Audit Report on Financial Statements
issued by an Independent Auditor

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

Ernst & Young, S.L.
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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 subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2021, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2021 and of its financial performance and its consolidated cash flows, 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.

Domicilio Social: C/ Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

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 investment properties and inventories

Description

At December 31, 2021, the Group has "Investment properties" and "Inventories" amounting to 1,468,782 thousand euros and 352,075 thousand euros, respectively, which, in the case of investment properties, correspond primarily to office buildings and shopping centers held either to earn rental income 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 investment properties 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 Group measures inventories at acquisition cost plus, principally, any development and construction costs incurred during execution of the related development 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 Great Britain's Royal Institute of Chartered Surveyors (RICS) for investment property 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 notes 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 assumptions applied to valuations, e.g., estimated rents, discount rates, and initial yields used in the calculations for investment properties, 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

In relation to this matter, our audit procedures included:

- Reviewing the reasonableness of the valuation models used by independent experts, focusing, based on a sample of valuations carried out, on the reasonableness of the rents and/or comparable data used, the discount rates and initial yields considered in calculations, the cost assumptions and the development, construction, and marketing periods applied to estimate the cash flows associated with the calculation bases for inventory, as well as sensitivity analyses carried out by independent experts, in addition to performing value testing procedures applicable.
- Reviewing, for a sample of appraisals by independent experts, whether the rents used in the valuations take into account current lease contracts.

- Reviewing the disclosures included in the notes to the consolidated financial statements in accordance with the applicable reporting framework.

Recoverability of deferred tax assets

Description	As explained in note 22.5 to the accompanying consolidated financial statements, at December 31, 2021, the Group recognized deferred tax assets amounting to 109,821 thousand euros. In accordance with the Group's policies, as explained in note 4 to the 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 Group management of the recoverability of deferred tax assets is based on estimates of future taxable profit using the Group's financial projections 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 relation to this matter, our audit procedures included: ▶ Understanding the processes established by Group management for assessing the recoverability of deferred tax assets, including an evaluation of the design and implementation of relevant controls. ▶ Reviewing, in collaboration with our tax specialists, the assumptions used by Group management when estimating the probability of the Group generating sufficient future taxable income 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.

Other information: consolidated management report

Other information refers exclusively to the 2021 consolidated 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 consolidated management report. Our responsibility for the consolidated 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 consolidated 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 consolidated 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 consolidated management report is consistent with that provided in the 2021 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 subsidiaries for the 2021 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 2021 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 audit and control committee on February 22, 2022.

Term of engagement

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

Previously, we were appointed as auditors by the shareholders for 3 year and we have been carrying out the audit of the consolidated 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, 2022

REALIA BUSINESS, S.A. AND INVESTEES

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

(Thousands of Euros)

ASSETS	31/12/2021	31/12/2020		31/12/2021	31/12/2020
NON-CURRENT ASSETS			**EQUITY (Note 16):**		
Intangible assets (Note 8)	69	78	Share capital	196,864	196,864
Property plant and equipment (Note 9)	2,051	2,309	Share premium	528,492	528,492
Property investment (Note 10)	1,468,782	1,464,118	Reserves	322,744	317,618
Investments in associates (Note 11)	37,253	48,602	Treasury shares	(7,526)	(7,526)
Non-current financial assets (Note 14.2)	9,700	11,500	Valuation adjustments	(4,326)	(1,810)
Deferred tax assets (Note 21)	109,821	116,709	Total equity attributable to the Parent	57,861	2,113
Other non-current assets (Note 14.3)	9,517	9,784	**Total equity attributable to the Parent**	**1,104,109**	**1,035,751**
			Non-controlling interests (Note 17)	**76,732**	**238,033**
Total non-current assets	**1,637,193**	**1,653,100**	**Total Equity**	**1,180,841**	**1,273,784**
			NON-CURRENT LIABILITIES		
			Long-term provisions (Note 18)	15,740	12,034
			Non-current financial liabilities (Note 19):		
			Bank borrowings	497,123	528,061
			Derivatives	2,289	5,530
			Other non-current financial liabilities	-	11
			Deferred tax liabilities (Note 21)	183,591	172,262
			Other non-current liabilities (Note 20.a)	17,178	17,096
			Total non-current liabilities	**715,921**	**734,994**
CURRENT ASSETS			**CURRENT LIABILITIES**		
Inventories (Note 13)	352,075	339.373	Short-term provisions (Note 18)	516	379
Trade and other receivables (Note 14.1)			Current financial liabilities (Note 19):		
Trade receivables for sales and services	7,990	6,914	Bank borrowings	1,083	41,358
Other receivables	3,367	5,136	Derivatives	2,386	2,403
Current tax assets (Note 21)	5,733	4,659	Other current financial liabilities	129,693	3,517
Other current financial assets (Note 14.2)	1,377	4,848	Trade and other payables (Note 20.b)		
Other current assets (Note 14.3)	4,310	4,885	Payable to suppliers	13,004	14,043
Cash and cash equivalents (Note 15)	52,096	74,822	Other payables	14,732	21,409
Total current assets	**426,948**	**440,637**	Current tax liabilities (Note 21)	4,685	591
			Other current liabilities (Note 20.d)	1,280	1,259
			Total current liabilities	**167,379**	**84,959**

TOTAL ASSETS	**2,064,141**	**2,093,737**	**TOTAL EQUITY AND LIABILITIES**	**2,064,141**	**2,093,737**

Notes 1 to 30 described in the Financial Statements and Appendices are an integral part of the consolidated statement of financial position at 31 December 2021.

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

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR 2021

(Thousands of Euros)

	2021	2020
Revenues (Note 23.a)	161,815	85,893
Other operating income (Note 23.b)	18,260	18,394
Excess provisions	22	149
Changes in inventories of finished goods and work in progress (Note 13)	(40,335)	12,977
Procurements (Note 23.c)	(34,957)	(31,313)
Employee costs (Note 23.d)	(5,763)	(5,477)
Other operating expenses (Note 23.c)	(33,972)	(28,431)
Variation in operating provisions (Note 23.j)	2,914	(14,411)
Provision for amortization (Notes 8 and 9)	(292)	(303)
Impairment and profit or loss on disposals of fixed assets (Notes 8 and 9)	(8)	(6)
Other profits/losses	(7)	(120)
PROFIT (LOSS) FROM OPERATIONS	**67,677**	**37,352**
PROFT (LOSS) FROM VARIATION OF PROPERTY INVESTMENT (Notes 4.y,10 and 23.f)	**38,073**	**(24,627)**
Finance income (Note 23.g)	675	10,610
Finance costs (Note 23.g)	(14,206)	(15,741)
Changes in fair value of financial instruments	(234)	524
Impairment and gains or losses on disposals of financial instruments (Notes 23.g and 23.i)	190	-
FINANCIAL PROFIT/LOSS	**(13,575)**	**(4,607)**
Result of companies consolidated using the equity method (Notes 11 and 23.e)	1,339	(472)
Impairment loss	(1)	2
		(303)
EARNING BEFORE TAXES	**93,513**	**7,648**
Income tax (Note 21)	(22,089)	(1,596)
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**71,424**	**6,052**
CONSOLIDATED EARNINGS FOR THE YEAR	**71,424**	**6,052**
Attributable to:		
Shareholders of the Parent (Note 23.h)	**57,861**	**2,113**
Non-controlling interests (Notes 17 and 23.h)	**13,563**	**3,939**
Earnings per share:		
From continuing operations (€/share)		
Basic	**0.071**	**0.003**
Diluted	**0.071**	**0.003**

The accompanying Notes 1 to 30 described in the Annual Report and Appendices are an integral part of the consolidated statement of profit and loss at 31 December 2021.

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

CONSOLIDATED STATEMENT OF REVENUES AND EXPENSE FOR 2021

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(Thousands of Euros)

	2021	2020
CONSOLIDATED RESULT FOR THE YEAR (from profit and loss account)	**71,424**	**6,052**
Other comprehensive income that can be reclassified to the profit and loss account in subsequent years:		
INCOME AND EXPENSES CHARGED DIRECTLY TO EQUITY		
Arising from cash flow hedges	947	(1,641)
Translation differences	(54)	(61)
Tax effect	(237)	410
Total revenue and expenses recognized directly in shareholders' equity	**656**	**(1,292)**
TRANSFER TO THE PROFIT AND LOSS ACCOUNT		
Arising from cash flow hedges	2,526	2,629
Translation differences	-	-
Tax effect	(631)	(657)
Total transfer to profit and loss	**1,895**	**1,972**
TOTAL RECOGNISED INCOME AND EXPENSES	**73,975**	**6,732**
A) Attributable to the Parent	**60,412**	**2,793**
B) Attributable to non-controlling interests	**13,563**	**3,939**

The accompanying Notes 1 to 30 described in the Annual Report and Appendices are an integral part of the consolidated statement of profit and loss of 2021.

