the tax charge from negative tax bases of years 2010, 2011, 2012 and 2014 for EUR 39,630 thousand (EUR 42,479 thousand at 31 December 2021), as detailed in Note 16.2, and EUR 6,855 thousand from tax credit carryforwards (EUR 10,908 thousand at 31 December 2021), corresponding tax credit carryforwards, the detail being as follows:

	Thousands of Euros						
	Tax Credit Carryforwards		Total Tax Credits	Consolidation Adjustments (Dividends)	Unrecog nized Tax Credits	Recognized Tax Credits	Total Tax Credits
	Companies	In the Tax Group					
	Parent	Subsidiaries					
2008	15,120	439	15,559	(15,120)	-	439	439
2009	3,000	4,755	7,755	(3,000)	-	4,755	4,755
2010	483	15	498	(450)	-	48	48
2011	2,298	3,103	5,401	(5,401)	-	-	-
2012	2,414	771	3,185	(3,185)	-	-	-
2013	1,610	1,062	2,672	(2,432)	-	240	240
2014	4,558	1,969	6,527	(5,265)	-	1,262	1,262
2015	6	105	111	-	-	111	111
	29,489	**12,219**	**41,708**	**(34,853)**	**-**	**6,855**	**6,855**

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

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 corresponding to the reinvestment of extraordinary income is as follows:

Thousands of Euros		
Deadline for offset	Tax benefits outstanding 2021	Tax benefits outstanding 2021
2024	4,755	4,763
2025	15	15
Total	**4,770**	**4,778**

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 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Consolidation adjustments	91	51
Total deferred tax liabilities	**91**	**51**

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 2022, the Company had years 2018 to 2022 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.

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 2022 and 2021, is as follows:

Line of Business	Thousands of Euros	
	2022	2021
Revenue from the sale of property developments and land	41,777	94,031
Rent revenue (Note 7)	268	253
Revenue from services	6,802	5,631
	48,847	**99,915**

During the year, the delivery of units started in a new completed development “Essencia de Sabadell II”, in Sabadell (Barcelona), and continued with the delivery of the development Realia Parque del Ensanche II in Alcalá de Henares, Valdebebas Único in Madrid, Brisas de Son Dameto in Palma de Mallorca, and the remaining units from other developments.

Rent revenue include 2 million euros for the lease of an asset classified as inventories.

The breakdown by geographical market of the revenue for 2022 and 2021 is as follows:

	Thousands of Euros	
Geographical Markets	2022	2021
Spain:		
Andalusia	2,608	8,491
Balearic Islands	6,513	12,714
Catalonia	10,215	14,744
Madrid	28,492	60,400
Valencia	1,019	3,087
Castilla y León	-	479
	48,847	**99,915**

17.2 Procurements and changes in inventories of finished goods and work in progress

The detail of “Procurements” and “Changes in inventories of finished goods and work in progress” at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Purchases and procurements	(54,832)	(34,948)
Write-down of land and building lots	17,714	(1,560)
Changes in inventories of finished goods and work in progress	6,790	(40,379)
Impairment of inventories of finished goods and work in progress	5,126	5,911
	(25,202)	**(70,976)**

The lower volume of deliveries during 2022 explains the changes in inventories of finished goods and work in progress from 2021. The variation in consumptions and procurements is mainly due to the decrease in costs resulting from the delivery of the Pinto plot for an amount of EUR 21,422 thousand.

17.3 Detail of purchases by origin

The Company made all of its purchases in 2022 and 2021 in Spain.

17.4 Employee benefit costs

The detail of "Employee Benefit Costs" in 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Employee benefit costs:		
Contributions to pension plans (Note 4.n)	(170)	(164)
Other employee benefit costs	(701)	(642)
	(871)	**(806)**

17.5 External services and taxes

The breakdown of "External Services" and "Taxes" in the profit and loss statement corresponding to reporting periods ended on 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Leases and taxes	(143)	(118)
Repair and upkeep	(114)	(39)
Independent professional services	(180)	(174)
Insurance premiums	(52)	(81)
Bank and related expenses	(25)	(58)
Publicity, advertising and PR	(245)	(229)
Supplies	(25)	(26)
Other services	(4,155)	(4,701)
Taxes	1,269	(2,118)
Total external services and taxes	**(3,670)**	**(7,544)**

The decrease in "Other Services" is mainly due to the decrease in delivery of product compared to the previous year, and therefore a lower marketing fee accrued associated to the delivery of product in 2022 and 2021.

