

**Audit Report on Consolidated Financial Statements
issued by an Independent Auditor**

**REALIA BUSINESS, S.A. AND INVESTEES
Consolidated Financial Statements and
Management Report
for the year ended
December 31, 2020**

AUDIT REPORT ON CONSOLIDATED 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 31)

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

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of REALIA BUSINESS, S.A. (the parent) and its investees (the Group), which comprise the statement of financial position at December 31, 2020, the statement of profit and loss, the statement of recognized revenues and expense, the statement of changes in total equity and the statement of cash-flows, and the notes thereto, all of them consolidated, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of equity and the financial position of the Group at December 31, 2020 and of its financial performance and its cash flows, all of them consolidated, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

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 consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated 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

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

Measurement of property investment and inventories

Description At December 31, 2020, the Group has “Property investments” and “Inventories” amounting to 1,464,118 thousand euros and 339,373 thousand euros, respectively, which, in the case of property investments, correspond primarily to office buildings and shopping centers held either to earn rentals or for capital appreciation upon future sale. Inventories, developments under construction, and other properties are held either for sale or are part of real estate developments.

The Group’s accounting policy is to measure its property investments at fair value, recording the difference between the fair value and carrying amount in the consolidated statement of income, as explained in Note 4 to the accompanying consolidated financial statements. In addition, the Company measures inventories at acquisition cost plus, principally, any planning and construction costs incurred during execution of the planning and construction work, and writes them down to the lower of cost or realizable value, recording the corresponding provision, as explained in Note 4 to the accompanying consolidated financial statements.

At year-end, Group management determines the fair or realizable value using valuations carried out by independent experts in accordance with the valuation standards published by the Royal Institute of Chartered Surveyors (RICS) for property investments and inventories. The determination of these values require that independent experts make complex estimates and judgments when establishing their assumptions. The various methodologies and principal assumptions used in carrying out valuations, as well as the sensitivity analysis conducted are described in Note 10 and 13 to the consolidated financial statements.

Due to the significance of the amounts and the high sensitivity of the analyses conducted with respect to changes in the assumptions applied to valuations, e.g., estimated rents, discount rates, and initial yields used in the calculations for property investments, as well as the costs and the development, construction, and marketing periods applied when estimating cash flows associated with the calculation bases for inventory, we determined this to be a key audit matter.

Our response With regard to this matter, our procedures included:

- ▶ Reviewing the reasonableness of the valuation models used by independent experts, in collaboration with our valuation specialists, 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 consolidated financial statements in accordance with the applicable regulatory reporting framework.

Recoverability of deferred tax assets

Description As explained in Note 21 to the accompanying consolidated financial statements, at December 31, 2020, the Group recognized deferred tax assets amounting to 116,709 thousand euros.

In accordance with the Group's accounting policies, as explained in Notes 4 to the accompanying consolidated 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 Group's ability to recover its deferred tax assets to be a key audit matter.

Our response In this regard, 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 consolidated financial statements in accordance with the applicable regulatory reporting framework.

Matter-of-emphasis paragraph

We draw attention to the matter described in Note 2.d to the accompanying consolidated financial statements, which states that the independent expert has taken into consideration the exceptional circumstances derived from the global COVID-19 pandemic, stating that there is a significant uncertainty regarding future trends in the fair value of the valued properties classified under "Inventories". This matter does not modify our opinion.

Other information: management report

Other information refers exclusively to the 2020 management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated 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, 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 consolidated financial statements, based on the knowledge of the Group 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 2020 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company's directors and the audit and control committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company are responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the consolidated 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 Group'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 directors' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and control committee of the parent 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 parent 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, we determine those matters that were of most significance in the audit of the consolidated 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 files of the European single electronic format (ESEF) of REALIA BUSINESS, S.A. and investees for the 2020 financial year, which include the XHTML file containing the consolidated financial statements for the year, and the XBRL files as labeled by the entity, 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 2020 financial year, in accordance with the formatting and mark-up requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation).

Our responsibility consists of examining the digital files prepared by the directors of the parent 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 consolidated financial statements included in the aforementioned digital files correspond in their entirety to those of the consolidated financial statements that we have audited, and whether the consolidated financial statements and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital files examined correspond in their entirety to the audited consolidated financial statements, which are presented and have been marked up, 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 parent company's audit and control committee on February 24, 2021.

Term of engagement

The ordinary general shareholders' meeting held on May 8, 2019 appointed us as auditors for an additional year, commencing on December 31, 2019.

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

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

(signed in the original version)

Fernando González Cuervo
(Registered in Spain's Official Register of
Auditors under No. 21268)

February 24, 2021