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

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY IN 2021

	Thousand Euros											
	Share capital (Note 16)	**Share Premium (Note 16)**	**Reserves of the Parent (Note 16)**	**Treasury Shares (Note 16)**	**Consolidation Reserves (Note 16)**	**Hedges**	**Translation Differences**	**Asset revaluation (Note 10)**	**Result for the year (Note 3)**	**Equity attributable to shareholders of the Parent**	**Non-controlling Interests (Note 17)**	**Total Equity**
Balances at 31 December 2019	**196,864**	**528,492**	**(138,672)**	**(3,277)**	**411,429**	**(5,967)**	**(1,590)**	**5,067**	**44,877**	**1,037,223**	**243,128**	**1,280,351**
Income and expenses recognized in the year	**-**	**-**	**-**	**-**	**-**	**741**	**(61)**	**-**	**2,113**	**2,793**	**3,939**	**6,732**
Allocation of 2019 result												
To reserves	-	-	3,343	-	41,534	-	-	-	(44,877)	-	-	-
To dividends	-	-	-	-	-	-	-	-	-	-	(1,970)	(1,970)
Interim dividends	-	-	-	-	-	-	-	-	-	-	(7,063)	(7,063)
Treasure share transactions	-	-	(6)	(4,249)	-	-	-	-	-	(4,255)	-	(4,255)
Changes in scope of consolidation	-	-	-	-	(8)	-	-	-	-	(8)	-	(8)
Other	-	-	(1)	-	(1)	-	-	-	-	(2)	(1)	(3)
Balances at 31 December 2020	**196,864**	**528,492**	**(135,336)**	**(7,526)**	**452,954**	**(5,226)**	**(1,651)**	**5,067**	**2,113**	**1,035,751**	**238,033**	**1,273,784**
Income and expenses recognized in the year	**-**	**-**	**-**	**-**	**-**	**2,605**	**(54)**	**-**	**57,861**	**60,412**	**13,563**	**73,975**
Allocation of 2020 result												
To reserves	**-**	**-**	(9,751)	-	11,864	-	-	-	(2,113)	-	-	**-**
To dividends	**-**	**-**	-	-	-	-	-	-	-	-	(113)	(113)
Changes in scope of consolidation	**-**	**-**	-	-	7,944	-	-	-	-	7,944	(174,751)	(166,807)
Other	**-**	**-**	-	-	5,069	-	-	(5,067)	-	2	-	2
Balances at 31 December 2020	**196,864**	**528,492**	**(145,087)**	**(7,526)**	**477,831**	**(2,621)**	**(1,705)**	**-**	**57,861**	**1,104,109**	**76,732**	**1,180,841**

The accompanying Notes 1 to 30 described in the Consolidated Financial Statements and Appendices are an integral part of the consolidated statement of profit and loss of 2021

REALIA BUSINESS, S.A. AND SUBSIDIARIES (REALIA GROUP)
CONSOLIDATED STATEMENT OF CASH-FLOWS FOR 2021
(Thousands of Euros)

	2020	**2019**
Profit/loss before tax	**93,513**	**7,648**
Adjustments to profit/loss	**(29,710)**	**44,395**
a) Depreciation and amortization charge (Notes 8 and 9)	292	303
b) Other adjustments to profit and loss	(30,002)	44,092
1. Valuation in value of investment property (Note 23.f)	(38,073)	24,627
2. Variations in provisions and other value adjustments due to impairment (Note 23.j)	(2,914)	14,411
3. Financial income (Note 23.g)	(675)	(10,610)
4. Financial expenses (Note 23.g)	14,206	15,741
5. Profit/loss from companies using the equity method	(1,339)	472
6. Other	(1,207)	(549)
Changes in working capital:	**40,647**	**(11,560)**
a) Inventories, trade and other receivables and other current assets (Notes 13 and 14)	48,377	(13,122)
b) Trade and other payables and other current liabilities (Note 20)	(7,730)	1,562
Other cash flows from operating activities:	**(5,446)**	**(2,854)**
a) Dividends received (Note 11)	820	1,210
b) Income tax recovered/paid	(7,527)	(4,085)
c) Other amounts received/paid relating to operating activities	1,261	21
CASH FLOWS FROM OPERATING ACTIVITIES	**99,004**	**37,629**
Payments due to investment:	**(7,835)**	**(8,102)**
a) Property, plant and equipment, intangible assets and property investment (Notes 8, 9 and 10)	(7,684)	(7,490)
b) Other financial assets	(151)	(612)
Proceeds from disposals:	**43,722**	**439**
a) Group companies, associates and business units	-	404
b) Property, plant and equipment, intangible assets and property investment (Notes 8, 9 and 10)	43,305	-
c) Other financial assets (Note 14.2)	417	35
Other cash flows from investment activities:	**(2,328)**	**3,105**
a) Interest received (Note 14.2)	675	258
b) Other proceeds/payments relating to investing activities	(3,003)	2,847
CASH FLOWS FROM INVESTMENT ACTIVITIES	**33,559**	**(4,558)**
Proceeds and payments relating to equity instruments:	**(189,074)**	**(4,249)**
a) Acquisition (Note 16)	(189,074)	(4,249)
Proceeds and payments relating to financial liability instruments:	**45,011**	**(10,332)**
a) Issue	136,214	9,816

b) Repayment and redemption	(91,203)	(20,148)
Dividends and returns on other equity instruments paid (Note 17)	**(1,039)**	**(8,107)**
Other cash flows from financing activities	**(10,180)**	**(11,448)**
a) Interest paid	(10,262)	(11,751)
b) Other proceeds/payments relating to financial activities	82	303
CASH FLOWS FROM FINANCING ACTIVITIES	**(155,282)**	**(34,136)**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES AND OTHERS	**(7)**	**(8)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(22,726)**	**(1,073)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**74,822**	**75,895**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**52,096**	**74,822**

The accompanying Notes 1 to 30 described in the Consolidated Financial Statements and Appendices are an integral part of the consolidated statement of profit and loss of 2021.

Consolidated financial statements for the year ended 31 December 2021

1. Activities of the Realia Group

The Group companies and associated companies listed in Appendices I and II engage respectively, mainly in the development and operation of real estate business. At year-end 2021 these activities are carried out in Spain and Romania

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

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

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

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

The consolidated financial statements for 2021 of the Realia Business Group (hereinafter, "the Realia Group"), which were drawn up from the accounting records kept by the Parent and by the other Realia Group companies included in its scope of consolidation (listed in Appendices I and II), were authorized for issue by the directors of the Parent at the Board Meeting held on 22 February 2022.

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), taking into account all the mandatory accounting principles and rules and measurement bases, so that they present fairly the Realia Business Group's consolidated equity and financial position as of 31 December 2021 and the results of its operations, the changes in the consolidated equity and the consolidated cash flows in the year then ended.

However, since the accounting policies and measurements bases used in preparing the Group's consolidated financial statements for 2021 may differ from those used by certain companies of the Group, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards as adopted by the European Union.

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

The Group's consolidated financial statements for 2020, drawn up in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (IFRS – EU), were approved by the shareholders at the Annual General Meeting of the Parent held on 29 June 2021. Their shareholders at their respective Annual General Meetings have not yet approved the consolidated financial statements of the Group and the financial statements of the Group entities for 2021. However, the Parent's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

b) Measurement currency

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

c) Responsibility for the information and use of estimates

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

In the Group's consolidated financial statements for 2021, senior executives of the Group and the consolidated companies occasionally made estimates, later ratified by the directors in order to quantify certain of the assets, liabilities, income, expenses and obligations reported therein. The estimates refer to the following:

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

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

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

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

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

The market value on the Group's property assets was calculated based on appraisals conducted by independent valuation experts at 31 December 2021 (Notes 4.c, 4.f, 10 and 13).

Although these estimates were made on the basis of the best information available at 31 December 2021 on the events analysed, future events might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS8, recognizing the effects of the change on the related consolidated statements of profit and loss.

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

The international pandemic declared by the World Health Organization on 11 March 2020 has brought about an unprecedented health crisis which has had a great impact on the socioeconomic environment and the evolution of the business.

As a result, the supply chain has suffered a number of disruptions, the prices of raw materials and energy have gone up, and demand for some components has been reduced. The evolution of the pandemic is having an impact on the economy, casting uncertainty about its effects in the coming months, and will depend to a great extent on the evolution and the scope of the pandemic.

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

The pandemic had the following impacts on the Realia Business Group during 2021:

- Estimate of receivables: the Group has recognized an impairment due to unpaid debts from clients mainly related to the property activity for an amount of EUR 364 thousand as a consequence of the Covid-19 crisis (EUR 904 thousand in 2020). This calculation took into account the amounts defaulted by clients granted a discount on the amount of guarantees and/or collaterals previously agreed with the company.

- Rent rebates granted to tenants, mainly of retail premises and shopping centres, to mitigate the effect of the restrictions on their activity due to Covid-19. The Group continued to support retailers during 2021, albeit at a lesser extent than in 2020. These aids amounted to EUR 1.3 Million in 2021, versus EUR 3.4 Million in 2020.

- Valuation of investment property: the valuations by an independent expert in 2021 yielded a positive result of EUR 38,027 thousand on the consolidated profit and loss account, fully recovering the negative impact of EUR 24,627 thousand in 2020.

- Valuation of inventories: The Group has collected the estimates of the valuation conducted by an independent expert in 2021, and recognized an impairment of land and building lots and developments in progress for EUR 1,940 thousand. In 2020, this impairment amounted to EUR 15,380 thousand.