Regarding taxes, expenses were reversed during 2022 after the ruling of the Constitutional Court of 26 October 2021, which ruled the unconstitutionality and nullity of some precepts of the regulation on municipal gains.

17.6 Finance income and finance costs

The detail of the finance income and finance costs in 2022 and 2021 is as follows:

	Thousands of Euros	
	2021	2021
Income from investment securities in Group companies and associates (Note 18.1)	18,393	469
Income from investment securities in third parties	-	-
Other income	104	533

Total finance income	**18,497**	**1,002**
Borrowing costs for loans with Group companies (Note 18.1)	(1,123)	(40)
Other borrowing costs	(54)	-
Total finance costs	**(1,177)**	**(40)**
Changes in fair value of financial instruments	2,404	-
Impairment losses on investment securities in Group companies and associates (Note 9.1)	(461)	8,243
Profit (loss) from disposals and others (Note 9.2)	806	190
Financial profit/loss	**20,070**	**9,395**

18. Related party transactions and balances

18.1 Related party transactions

The detail of the transactions with related parties in 2022 and 2021 is as follows:

2022

	Thousands of Euros	
	Group Companies (a)	Associates (b)
Sales	165	-
Services provided and received	6,443	279
Non-core and other current operating income	123	-
Procurements	(5,941)	-
External services	(462)	-
Finance income from dividends (Note 17.6)	17,656	-
Financial expenses (Note 17.6)	(1,123)	-
Impairment and loss of financial instruments (Note 9.1)	(461)	-
	17,137	**279**

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	-
	10,479	**(8,658)**

(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.

18.2 Related party balances

The detail of the on-balance sheet balances with related parties at 31 December 2022 and 2021 is as follows:

At year-end 2022

	Thousands of Euros	
	Group Companies (a)	Associates
Non-current financial assets:		
Equity instruments (Note 9.1)	329,192	-
Loans to companies (Note 9.1)	31,196	-
Trade receivables (Note 9.4)	2,682	58
Current financial assets:		
Loans to companies (Note 9.2)	11,802	-
Non-current payables	(28)	-
Current payables (Note 14)	(76,581)	-
Trade payables	(5,378)	(1)
	292,885	**57**

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
	247,291	**54**

18.3 Remuneration of Directors and senior executives

The detail of the average remuneration received in 2022 and 2021 by the members of the Board of Directors and senior executives of Realia Business, S.A., broken down by concepts, is as follows:

2022

		Thousands of Euros				
	Average No. of Persons	Salaries	Other Remuneration	Bylaw-Stipulated Emoluments	Pension Plans	Insurance Premiums
Directors	6	-	355	321	-	-
Senior executives	4	710	4	-	45	3
TOTAL	**10**	**710**	**359**	**321**	**45**	**3**

2021

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

Details of each of the directors' individual remuneration are provided in the Company's annual remuneration report for 2022.

The Parent has taken out a civil liability insurance policy to cover directors, executives and representatives, for which it paid a premium of EUR 17 thousand in 2022 and EUR 30 thousand in 2021.

18.4 Situations of conflict of interest involving the directors

At year-end 2022, 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 2022 and 2021, is as follows:

Professional Category	Average Number of Employees	
	2022	2021
Senior executives	4	4
Management and university graduates	24	23
Other line personnel and further education college graduates	5	6
Clerical staff	9	8
	42	**41**

At year-end 2022 and 2021, the number of employees at the Company was 42 and 40 respectively.

In addition, the headcount at the end of 2022 and 2021, by gender and category, was as follows:

Professional Category	2022		2021	
	Men	Women	Men	Women
Senior executives	3	1	3	1
Management and university graduates	16	9	14	9
Other line personnel and further education college graduates	3	1	4	1
Clerical staff	5	4	4	4
	27	**15**	**25**	**15**

At year-end 2022 and 2021, the Company does not have any employee with a degree of disability equal of higher than 33%.