Even though these estimates were made on the basis of the best information available at year-end 2021, it is possible that future events may make it necessary to modify them (upwards or downwards) in subsequent years, which would be made prospectively, where appropriate.

e) Basis of consolidation

Subsidiaries

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

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

Joint ventures

In 2021 and 2020, the Group carried on jointly managed business activities through interests in joint property entities. These entities were included in the accompanying consolidated financial statements on the basis of the percentage share of the assets, liabilities, income and expenses arising from their operations, and any reciprocal receivables and payables and any income, expenses, gains and losses not realized vis-á-vis third parties were eliminated (see Appendix III).

Associates

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

Transactions between Group companies

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

f) First-time consolidation differences

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

g) Changes in the scope of consolidation

The changes in the scope of consolidation of the Realia Group (comprising Realia Business, S.A. and its subsidiaries) in 2021 and 2020 were as follows:

Inclusions in the scope of consolidation

There were no additions to the scope of consolidation of the Realia Group in 2021 and 2020.

Exclusions from the scope of consolidation

- 2021:

There were no exclusions from the scope of consolidation of the Realia Group in 2021.

- 2020:

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

Changes in the scope of consolidation:

On 16 February 2021, Realia Business, S.A. acquired from Martinsa Fadesa, S.A. (in liquidation) 1,116 shares representing 33.33% of the share capital of the company Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L. and the rights and obligations arising from the loan contract between both companies. After this acquisition, it now holds 66.70% of the share capital. The total investment made amounted to EUR 4,000 thousand.

Later, on 2 December 2021, a change was made in the bylaws, according to which the Group gained control of the company, and changing the consolidation method to global consolidation. The impact of this change is as follows:

	12/2021		12/2021
NON-CURRENT ASSETS:		**SHAREHOLDERS' EQUITY (Note 16):**	
Investments in associates (Note 11)	(11,549)	Reserves	11,241
Deferred tax assets (Note 21)	440	Result of the year attributable to the Parent	(103)
		Total shareholders' equity attributable to the Parent	**11,138**
		Minority interest (Note 17)	**11,378**
Total non-current assets	**(11,109)**	**Total shareholders' equity (Note 16)**	**22,516**
Inventories (Note 13)	53,609	Deferred tax liabilities (Note 21)	6,247
Current tax assets (Note 21)	48	**Total non-current liabilities**	**6,247**
Cash and cash equivalents (Note 15)	331	Other current financial liabilities	14,114
		Trade and other payables (Note 20.b)	2
Total current assets	**53,988**	**Total current liabilities**	**14,116**
TOTAL ASSETS	**42,879**	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	**42,879**

The most relevant variations as a result of the consolidation of investee Inversiones Inmobiliarias Rústicas y Urbanas S.L. are the following:

- Elimination of EUR 11,549 thousand from “Investments in associates”, broken down into EUR 20,179 thousand from the gross value of the investment and an impairment of EUR 8,630 thousand. Additionally, there were capital gains allocated to this investment for EUR 351 thousand, with a reduction of “Investments in associates” of EUR 11,900 thousand at consolidated level (Note 11).

- Addition of EUR 53,609 thousand under “Inventories”, corresponding to land located in the Molar (Madrid) municipality, broken down into land and lots for EUR 53,604 thousand and advanced payments for EUR 545 thousand (Note 13).

- Reserves for an amount of EUR 11,241 thousand for the difference in consolidation between the value of the investment, including the acquisition made, and the shareholders’ equity of the company (Note 16).

- The result of EURO -103 thousand shown in the table above corresponds to the individual company, with an impact at consolidated level of EUR -33 thousand (Note 23 h).

- Minority interests for EUR 11,378 thousand arising from the change to the consolidation method (Note 17).

- Deferred tax liability for an amount of EUR 6,247 thousand arising from the difference between the book value and the tax value of the land received from several merger transactions carried out in 2004 (Note 21).

- Other current financial liabilities arising from loans for an amount of EUR 14,114 thousand, of which EUR 9,408 thousand are subject to intragroup elimination as it is a loan with Realia Business, S.A., with a balance of EUR 4,706 thousand, of which EUR 3,590 thousand are the principal of the loan and the rest is interest and other borrowings (Note 19).

On 21 December 2021, the Parent and Realia Patrimonio, S.L.U. acquired a higher ownership interest on subsidiary Hermanos Revilla, S.A. for an amount of EUR 189,062 thousand (direct interest of 31.01% and 6.10% respectively), thus increasing the interest in the consolidated ownership on the company from 48.79% to 87.76%, leading to a reduction of “Minority stakes” of EUR 186,129 thousand.

During the second semester of 2021, the Parent entered into a private purchase-sale contract, subject to condition precedent, of shares of Servicios Índice, S.A., a company in which it already had a stake of 50.5%, accounting for 39.93% of its share capital, for an amount of EUR 1,700 thousand. As of today, the agreed condition precedent has not been met.

h) Balance sheet date

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

i) Comparative information

The information contained in the 2020 consolidated financial statements is presented solely for the purpose of comparison with the information on the year ended 31 December 2021.

j) Changes in accounting standards

No significant changes have taken place during 2021 regarding the standards applied in 2020.

k) Correction of errors

No errors have been detected in the preparation of the attached consolidated statements that required the restatement of the amounts indicated in the consolidated financial statements of 2020.

3. Allocation of profit and loss of the Parent

The proposed allocation of the loss in 2021 drawn up by the Directors of the Parent Company and pending approval by the General Meeting of Shareholders is the following:

	2021
Negative results from previous years	2,278
Offset of prior years' losses	20,498
Total	**22,776**

The Parent did not pay any interim dividends during 2021.

4. Valuation standards

The following accounting policies, standards, and valuation criteria were applied in the preparation of the consolidated financial statements of the Realia Group in 2021:

a) Intangible assets

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

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

b) Property, plant and equipment

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

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

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

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

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

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

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

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

c) Property investments

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

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

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

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

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

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

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

e) Leases

The Group as a lessee

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

- *Rights of use*

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

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

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

Lease liabilities

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

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

- *Short term leases and low value asset leases*

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

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

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

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

The Group as operational lessor

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

Asset exchange transactions

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

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

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

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

f) Inventories

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

1. Hold for sale in the ordinary course of business

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

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

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

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

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

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

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

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

On 31 December 2021, TINSA determined the fair value of assets applying the RICS methodology to the residential asset portfolio, following the agreement of the Board of Directors (relevant event dated 21 March 2019).

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

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

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

g) Trade receivables

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

h) Customer advances

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

i) Financial assets

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

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

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

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

a) The financial asset is held within a business model whose purpose is to maintain financial assets to generate the contractual cash-flows

b) The contractual conditions of the financial asset generate, on specific dates, cash-flows that are only payments of principal and interest on the amount of the outstanding principal.

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

Financial assets at amortized cost (debt instruments)

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

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

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

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

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

Cancellation

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

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

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

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

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

Impairment of financial assets

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

j) Financial liabilities and Equity

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

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

Conversion differences

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

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

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

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

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

Equity instruments

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

Bank borrowings

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

Trade payables

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

k) Derivative and hedging financial instruments

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

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

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

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

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

- Hedges of a net investment in a business abroad.

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

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

Fair value hedges

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

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

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

Cash flow hedges

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

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

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

l) Shares of the Parent

All the shares of the Parent are deducted from equity. At 31 December 2021, the Parent held 9,176,469 treasury shares, the acquisition cost of which amounted to EUR 7,526 thousand (0.82 €/share), the same amount as in 31 December 2020 (see Note 16).

m) Provisions

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

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

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

n) Termination benefits

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

ñ) Pension plans and similar obligations

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

o) Income Tax

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

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

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

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

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

Notwithstanding the above:

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

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

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

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

Tax system in Spain

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

p) Cash and other cash equivalents

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

q) Income and expense recognition

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

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

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

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

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

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

r) Borrowing costs

Borrowing costs directly attributable to the construction of the Group's property investment and inventories, which are assets that necessarily take a substantial time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale. No borrowing costs were capitalized under Inventories during 2021 and 2020.

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

s) Profit (loss) from operations

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

t) Consolidated cash-flow statement

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

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

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

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

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

u) Non-current assets held for sale

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

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

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

v) Foreign currency transactions and balances

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

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

The equivalent euro value of the total foreign currency assets and liabilities held by the Group at 31 December 2021, which were not material, related in full to the Realia Group company Realia Contesti, S.R.L.

w) Current assets and liabilities

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

	Thousands of Euros	
	2021	2020
Inventories (Note 13)	319,092	251,071
Total current assets	**319,092**	**251,071**
Trade and other payables	2,139	1,130
Total current liabilities	**2,139**	**1,130**

x) Costs passed on to tenants

The Group treats as income the costs passed on to the lessees of its property investment. The amounts billed in this connection, which in 2021 and 2020 totalled EUR 17,495 thousand and EUR 17,958 thousand respectively, are recognized under “Other operating income” in the attached consolidated statement of profit and loss (see Note 23.b).

y) Sales of property investment

The Group recognizes the net income obtained from the sale of property investment under “Gains or Losses on Sales of Property investment” in the attached consolidated statement of profit and loss. On July 2021, the company Realia Patrimonio, S.L.U. sold the plot located in Parc Central (22@) Barcelona, for EUR 18.5 M (according to the valuation by an independent expert on June 2021). Additionally, EUR 0.93 M have been recognized under “Valuation of investment property”, as a result of the adjustment of urban development costs of the plot. Later, on December 2021, the Realia Group sold “non-core” assets of the company Hermanos Revilla, S.A. for EUR 23.11 M, with EUR 1.34 M recognized under “Valuation of investment property” (see Notes 10 and 23.f).