20.2 Fees paid to auditors

In 2022, 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:

2022

Description	Services provided by the Financial Auditor and by Related Companies
Audit services	68
Other non- audit related services	-
Total audit and related services	**68**

2021

Description	Services provided by the Financial Auditor and by Related Companies
Audit services	66
Other non- audit related services	4

Total audit and related services	**70**

21. Events after the reporting period

There have been no relevant events after the reporting date.

22. Audit report of financial statements issued by an independent auditor

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

Realia Business, S.A.

Management Report

for the year ended

31 December 2022

Management Report for the year ended 31 December 2022

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 Centers 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 36.48 % 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 it is expected that 43 units will start commercial operation in the first quarter of 2023, and the rest will follow during the 3rd quarter of the year.

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 at year-end 2022 of 51.89% 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 2022, the following changes took place in the Company's financial investments:

- On 2 December 2022, a capital increase made by Valaise S.L. was notarized in a public deed, in which the sole partners, Realia Business, S.A. acquired 200,000 company shares, for a total amount of EUR 2,000 thousand, plus a share premium of EUR 18,000 thousand.

- In January and June 2022, the company Realia Business, S.A. made two capital injections to the company Guillena Golf of EUR 250 thousand and EUR 400 thousand respectively, with the purpose of providing liquidity and cover the losses of previous years.

- On 17 March 2022, Realia Business S.A. executed the private sale contract signed in 2021, and acquired the shares of Nozar in the company Servicios Índice, S.A., increasing the ownership interest on the consolidated results of that company from 50.50% to 90.42%. This operation entails a decrease of "minority interests" for an amount of EUR 1,639 thousand. The investment made amounted to EUR 1,700 thousand.

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.

	2022
	Days
Average payment period to suppliers	60
Ratio of paid transactions	67
Ratio of payable transactions	34

	Thousands of Euros
Total payments made	25,211
Total outstanding payments	6,793

Total payments made before the deadline established by the regulation on late payments	21,632
	Ratio
	86
Total number of invoices paid in the year	2,708
Number of invoices paid before the deadline established by the regulation on late payments	2,339
	Ratio
	86

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, included under "Suppliers" 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 15th or next working day of every month.

4. MAIN AGGREGATES OF 2022:

The main aggregates of the Company during 2022 were the following:

- Realia Business recorded total revenues of EUR 49.1 Million in 2022, versus EUR 100.1 Million in 2021, a decrease of 50.95%. During 2022, 98 units were delivered for an amount of EUR 29.3 Million and land sales amounted to EUR 12.5 Million.

- Operating result (adjusted by depreciation and amortization not related to current assets) in 2022 amounted to EUR 18.0 Million, versus EUR 16.8 Million in 2021, an increase of 7.1%.

- During 2022, the company provisioned EUR 17.7 Million for the impairment of its land and building lot inventories, arising from the sale of land and on valuations from independent experts. In 2021, it made a provision of EUR 1.6 Million for this item.

  Additionally, it reversed the provisions for developments in progress and completed developments for EUR 5.1 Million, against the reversal of EUR 5.9 Million in 2021.

  Finally, it also reversed provisions for developments in progress and finished product for EUR 5.1 Million, versus EUR 5.9 Million reversed in 2021.

  Additionally, it reversed provisions for commercial transactions for EUR 1.3 Million, versus EUR 1.2 Million in 2021.

  All these provisions had a positive impact of EUR 24.2 Million in 2022, versus EUR 3.1 Million of positive impact in 2021.

- Financial revenues during 2022 amounted to 18.5 M €, compared to 1.0 M € in 2021. This increase is due mainly to the interim dividends collected from the group companies Realia Patrimonio and Hermanos Revilla.

- The financial result of Realia at 31 December 2022 was 20.1 M €, versus 9.4 M € in 2021. In 2022, the company received 17.7 M € in dividends from Realia Patrimonio and Hermanos Revilla, companies of the Group, whereas it did not collect any dividends in 2021, although it had a positive financial result of 8.4 M € arising from the investment made in investee Inmobiliarias Rústicas y Urbanas 2000, S.L., reaching an ownership interest on the company of 66.70%.

- Earnings before taxes at 31 December 2022 amounted to EUR 38.0 Million, and earnings after taxes reached EUR 33.6 Million, versus EUR 26.2 Million and EUR 22.8 Million respectively, in 2021. This increase in earnings before and after taxes is mainly explained by higher financial income described in the previous subparagraph.

BANK AND INTRA-GROUP BORROWINGS

In 2022, 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
6-month Euribor	
Spread:	1.1%

EUR 50 M € of the intragroup loan were amortized during 2022, from Realia's cash-generation; the outstanding balance at 31 December 2022 is EUR 70 M €. Current maturity is 21 December 2023.

CASH POSITION

At year-end 2022, Realia Business, S.A. has a positive cash balance for EUR 11.2 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 2022 by two independent experts using RICS methodology:

- At 2022 year-end, the property assets of the Realia Group, including assets of companies consolidated through the equity method, have a market value of EUR 1,930.5 Million, 1.3% higher than in 2021. In like for like terms, excluding assets acquired and disposed, as well as the investments made during 2022, the variation over 2021 would be positive by 0.44%. During 2022, the plot located in Pinto (Madrid), was disposed of, together with 2 leftover plots of land in San Juan (Alicante) and Valdebebas (Madrid), for a total amount of EUR 12.5 M, and a positive impact on earnings before taxes of EUR 2.7 M.

- The net net asset value (NNAV) (See APMS, item 6) at December 2022 is EUR 1,192 Million, versus EUR 1,129 Million in December 2021. In unit terms, the share price was 1.47 per share, 5.8 % higher than in 2021 (1.39 €/share).

- 81% of the asset value corresponds to the property activity (EUR 1,556.6 Million), and 19% (EUR 373.9 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. that 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 2022, including As Cancelas Siglo XXI amount to EUR 71.42 Million, a 5.2% increase over 2021 (EUR 67.87 M).

- Gross margin of the property business increased by 9.6% (64.34 M €), over that of 2021 (58.72 M €), due to the increase in rents (5.2%), higher percentage of passed-on common expenses (14.0%) and the result of the sale of fixed assets due to the refund of a municipal gain, and offset by an increase in operating expenses arising from the energy crisis and inflation (10.4%).

- No new investments in new property assets for tertiary use took place in 2022; nonetheless, the extension of the shopping center La Noria (Murcia) has been completed and started commercial operation, with an investment of EUR 1.65 Million, increasing our rental stock by 3,015 sq. m. We continue to invest in the upgrade of their performance, such as energy efficiency, sustainability, 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 capex investment on our buildings in 2022 amounted to EUR 2.8 Million.

- Likewise, in 2022 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 2022, 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 33.5 Million have already been invested. Commercial operation of both projects is expected to start on the first and third quarters of 2023, respectively.

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:

- 98 units were delivered in 2022, for an amount of EUR 29.3 Million, compared to 291 units for EUR 94.1 Million in 2021, an increase of 68.8%. Additionally, during the year a land plot located in Pinto (Madrid) was sold, together with 2 leftover plots in San Juan (Alicante) and Valdebebas (Madrid), for a total of EUR 12.5 Million. This negative variation is the result of the adaptation of the schedule for launching new developments due to the pandemic, and the policy aimed at maximizing the yield of developments, minimizing risk and adapting our projects to the demands of potential customers, both in respect to product types and locations.

- At year-end 2022, Realia has a stock of 272 units (housing units, commercial premises and offices) completed or in progress and pending delivery (94 of them already sold or pre-sold). It also has 40 single-family plots aimed at sale for self-development.

- The land portfolio of the Realia Group at year-end 2022 amounts to 6,946,002 sq. m. in different stages of urban consolidation, with a buildable space area estimated at 1,736,158 sq. m. The most relevant variation was the decrease of 15,508 sq. m. from the sale of the plot in Pinto (Madrid).