5. Accounting standards and interpretations

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

Accounting standards used in the preparation of these consolidated financial statements are the same applied in the consolidated financial statements of the year ended on 31 December 2021, with the exception of the following standards and interpretations and changes applied for the first this year:

Standard, interpretation or change	**Date of enforcement in the EU**
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reassessment of the benchmark interest rate – phase 2	1 January 2021
Rent rebates related to Covid-19 after 30 June 2021 (Amendment to IFRS 16)	1 April 2021

Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16: Reassessment of the benchmark interest rate-phase 2

On August 2020, the IASB published the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reassessment of the benchmark interest rate – phase 2. These amendments provide a temporary relief to the financial information, while interbank offered rates (IBOR) are replaced by risk-free interest rates (RFR).

Amendments to IFRS 16: Rent rebates related to Covid-19 until 30 June 2022

This amendment allows tenants, as a practical solution, not to recognize rent rebates that arise directly from Covid-19, as a change in the lease. Where appropriate, if they so choose, the tenants will recognize the concessions applying the criteria of IFRS 16 Leases, as if these concessions were not an amendment.

This practical solution can only be applied to lease concessions that are a direct consequence of Covid-19. This requires fulfilling the following conditions: (i) the change in lease payments results in a revision to the lease consideration that is substantially the same, or less than, the consideration immediately prior to the change; (ii) any reduction in the payments of the lease affects only the payments that originally were due on, or before, 30 June 2022; and (iii) there are no substantial changes to the rest of terms and conditions of the lease.

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

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

Standard, interpretation or modification	Date of adoption by the EU	Date of enforcement in the EU	Date of enforcement of the IASB
IFRS 17 – Insurance contracts	23 November 2021	1 January 2023	1 January 2023
Amendment to IAS 1 – Presentation of financial statements: classification of financial liabilities as current or non-current	Pending	Pending	1 January 2023
Amendments to: - IFRS 3 Business combinations - Plant and equipment property - IFRS 37 Provisions, contingent liabilities and contingent assets - Annual improvements 2018-2020	2 July 2021	1 January 2022	1 January 2022
Information to disclose about accounting policies (Amendments to IAS 1 and the Practice Statement of IFRS No. 2)	Pending	Pending	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	Pending	Pending	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	Pending	Pending	1 January 2023

6. Basic and diluted earnings per share

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

Accordingly:

	2021	2020
Net result for the year attributable to the Parent (thousands of euros)	57,861	2,113
Weighted average number of shares outstanding	811,089,229	813,437,923
Basic earnings per share (euros)	0.071	0.003

At 31 December 2021 and 2020, the diluted earnings per share were the same as the basic earnings per share, since there were no debentures or shares that could potentially be converted into ordinary shares.

7. Segment reporting

a) *Basis of segmentation*

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

Primary business segments

The business lines described below were established based on the Realia Business Group's organizational structure at the end of 2021 and 2020, taking into account, on the one hand, the nature of the goods and services offered and, on the other, the customer segments at which they are targeted.

In 2021 and 2020, the Realia Group engaged mainly in the following major lines of business, which provides the bases on which the Group presents the information on its primary segments:

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

Secondary segments – geographical segments

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

b) Basis and methodology for segment reporting

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

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

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

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

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

Primary segment information

	Thousands of Euros							
	Property investments and land		Property rentals		Consolidation adjustments		Total Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Revenue:								
External sales (1)	98,300	25,274	81,775	79,013	-	-	180,075	104,287
Inter-segment sales	1,981	1,934	3	3	(1,984)	(1,937)	-	-
Total revenue	**100,281**	**27,208**	**81,778**	**79,016**	**(1,984)**	**(1,937)**	**180,075**	**104,287**
Result:								
Profit (loss) from operations	16,285	(12,123)	51,392	49,475	-	-	67,677	37,352
Variation in property investments	7	-	38,066	(24,627)	-	-	38,073	(24,627)
Financial profit (loss)	1,087	280	(14,662)	(4,887)	-	-	(13,575)	(4,607)
Share of result of associates	(33)	(7)	1,372	(465)	-	-	1,339	(472)
Net impairment	(1)	1	-	1	-	-	(1)	2
Profit (loss) before tax	**17,345**	**(11,849)**	**76,168**	**19,947**	**-**	**-**	**93,513**	**7,648**
Income tax	(3,371)	3,443	(18,718)	(5,039)	-	-	(22,089)	(1,596)

Non-controlling interests	13	(75)	13,550	4,014	-	-	15,563	3,939
Segment result	13,961	(8,331)	43,900	10,444	-	-	57,861	2,113

(1) The revenue from "Property rentals" segment includes the billings of costs passed on to tenants (see Note 4.x) and others, since the Group uses this presentation for internal management purposes. Note 23.a contains a breakdown of revenue by geographical area. Inter-segment transactions are performed on an arm's length basis.

	Thousands of Euros							
	Sale of Property Development and Land		Property Rentals		Consolidation Adjustments		Total Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Other information: Additions to fixed assets	61	106	10,112	5,249	-	-	10,173	5,355
Depreciation and amortization charge:	(102)	(116)	(191)	(187)	-	-	(293)	(303)
Net impairment recognized in profit and loss:								
Investment property	-	1	-	1	-	-	-	2
Inventories and other assets	4,465	(12,848)	35	(829)	-	-	4,500	(13,677)
Balance sheet: Assets Segment assets Equity investments in associate companies	 688,621 -	 512,654 11,900	 1,567,838 37,253	 1,568,215 36,702	 (229,571) -	 (35,734) -	 2,026,888 37,253	 2,045,135 48,602
Total consolidated assets	**688,621**	**524,554**	**1,605,091**	**1,604,917**	**(229,571)**	**(35,734)**	**2,064,141**	**2,093,737**
Equity and Liabilities Equity by segments Rest of liabilities by segment	 511,524 177,097	 475,300 49,254	 836,320 768,771	 807,494 797,423	 - (229,571)	 (9,010) (26,724)	 1,374,844 716,297	 1,273,784 819,953
Total consolidated Equity and Liabilities	**688,621**	**524,554**	**1,605,091**	**1,604,917**	**(229,571)**	**(35,734)**	**2,064,141**	**2,093,737**

Secondary segment information

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

	Thousands of Euros							
	Revenues		Non-current assets		Total Assets		Additions to Property Investments, Property Plant and Equipment and Intangible Assets	
	2021	2020	2021	2020	2021	2020	2021	2020
Spain	180,075	104,287	1,637,193	1,653,100	2,060,665	2,090,268	9,934	5,355
Rest	-	-	-	-	3,476	3,469	-	-
	180,075	**104,287**	**1,637,193**	**1,653,100**	**2,064,141**	**2,093,737**	**9,934**	**5,355**

8. Intangible assets

The changes in the various intangible asset items in 2021 and 2020 were as follows:

	Thousands of Euros
	Other Intangible Assets
Balances at 31 December 2019	**936**
Additions	27
Disposals	-
Transfers	1
Changes to scope of consolidation	(3)
Balances at 31 December 2020	**961**
Additions	33
Disposals	(109)
Transfers	-
Changes to scope of consolidation	-
Accumulated amortization:	
Balances at 31 December 2020	**961**
Additions	33
Disposals	(109)
Transfers	-
Changes to scope of consolidation	-
Balances at 31 December 2021	**885**
Accumulated amortization:	
Balances as at 31 December 2019	**(859)**
Charges	(27)
Disposals	-
Changes in scope of consolidation	3
Balances at 31 December 2020	**(883)**
Charges	(42)
Disposals	109
Changes to scope of consolidation	-
Net intangible assets:	
Balances at 31 December 2020	**78**
Balances at 31 December 2021	**69**

The balances as at 31 December 2021 and 2020 relate mainly to computer software.

During 2021 and 2020, the Group recognized an amortization charge for intangible assets of EUR 42 thousand and EUR 27 thousand respectively, under “Depreciation and amortization charge” in the attached consolidated income statement.

Fully amortized intangible assets still in use as of 31 December 2021 and 2020 amounted to EUR 590 thousand and EUR 698 thousand, respectively.