- At December 2022, the fair value of land, developments in progress and finished product that make up “Inventories” reached a value of EUR 371.5 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 2022 and their evolution are as follows:

Share price at year-end 2022 (€/share)	1.070
Share price at year-end 2021 (€/share)	0.796
Variation in share price (%)	34.4%
Market capitalization at year-end 2022 (€)	877.68 M €
Maximum share price during the year (€/share)	1.1
Minimum share price during the year (€/share)	0.7920
Average share price during the year (€/share)	0.9274
Average daily traded volume (€)	90,500 €
Average daily traded volume (shares)	93,000

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
Balances at 31 December 2020	**9,176,469**	**7,526**
Acquisitions	-	-
Balances at 31 December 2021	**9,176,469**	**7,526**
Acquisitions	**-**	**-**
Balances at 31 December 2022	**9,176,469**	**7,526**

The average price of treasury shares at year-end 2022 is 0.82 €/share (0.82 € per share in 2021). The number of treasury shares accounts for 1.119% of the total.

5. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES

All the economic forecasts made for 2022 have been upset by the events of the year. The strong hike in inflation, with a disproportionate rise in energy costs, the emergence of disruptions in the global supply chain that brought about shortages of commodities, and the start of the invasion of Ukraine have prevented a solid economic recovery. Faster-than-expected withdrawal of monetary stimuli in the face of rising inflation and increased risk aversion in the wake of war and geopolitical tensions have led to a tightening of global financial conditions since the beginning of 2022.

Even though the Spanish GDP ended the year with a growth of 5.5%, higher than the most recent estimates from the Bank of Spain, the high inflation rate (5.7%) and underlying inflation rate (7%) set an uncertain economic context that is not favorable for consumption and investment. The expected GDP growth rates for 2023 and 2024 are 1.3% and 2.7%, respectively.

Considering the current scenario, the Spanish economy and the rest of economies in our environment are subject to great uncertainty due to macro financial, geopolitical and socioeconomic aspects of different nature and severity.

Despite the difficulties in the current macroeconomic situation, the following is expected to happen in 2023:

a) Stability in the demand for new housing that will allow to continue with the developments in progress. Tightening of access to financing may cause the extension of the sales periods and therefore, an adjustment in prices.

b) The start of new projects will be conditioned by the “raw materials crisis” in the “Construction labor market”, the current spiraling inflation and the drop in savings; if these trends persist, production costs will rise, which will affect developer’s margins and/or the rise in final prices and their impact on demand.

c) 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 its preferred locations and the type of product.

d) Scarce and selective financing for developers, with a greater demand for economic and commercial viability of new developments, as well as the financial muscle of the developer. The difficulties and requirements demanded from buyers to access financing for their homes will also increase, and financial institutions will emphasize buyer’s solvency and the profitability of the operation proposed.

e) Scarce financing for the purchase of land, since financial entities currently believe it should be financed with own funds.

f) Consolidation of other financial agents as alternative sources of financing, which may enter into certain projects from which they demand high yields and interest rates well above those of traditional banking entities.

g) In the segment of residential assets for rent, the regulatory measures adopted by the government to prevent tensions in rent prices is not achieving the results desired. The legislative uncertainties arising from the New State Law on the Right to Housing, still under parliamentary proceedings, with no certainty about its content and scope, is causing investors, developers and buyers to put their decisions on hold, and even some players are disinvesting in this segment of activity. The draft bill of this Law includes a number of changes, such as caps on rent prices and the regulation of the time limits for the disqualification of subsidized housing. Depending on the final wording of the law, the “Built to Rent” activity may be affected more or less negatively, and therefore it would affect the Realia Group as well.

h) In the segment of tertiary assets for rent (offices, commercial premises and shopping centers), the impact of Covid-19 has been crucial to rethink future trends, which will probable change current business models and therefore the need for spaces to implement them. The foreseeable scenario is as follows: 1) rents will remain stable in offices and shopping centers, and variable rent linked to the sales of retailers will have greater weight. 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 centers (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).

i) In line with subparagraph h, lessors will need to introduce new asset management techniques and, in some cases, to adapt them to new demands for space and the needs of lessees; this will require capex investments and actions on most of assets for rent, to adapt them to the news trends of digitalization, sustainability and efficiency.

j) Downward trend in property asset valuation due an increase in the yields demanded by investors due to higher cost of capital.

k) All these factors combined may have a negative effect on the Group’s accounts, and the intensity of the impact will be determined by the capacity of the Spanish economy to recover GDP growth that will allow economic activity, consumption, employment and savings capacity to recover.

The Realia Group believes it must focus its efforts on the three lines of business that it carries out now, directly or through its investees. In the property area, its extraordinary portfolio, reinforced by the acquisition of a 37.1% stake in Hermanos Revilla, places it in an outstanding position, but it will have to tackle the actions described under subparagraph i). In the development area, it will need to pay attention to the evolution of demand, its locations and the type of products on demand, in order to adapt our new development projects and analyze their viability and yield, with special attention to the risk of cost increases (labour and supplies), taking on these projects when the risk of commercialization and the profitability risk are visible and can be established; finally, with respect to the development and operation of developments for housing rent, it must also keep an eye on the regulatory change and its potential impact on the profitability and legal certainty of the business.

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 contingency.

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.

Financial risk management objectives and policies

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. 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 2022 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 (so long as it is positive), plus an additional spread of 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 2022, Realia Business has positive working capital for EUR 218 Million (EUR 179 Million in 2021).

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 87 Million which, together with estimated payments of EUR 50 Million, including new developments, gives rise to a positive net cash flow of EUR 37 Million, which together with the current cash flow of the Company, EUR 11 Million, will be allocated to new projects, the purchase of land and new investments in Group companies for the build to rent activity, and to service the debt.

c) Solvency risk

At 31 December 2022, 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 11,217 thousand (EUR 15,936 thousand in 2021).

	Thousands of euros	
	2022	2021
Financial debt with Group companies	70,080	120,040
Cash and cash equivalents (Note 11)	11,217	15,936
Net financial debt	**58,863**	**104,104**

At year-end 2022, the company has a positive working capital of EUR 218 Million.

d) Interest rate risk

The Company has no hedges to manage its exposure to interest rate fluctuations. At year-end, its only financial debt was an intra-group loan granted by Fomento de Construcciones y Contratas, S.A.

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.

e) Exchange rate risk

Regarding exchange rate risk, the Company has no borrowings in currencies other than euro, 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.

7.- FORECAST FOR 2023

Despite the current sociopolitical and financial uncertainty, which will probably persist and/or increase during 2023, 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, provide financial stability to the company and allow for the development of the activity, free from the troubles of financial markets.

4) Acquisition of new assets and/or land with value potential, either due to their management or to 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 center markets, with special attention to the demands for energy efficiency and sustainability.

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

In summary, 2023 raises a number of questions of different nature (social, economic, health, etc.), so the evolution of our sector, both in its property and its development businesses, will depend on how and when these questions will be answered, and the Realia Group will accordingly be monitoring the evolution in order to make decisions to maximize the value generation of the Group and its shareholders. This will be possible thanks to: a) the financial stability of Realia and its indebtedness capacity that will allow it to seize every opportunity for business and growth; b) the type of assets owned by the Realia Group, where all the office assets are located in prime areas, and its shopping centers, located in the city centers; c) the land bank owned by the group that ensures the continuity of its development activity; and d) the low overhead it bears, with a reduced team of highly-qualified professionals with experience in such complicated situations in the sector 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.

9.- EVENTS AFTER THE REPORTING PERIOD

No relevant events occurred after the reporting date.

10. - CORPORATE GOVERNANCE AND DIRECTORS'REMUNERATION REPORTS

The Corporate Governance Report 2022 and Directors' Remuneration Report 2022 are attached as a separate section, to the management report, according to the provisions of article 538 of the Law on Corporations. These reports individually refer, as additional relevant information, to the CNMV and are an integral part of the consolidated management report. The reports are available at Realia's corporate web site (www.realia.es) and CNMV's web site (www.cnmv.es)

THIS IS THE ENGLISH TRANSLATION OF THE COMPANY'S INDIVIDUAL FINANCIAL STATEMENTS. IN CASE OF DOUBT, THE ORIGINAL SPANISH VERSION WILL PREVAIL