9. Property, plant and equipment

The changes in “Property, Plant and Equipment” in the consolidated statement of financial position in 2021 and 2020 were as follows:

	Thousand Euros		
	Buildings, Plant and Equipment for Own Use	Other items of Property, Plant and Equipment	Total
Cost:			
Balances at 31 December 2019	**2,050**	**4,164**	**6,214**
Provisions	49	80	129
Disposals	(47)	(43)	(90)
Transfers and other (Note 10)	(3)	2	(1)
Impact of IFRS 16 (Note 5)	-	(64)	(64)
Balances at 31 December 2020	**2,049**	**4,139**	**6,188**
Charges	6	33	39
Disposals	(74)	(27)	(101)
Transfers and other (Note 10)	(4)	1	(3)
Changes in the scope of consolidation			
Balances at 31 December 2021	**1,977**	**4,146**	**6,123**
Accumulated amortization:			
Balances at 31 December 2019	**(555)**	**(3,139)**	**(3,694)**
Charges	(66)	(210)	(276)
Disposals	41	36	77
Transfers	-	1	1
Changes in scope of consolidation	-	64	64
Balances at 31 December 2020	**(580)**	**(3,248)**	**(3,828)**
Charges	(39)	(212)	(251)
Disposals	35	27	62
Transfers	-	(2)	(2)
Changes in scope of consolidation			
Balances at 31 December 2021	**(584)**	**(3,435)**	**(4,019)**
Impairment losses:			
Balances at 31 December 2019	**(52)**	**-**	**(52)**
Charges	1	-	1
Balances at 31 December 2020	**(51)**	**-**	**(51)**
Charges	(2)	-	(2)
Balances at 31 December 2021	**(53)**	**-**	**(53)**
Net tangible assets:			
Balances at 31 December 2020	**1,418**	**891**	**2,309**
Balances at 31 December 2021	**1,340**	**711**	**2,051**

“Buildings, Plant and Equipment” includes mainly the offices used by a subsidiary of the Group in Spain, recognized for a carrying amount of EUR 1,152 thousand and EUR 1,167 thousand at 31 December 2021 and 2020, respectively.

At 31 December 2021, the cost of the building lots included under “Buildings, Plant and Equipment for Own-Use” amounted to EUR 248 thousand (EUR 248 thousand at 31 December 2020).

The fair value of the Group’s assets or “Net Asset Value”, included under “Buildings, Plant and Equipment” at 31 December 2021, calculated on the basis of appraisals conducted by independent experts not related to the Group, as described in Note 4.c, amounted to EUR 7,397 thousand (EUR 6,896 thousand at 31 December 2020).

In 2021 and 2020, the Group recognized a depreciation charge for property, plant and equipment of EUR 251 thousand and EUR 276 thousand, respectively, recognized under “Depreciation and Amortization charge” in the attached consolidated statement of profit and loss.

Fully depreciated items of property, plant and equipment amounted to EUR 1,875 thousand at 31 December 2021, and EUR 1,734 thousand at 31 December 2020.

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At the end of 2021, the property, plant and equipment were fully insured against this risk.

10. Property investment

The changes in "Property investment" in the consolidated statement of financial position in 2021 and 2020 were as follows:

	Thousands of Euros		
	Rental buildings	**Construction in progress and advances**	**Total**
Balance at 31 December 2019	**1,452,415**	**31,131**	**1,483,546**
Additions	612	4,592	5,204
Disposals	(5)	-	(5)
Transfers	22,371	(22,371)	-
Changes in fair value	(24,581)	(46)	(24,627)
Balance at 31 December 2020	**1,450,812**	**13,306**	**1,464,118**
Additions	1,340	8,522	9,862
Disposals	(42,923)	(351)	(43,274)
Transfers	1,318	(1,315)	3
Changes in fair value	38,228	(155)	38,073
Balance at 31 December 2021	**1,448,775**	**20,007**	**1,468,782**
Property investments:			
Balances at 31 December 2020	1,450,812	13,306	1,464,118
Balances at 31 December 2021	1,448,775	20,007	1,468,782

Property investment is recognized at fair value. The amount recognized in the profit and loss account for the fair value valuation of property investments at year-end 2021 amount to revenues of EUR 38,073 thousand (EUR 24,627 thousand in expenses in 2020), fully recognized under "Variation in value of property investments" in the attached consolidated financial statement (see note 23.f).

In 2021, EUR 43,274 thousand were derecognized from "Property Investments", corresponding mainly to the sale of "non-core" assets by Hermanos Revilla, S.A. for an amount of EUR 23,108 thousand, and the sale by Realia Patrimonio, S.L.U. of a plot located in 22 @ Barcelona for EUR 18,500 thousand. The selling price of these assets with respect to their fair value recognized under "Property Investments" resulting from the valuation by independent experts on 30 June 2021 resulted in an increase of EUR 2,268 thousand from the changes in fair value (see Note 4.y).

Additionally, as a result of the valuation made by independent experts at 31 December 2021, a positive result of EUR 35,805 thousand has been recognized, against a negative result of EUR 24,627 thousand at December 2020 (see Note 23.f). This positive evolution is the result of the improved expectations of the economic situation due to the vaccination against Covid-19.

Lease Properties

No significant additions and transfers took place during 2021; these amounted to EUR 1,340 thousand and EUR 1,318 thousand respectively, mainly due to the conclusion of urban development work of the plot located in 22 @Barcelona and the improvement and renovation work carried out in several buildings of Realia Patrimonio S.L.U. and Hermanos Revilla S.A.

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

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

- The subsidiary Realia Patrimonio S.L.U. capitalized EUR 247 thousand during the year in connection with the renovation of several buildings. Similarly, Realia Patrimonio transferred EUR 1,830 from "Constructions in progress" to "Buildings for rent", as a result of the renovation works in the buildings Torre Porta Fira, CC Ferial Plaza and CC Leganés Plaza.

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

No significant disposals took place in 2020.

Property investment under construction and advances

The main additions to and transfers to/from "Property investment under Construction" in 2021 and 2020 related mainly to the following items:

- Subsidiary Valaise, S.L. acquired in 2019 two land lots in the municipality of Tres Cantos (Madrid), where it plans to develop projects for the construction of 195 subsidized homes (VPPL-VPPB) for rent, and construction started in 2021. Investment on these projects amounted to EUR 4,955 thousand, and the total investment during the year amounted to EUR 1,437 thousand, in the developments in the municipality of Tres Cantos (Madrid) for the construction of 195 social housing units (VPPL-VPPB) and 85 subsidized housing units (VPPB), both of them for rent.

- Realia Patrimonio S.L.U. capitalized EUR 2,705 thousand, of which EUR 167 thousand correspond to advanced payments (EUR 1,120 thousand and EUR 167 thousand respectively at 31 December 2020), mainly for renovation work at the shopping centre CC Plaza Nueva (EUR 1,328 thousand) to prepare it for a new tenant, and the rest corresponds to renovation work, most notably of C.N. Méndez Alvaro (EUR 428 thousand), Torre Porta Fira (EUR 314 thousand) and Torre Realia (EUR 261 thousand).

- Subsidiary Hermanos Revilla S.A. capitalized EUR 862 thousand (EUR 2,036 at 31 December 2020), for the renovation and reform works of several owned buildings: Serrano, 21 (EUR 269 thousand), Salvador de Madariaga, 1 (EUR 220 thousand) and Albasanz, 16 (EUR 131 thousand).

Pursuant to the revised IAS 23, the Group capitalizes the borrowing costs associated with property investment under construction that takes a period of over twelve months to get ready for its intended use or sale. The Group did not capitalize any interests for this concept in 2021 and 2020.

Measurement of fair value and sensitivity

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

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

The determination of the market value of property investments as at 31 December 2021 and 2020, calculated on the basis of appraisals conducted by independent experts not related to the Group, amounts to EUR 1,468,782 thousand and EUR 1,464,118 thousand, respectively.

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

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

The independent expert applies the cash-flow discount method for valuation on 93.6% of the property assets.

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

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

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

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

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

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

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

The main hypotheses used in the calculation of the fair value of property investment for 2021 were the following:

	Current average rent	Exit Yield (1)	IRR (1)	ERV
Offices	20.1 €/m2/month	4.5%	6.5%	20.0 €/m2/month
Shopping centres	11.1 €/m2/month	6.0%	8.1%	12.0 €/m2/month
Other assets	16.9 €/m2/month	5.8%	6.8%	18.7 €/m2/month
Residential	6.6 €/m2/month	4.0%	6.0%	8.7 €/m2/month

(1) Weighed by the value of the assets

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

	Current average rent	Exit Yield (1)	IRR (1)	ERV
Offices	19.3 €/m2/month	4.7%	6.8%	20.5 €/m2/month
Shopping centres	11.8 €/m2/month	7.0%	8.9%	12.8 €/m2/month
Other assets	16.8 €/m2/month	5.6%	6.8%	18.9 €/m2/month
Residential	6.4 €/m2/month	4.0%	5.5%	8.1 €/m2/month

(1) Weighed by the value of the assets

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

	Thousands of Euros			
	2021		2020	
	Assets	Consolidated net profit (loss)	Assets	Consolidated net profit (loss)
Increase of the yield rate by one quarter of a point	(47,305)	(35,479)	(45,219)	(33,914)
Decrease of the yield rate by one quarter of a point	52,515	39,386	50,490	37,868

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

	Thousands of Euros			
	2021		2020	
	Assets	Consolidated net profit (loss)	Assets	Consolidated net profit (loss)
10% increase in the ERV	113,315	84,986	113,987	85,490
10% decrease in the ERV	(111,470)	(83,603)	(115,129)	(86,347)

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

	Thousands of Euros			
	2021		2020	
	Assets	Consolidated net profit (loss)	Assets	Consolidated net profit (loss)
Increase of the IIR by one quarter of a point	(26,610)	(19,958)	(23,005)	(17,254)
Decrease of the IIR by one quarter of a point	27,460	20,595	23,581	17,686

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

Type of Asset	Thousands of Euros	
	2021	2020
Offices	38,805	(10,890)
Shopping centres	(3,990)	(12,270)
Other assets	1,162	(1,332)
Residential	2,096	(135)
	38,073	**(24,627)**

The valuation report by an independent expert meets the market value definition and does not include any relevant hypothesis or special condition. The independent expert is the regular assessor of the Group’s property portfolio and follows an active valuation plan with visits every three years, except in the case of new acquisitions or significant investments in existing assets. Valuations in 2021 and 2020 were made on the basis of contractual rents and their revision.

Breakdown of fair value of property investments

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

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

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

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

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

	2021
Recurrent fair value valuations	
Property investments	
Offices	1,117,103
Shopping centres	291,714
Other assets	26,065
Residential (1)	33,900
Total assets valued at fair price	**1,468,782**

	2020
Recurrent fair value valuations	
Property investments	
Offices	1,110,014
Shopping centres	295,409
Other assets	31,895
Residential (1)	26,800
Total assets valued at fair price	**1,464,118**

(1) Includes a residential asset that started commercial operation in 2020, valued at EUR 18,300 thousand and EUR 16,000 thousand in 2021 and 2020, respectively.

No assets were transferred between the different levels in 2021 or 2020.

Location, occupancy rates and use

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

	Square meters for rent		Occupancy rate (%)	
	2021	2020	2021	2020
Madrid (1)	257,741	260,688	93.34	93.97
Barcelona	32,325	32,325	95.29	99.76
Logroño	40,544	40,544	100.00	100.00
Seville (2)	8,735	8,735	82.85	95.13
Guadalajara	32,507	32,507	77.85	77.58
Rest	13,931	16,831	79.28	74.87
	385,783	**391,630**	**92.16**	**92.92**

(1) Includes a residential asset in commercial operation.

(2) Does not include the Guillena Golf Course.

(3) Does not include the m2 for rent of the company As Cancelas S XXI, consolidated using the equity method.

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

	Square meters for rent		Use (%)	
	2021	2020	2021	2020
Offices	224,759	226,860	58.26	57.93
Commercial	108,640	111,540	28.16	28.48
Residential	9,973	9,973	2.59	2.55
Other (1)	42,411	43,257	10.99	11.04
	385,783	**391,630**	**100.00**	**100.00**

(1) Does not include the Guillena Golf Course.

Rental income, including income arising from passed-on expenses, from property investment owned by the consolidated companies amounted to EUR 81,451 thousand and EUR 78,377 thousand in 2021 and 2020, respectively (see Notes 23.a and 23.b), and the related operating expenses directly related to the activity amounted to EUR 25,895 thousand and EUR 23,781 thousand, respectively.

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

	Thousands of Euros			
	Fair value		Mortgage loan drawn down	
	2021	2020	2021	2020
Realia Patrimonio	829,152	830,675	457,677	523,392
Total investments with mortgage charge	**829,152**	**830,675**	**457,677**	**523,392**

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

At 31 December 2021 and 2020, there were no property access to which the title was restricted.

11. <u>Investments in associates</u>

The detail, by company, of “Investments in Associates” at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
As Cancelas Siglo XXI, S.L.	37,253	36,702
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L.	-	11,900
	37,253	**48,602**

Pursuant to IAS 40, the Group determines from time to time the fair value of the elements of the property investments of the Group’s companies by the equity method so that, at the end of the reporting period, the fair value reflects the market conditions of the property investment elements on that date. Such fair value is determined annually taking as a reference the valuations made by the independent expert (see Note 10). At 31 December 2021 and 2020, the valuation of the property investments of the Group's companies through the equity method, at 50%, amounted to EUR 51,450 thousand and EUR 52,400 thousand, respectively. This value has increased the Group's ownership interest.

The value of the inventories of the companies consolidated using the equity method on 16 February 2021, Realia Business, S.A. acquired from Martinsa Fadesa, S.A. (in liquidation) 1,116 shares representing 33.33% of the share capital of the company Inversiones Inmobiliarias Rústicas y Urbanas, 2000, S.L. and the rights and obligations arising from the loan credit it had with the latter. After this acquisition, it now holds 66.70% of the share capital. Later, on 2 December 2021, a change was made to the articles of association through which the Group acquired control of the company, and the consolidation method was changed to global consolidation. Thus, the valuation of inventories at 31 December 2021 and 2020 of the associates, calculated on the basis of appraisals conducted by independent experts not related to the Group, according to the provisions of Note 4.f, amounts to zero and EUR 17,842 thousand, respectively.

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

	Thousands of Euros		
	As Cancelas Siglo XXI, S.L. (50%)	Inversiones Inmob. Rústicas y Urbanas 2000, S.L. (33.36%)	Total
Balances at 31 December 2019	**38,376**	**11,907**	**50,283**
Dividends	(1,209)	-	(1,209)
Profit/loss for the year (Note 23.e)	(465)	(7)	(472)
Balances at 31 December 2020	**36,702**	**11,900**	**48,602**
Dividends	(821)	-	(821)
Profit/loss for the year (Note 23.e)	1,372	(33)	1,339
Changes in the method of consolidation and transfers	-	(11,867)	(11,867)
Balances at 31 December 2021	**37,253**	**-**	**37,253**

In 2021, the company As Cancelas Siglo XXI, S.A. paid out dividends to its parent Realia Patrimonio, S.L.U., for an amount of EUR 821 thousand (EUR 1,209 thousand at 31 December 2020).

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

The detail of the assets, liabilities and main figures in the statement of profit and loss of associates at 31 December 2021 and 2020, according to their ownership interest, is as follows:

At year-end 2021:

	Thousands of Euros	
	As Cancelas Siglo XXI, S.L. (50.00%)	Total
Balance sheet:		
Non-current assets	35,404	35,404
Current assets	1,724	1,724
Total assets	**37,128**	**37,128**
Equity	24,634	24,634
Non-current liabilities	10,758	10,758
Current liabilities	1,736	1,736
Total liabilities	**37,128**	**37,128**
Statement of profit/loss:		
Revenues	5,523	5,523
Profit(loss) from operations	1,714	1,714
Profit (loss) before tax	1,622	1,622
Profit (loss) for the year (1)	1,217	1,217

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

(2) At year-end 2020:

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

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

12. Joint ventures

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

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

The main aggregates at 31 December 2021 and 2020 of the joint property entities (included in Appendix III) included in the consolidated financial statements of Realia Business are as follows:

	Thousands of Euros	
	Joint Property Entities	
	2021	2020
Revenue	2,391	1,414
Profit (loss) from operations	194	14
Financial income	-	-
Non-current assets	1	1
Current assets	3,278	5,240
Liquid assets	64	203
Current liabilities – financial	2,823	5,087
Current financial liabilities – other	319	337

At 31 December 2021 and 2020, the Group companies did not have any commitments to purchase property, plant and equipment to be contributed to the joint ventures. Similarly, no commitments to purchase property, plant and equipment had been assumed directly by the joint ventures in those years.

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

13. Inventories

The detail of "Inventories" at 31 December 2021 and 2020, which relate mainly to property for residential use, is as follows:

	Thousands of Euros					
	2021			2020		
	Cost	Write-downs	Net	Cost	Write-downs	Net
Land and building lots	707,586	(441,413)	266,173	659,722	(445,554)	214,168
Sundry materials	6	-	6	7	-	7
Short-cycle construction work in progress	-	-	-	60,081	(4,734)	55,347
Long-cycle construction work in progress	84,653	(31,734)	52,919	62,645	(25,742)	36,903
Completed buildings	37,597	(5,656)	31,941	39,863	(7,408)	32,455
Advances to suppliers	1,036	-	1,036	493	-	493
	830,878	**(478,803)**	**352,075**	**822,811**	**(483,438)**	**339,373**

The market value of the Group's inventories at 31 December 2021 and 2020, calculated based on the appraisals conducted in 2021 and 2020 by independent experts not related to the Group, amounted to EUR 379,592 thousand and EUR 368,013 thousand, respectively. As a result, due to eliminations due to sales and write-downs and reversals recognized for these inventories in line with their market value, the Group recognized a net reversal of write-downs amounting to EUR 4,500 thousand (2020: net reversal of EUR 13,677 thousand).

On 31 December 2021 and 2020, TINSA determined the fair value of assets at December 2021 and 2020, applying the RICS methodology to the portfolio of residential assets.

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

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

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

The key hypotheses considered in these valuations are:

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

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

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

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

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

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

The result of the sensitivity analysis for the period ended on 31 December 2021 is as follows:

(MM€)	Fluctuation of revision rate		Fluctuation of price of final products			
	-1%	+1%	-1%	+1%	-5%	+5%
Variation of the value of Portfolio (million €)	16.4	(11.6)	(11.0)	8.7	(50.4)	48.1

The changes in “Inventories” in the years ended 31 December 2021 and 2020, excluding impairment losses, were as follows:

	Thousands of Euros					
	Land and building lots	Short-cycle developments in progress	Long-cycle developments in progress	Completed buildings	Embodiment items	Total
Balance at 31 December 2019	**660,269**	**34,629**	**78,837**	**36,157**	**6**	**809,898**
Conversion differences	(198)	-	(13)	-	-	(211)
Exchange rate changes	-	-	-	-	-	-
Additions	1,038	16,838	13,300	-	8	31,184
Disposals	(1,387)	-	-	(17,159)	(7)	(18,553)
Transfers	-	8,614	(29,479)	20,865	-	-
Balance at 31 December 2020	**659,722**	**60,081**	**62,645**	**39,863**	**7**	**822,318**
Conversion differences	(172)	-	(11)	-	-	(183)
Changes in the scope of consolidation	53,064	-	-	-	-	53,064
Additions	12,087	12,698	4,904	49	9	29,747
Disposals	-	-	-	(75,094)	(10)	(75,104)
Transfers	(17,115)	(72,779)	17,115	72,779	-	-
Balance at 31 December 2021	**707,586**	**-**	**84,653**	**37,597**	**6**	**829,842**

Land and building lots and Developments in progress

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

In 2021, EUR 53,604 thousand were recognized under changes in the scope of consolidation for land in the municipality of El Molar (Madrid), corresponding to the company Inmobiliarias Rústicas y Urbanas 2000, S.L. due to the change in the consolidation method (see Note 2.g).

Land and lots were added in 2021 for EUR 12,087 thousand, most significantly in Madrid (Valdebebas), Valencia (Fuente San Luis) and Madrid (Alcorcón - Retamar), for EUR 9,939 thousand, 772 thousand and 487 thousand, respectively.

In 2021, two developments, “Parque del Ensanche II” and “Sabadell FII” were transferred from “Land and lots” to “Long-cycle work in progress”, for an amount of EUR 17,115 thousand.

Additionally, EUR 72,779 thousand were transferred from “Short-cycle work in progress” to “Completed buildings”, corresponding to the completed developments of “Parque del Ensanche I”, “Valdebebas Único” and “Essencia Sabadell”.

The most relevant additions to “Short-cycle work in progress” during 2021 correspond to the developments in progress that represented the investment of EUR 12,698 thousand.

In 2020, two developments in Madrid and Alcalá de Henares were transferred from “Long-cycle work in progress” to “Short-cycle work in progress” for EUR 29,479 thousand, since they are expected to start delivering the units within 12 months. On the other hand, a development in Palma de Mallorca was transferred from “Short-cycle work in progress” to “Completed buildings” for EUR 20,865 thousand.

Advances to suppliers

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

	Thousands of Euros	
	2021	2020
Realia Business, S.A.:		
Valdebebas	473	473
El Molar	563	18
Other	-	2
Total advances to suppliers	**1,036**	**493**

Advances to suppliers during 2021 and 2020 relate mainly to urban development costs paid to the Valdebebas Development and Apportionment Board.

During 2021 and as a consequence of the incorporation to the scope of consolidation mentioned in Note 2.g, the amounts given to the developers in the “El Molar” development were added, EUR 545 thousand, corresponding to the instalments paid to the City of El Molar for the monetization of the urban use of the sector.

Pursuant to revised IAS 23, the Group capitalizes the borrowing costs associated with property investment under construction, which takes a period of over twelve months to get ready for its intended use. In 2021 and 2020, no borrowing costs were capitalized in this connection.

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

At 31 December 2021, certain assets were recognized under inventories, with an aggregate carrying amount of EUR 4,659 thousand, which serve as a mortgage security for the "syndicated" loan arranged by Realia Patrimonio S.L.U. for EUR 2,800 thousand (see Note 19). At 31 December 2020, certain assets were recognized under inventories, with an aggregate carrying amount of EUR 4,683 thousand, which serve as a mortgage security for the loan arranged between Realia Patrimonio and the "syndicated loan" for EUR 3,169 thousand (see Note 19).

Inventory write-downs

The changes with an impact on inventory write-downs in 2021 and 2020 were as follows:

	Thousands of Euros	
	2021	2020
Initial balance	(483,438)	(469,919)
Net impairment losses – land (Note 23.j)	(5,177)	(13,805)
Net amounts used/reversed – property developments in progress and completed (Note 23.j)	9,677	128
Effect of exchange rate changes	135	156
Final balance	**(478,803)**	**(483,438)**

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

14. Other assets

14.1 Trade and other receivables

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

	Thousands of Euros	
	2021	2020
Trade and other receivables	8,757	5,978
Customers in default	14	1,713
Unpaid trade receivables and notes	-	8,202
Doubtful trade receivables	814	426
Impairments - customers	(1,595)	(9,405)
Sundry accounts receivable	3,382	5,061

Impairments - receivables	(667)	(682)
Other accounts receivable from public authorities (Note 21)	652	757
Current tax assets (Note 21)	5,733	4,659
Total trade and other receivables	**17,090**	**16,709**

"Trade and other Receivables" at year-end 2021 relates mainly to invoices yet to be issued by the property management companies due to the straight-line recognition of amounts in rent-free periods and rent rebates, of EUR 6,419 thousand (EUR 5,569 thousand in 2020), in accordance with the accounting treatment provided for under International Accounting Standards (IFRS 16/ IAS 17), included in Note 5.a of this report.

During 2021, the balance of "Customers" – unpaid" was cancelled due to the agreement reached with the debtor, under insolvency proceedings, of the commercial loan generated by the sale of land, cancelling all commercial loans for the sale of land which amounted to EUR 8,188 thousand, and that was fully provisioned.

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

14.2 Current and non-current financial assets

The detail of "Non-Current Financial Assets" and "Other Current Financial Assets" at 31 December 2021 and 2020 is as follows:

	Thousands of Euros			
	2021		2020	
	Non-current	Current	Non-current	Current
Credit facilities	9,700	347	11,500	4,474
Other	-	1,030	-	374
Total other financial assets	**9,700**	**1,377**	**11,500**	**4,848**

At 31 December 2021 and 2020, non-current financial assets recognize a balance of EUR 9,700 thousand (EUR 11,500 thousand at 31 December 2020), for a loan granted by Realia Patrimonio, S.L.U. to its affiliate As Cancelas Siglo XXI, S.L.

Regarding current financial assets, "Loans" in 2020 recognize EUR 4,465 thousand corresponding to credit facilities and interest pending payment that the Parent had granted to Inversiones Inmobiliarias y Rústicas 2000, S.L. During 2021, the balance was cancelled out in the consolidation process against the liabilities for the same concept and incorporated into the consolidated financial statements of the company as a consequence of the change in the scope of consolidation (see Note 2.g).

"Other financial assets" recognized at 31 December 2021 mainly the amount of the amounts deposited in courts as a result arising from court rulings on the litigations around the development Fuente San Luis (Valencia) for EUR 690 thousand and the development Arroyo de la Encomienda for EUR 185 thousand. It also includes the bond of EUR 120 thousand deposited in court for the award of plot RC 1.9 in Valdemoro (Madrid).

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

14.3 Other current and non-current assets

“Other current and non-current assets” recognizes as current assets advanced payments amounting to EUR 4,310 thousand and EUR 4,885 thousand in 2021 and 2020, respectively. Non-current assets relates to the long-term guarantees and deposits provided to Public Authority bodies, which amounted to EUR 9,517 thousand and EUR 9,784 thousand at year-end 2021 and 2020, respectively.

15. Cash and cash equivalents

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

	Thousands of Euros	
	2021	2020
Short-term deposits held at banks	372	400
Cash and current accounts	51,724	74,422
Total cash and cash equivalents	**52,096**	**74,822**

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

At 31 December 2021 and 2020, the amounts pledged by investee Realia Patrimonio S.L.U. for this concept amounted to EUR 2,953 thousand and EUR 27,479 thousand, respectively.

16. Shareholder’s equity

At year-end 2021 and 2020, the share capital of the Parent Company is represented by 820,265,698 shares, all of them bearer shares, of a nominal value of 0.24 Euros each, fully subscribed and paid.

The majority shareholders at 31 December 2021, according to the statement of ownership interest registered with the Comisión Nacional del Mercado de Valores (CNMV) are the following:

Shareholders	**% of Ownership**
Soinmob Inmobiliaria Española, S.A.U.	23.23%
FC y C, S.L. (80.03% subsidiary of FCC, S.A.)	50.10%
Rest	26.67%
	100%

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

corporate structures, centralizing and integrating the management and administration functions of the companies into a single holding company (CEC).

According to the relevant event reported by Fomento de Construcciones y Contratas, S.A. on 8 October 2021, FCC's real estate affiliate, FCyC, S.L.U. reached an agreement with Control Empresarial de Capitales, S.A. de C.V. ("CEC") for the acquisition by FCyC, S.L.U. of a 13.11% stake of the share capital of Realia Business, S.A. ("Realia") from CEC for a cash payment of EUR 83.9 Million (equivalent to a price of 0.78€/share), and reaching a direct control interest in Realia of 50.1%, which represents its global consolidation within the FCC Group.

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 share price of 0.78€/share).

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

At 31 December 2020, the share capital of the Company was represented by 820,265,698 shares. The most representative shareholders, according to the disclosures made to the CNMV, are the following:

Shareholders	**% of Ownership**
Control Empresarial de Capitales, S.A. de Capital Variable	36.35%
FC y C, S.L.U. (100% owned by FCC, S.A.)	36.98%
Rest	26.27%
	100%

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

Share premium

The consolidated text of the Law on Corporations expressly allows for the use of the balance of the share premium to increase capital and does not establish any specific restriction on the availability of the balance for other purposes. The share premium amounts to EUR 528,492 thousand at 31 December 2021 (EUR 528,492 thousand at 31 December 2020).

Reserves of the Parent

Legal reserve

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

At year-end 2021, the legal reserve amounts to EUR 22,709 thousand (EUR 22,709 thousand at 31 December 2020), and was not fully established.

Other reserves

At 31 December 2021, this item includes special and voluntary reserves, for EUR 43,876 thousand and EUR 262,679 thousand, respectively (EUR 43,876 thousand and EUR 262,680 thousand at 31 December 2020).

Special reserves are composed by restricted reserves for EUR 43,764 thousand, generated on 15 June 2000 as a result of a transfer from capital to reserves due to a capital decrease in Produsa Este, S.A, currently Realia Business, S.A., and EUR 112 thousand, created on the coming into force of the euro in 2002 (the same amount at 31 December 2020).

Additionally, there are “Negative results from previous years” for a negative amount of EUR 474,351 thousand (EUR 464,601 thousand at 31 December 2020).

Reserves in consolidated companies

The breakdown of reserves in consolidated companies is as follows:

	Thousands of Euros	
	2021	2020
Realia Business, S.A. and consolidation adjustments	19,416	18,432
Subgroup Planigesa	147,571	153,313
Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L.	11,241	(16)
Realia Polska SP ZOO	-	(430)
As Cancelas Siglo XXI, S.L.	13,706	14,991
Realia Contesti, S.R.L.	1,650	1,589
Servicios Índice, S.A.	-	(1)
Realia Patrimonio, S.L.U.	284,257	264,434
Valaise, S.L.U.	(10)	212
Total	**477,831**	**452.954**

In 2021 and 2020, EUR 454,987 thousand and EUR 360,230 thousand respectively are included within the reserves of consolidated companies, due the increase in the fair value of investment properties.

Treasury shares

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

The changes in treasury shares during 2021 and 2020 were as follows:

	Number of shares	Thousands of Euros
Balances at 31 December 2019	**3,434,241**	**3,277**
Acquisitions	5,742,228	4,249
Balances at 31 December 2020	**9,176,469**	**7,526**
Acquisitions	-	-
Balances as at 31 December 2020	**9,176,469**	**7,526**

The average price of treasury shares at year-end 2021 is 0.82 €/share (0.82 €/share in 2020). The number of treasury shares accounts for 1.12% of the total shares.

17. Non-controlling interests

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

	Thousands of Euros
Balance at 31 December 2019	**243,128**
Dividends paid	(9,033)
Profit (loss) for 2020	3,939
Other	(1)
Balance at 31 December 2020	**238,033**
Changes in the consolidation method (Note 2.g)	11,378
Changes in ownership interest % (Note 2.g)	(186,129)
Dividends paid	(113)
Profit (loss) for 2021	13,563
Balance at 31 December 2021	**76,732**

The detail, by company, of "Non-controlling Interests" at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L. (Note 2.g)	11,378	-
Planigesa Subgroup (Note 2.g)	63,322	236,014
Servicios Índice, S.A.	2,032	2,019
Final balance	**76,732**	**238,033**

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

		Percentage of Ownership	
	Company	2021	2020
Nozar, S.A.	Servicios Índice, S.A.	39.92%	39.92%
Ecohabitalia S.L.U.	Planigesa, S.A.	23.48%	23.48%

18. Provisions

Long-term provisions

The changes in "Long-term provisions" in 2021 and 2020 were as follows:

	Thousand Euros		
	Warranty Provision	Other Provisions	Total
Balance at 31 December 2019	**2,202**	**9,434**	**11,636**
Charges for the year	-	853	853
Amounts used/ reversed	-	(149)	(149)
Transfers	(306)	-	(306)
Balance at 31 December 2020	**1,896**	**10,138**	**12,034**
Charges for the year	3,120	1,261	4,381
Amounts used/reversed	-	(732)	(732)
Transfers	57	-	57
Balance at 31 December 2021	**5,073**	**10,667**	**15,740**

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

In 2021, the Group recognized and reversed provisions for EUR 1,261 thousand and EUR 732 thousand, respectively (EUR 853 thousand and EUR 149 thousand respectively at 31 December 2020). They mainly correspond to possible claims arising from changes in the current urban development plans or their arrangement that may reduce the buildable space area in some areas where the parent company has a presence, recognized under "Changes in trade provisions" in the accompanying consolidated profit and loss account (EUR 690 thousand at 31 December 2020) (Note 23.j). Regarding reversed amounts, EUR 732 thousand were recognized under "Excess Provisions" in the accompanying consolidated profit and loss account.

Current provisions

At 31 December 2021, "Current Provisions" mainly include provisions for "Short-term guarantees" for an amount of EUR 516 thousand. At 31 December 2020, current provisions amounted to EUR 379 thousand.

19. Bank borrowings and other financial liabilities

The detail of the Group's "Bank Borrowings and Other Financial Liabilities" as at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Non-current:		
Loans and other bank borrowings	511,189	545,622
(Loan arrangement costs)	(7,168)	(8,942)
Valuation adjustments IFRS 9)	(6,898)	(8,619)
Derivatives	2,289	5,530
Other	-	11
Total bank borrowings and other non-current financial liabilities	**499,412**	**533,602**
Current:		
Loans and other bank borrowings	-	40,708
Loans and other borrowings from Group companies	120,000	-
Loans and other borrowings from third parties	3,590	-
(Loan arrangement costs)	-	(364)

(Valuation adjustments IFRS9)	-	(349)
Interest	2,035	1,363
Derivatives	2,386	2,403
Property, plant and equipment – suppliers	4,158	1,901
Other	993	1,616
Total bank borrowings and other current financial liabilities	**133,162**	**47,278**
Total	**632,574**	**580,880**

At 31 December 2021 and 2020, bank borrowings and payables to third parties, broken down by types of guarantee, are as follows:

	Thousands of Euros			
	2021		2020	
Type of guarantee	Limit	Drawn Down	Limit	Drawn Down
Personal and other guarantees	191,997	169,590	68,000	58,769
Syndicated guarantees – Property (1)	465,189	465,189	526,561	526,561
Loan arrangement costs and valuation adjustments IFRS 9	(14,066)	(14,066)	(18,274)	(18,274)
Interest from current accounts	2,035	2,035	-	1,363
Gross bank borrowings	645,155	622,748	576,287	569,419
Derivatives	4,675	4,675	7,933	7,933
Total gross bank borrowings	**649,830**	**627,423**	**584,220**	**577,352**

(1) Restricted to assets financed.

The detail, by type, of the bank borrowings as at 31 December 2021 and 2020 is as follows:

Current and non-current Loans and Credit Facilities	Thousands of Euros	
	2021	2020
Syndicated property loan	465,189	526,561
Bilateral loan and credit with banks	46,000	59,769
Loan and other borrowings from Group companies	120,000	-
Loan and other borrowings from third parties	3,590	-
Loan arrangement costs and valuation adjustments IFRS9	(14,066)	(18.274)
Interest	2,035	1,363
Derivatives	4,675	7,933
Total	**627,423**	**577,352**

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

	Thousands of Euros	
	2021	2020
2021	0	42,071
2022	125,625	41,984
2023	18,861	23,920
2024	61,433	45,433
2025 and subsequent years	432,895	434,285
Loan arrangement costs and valuation adjustments IFRS 9	(14,066)	(18,274)
Derivatives	4,675	7,933
	627,423	**577,352**

At 31 December 2021, loan arrangement costs (EUR 7,168 thousand) and valuation adjustments (EUR 6,898 thousand) arising from the application of IFRS 9 in the novation of Realia Patrimonio S.L.U.'s syndicated loan on April 2020 are recognized as a deduction from the balance of "Loans and other bank borrowings" in the accompanying balance, and amount to EUR 14,066 thousand (EUR 18,274 thousand in 2020).

Syndicated loans – Rental property

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

On 27 April 2020, it took a non-extinguishing modifying novation of that loan, extending its maturity to 27 April 2025 and renegotiating a reduction in the spread applicable to the benchmark rate for the calculation of interest, and ratifying the current guarantees. As a consequence of this novation, the applicable interest rate is Euribor plus a variable spread depending on the "Loan to Value" ratio within a range of 120 to 190 bp, with no change to the rest of the terms of the loan; on 31 December 2020, the spread applied was 135 basis points. The spread applied currently is 120 basis points.

On 27 July 2021, an early, partial and voluntary repayment of EUR 50,000 thousand was made and, by means of a waiver approved by the banking syndicate, was applied to the repayment instalments scheduled from that date to April 2023, and reducing the instalment corresponding to October 2023.

EUR 20,000 thousand of the Realia Patrimonio S.L.U.'s own cash was used for the repayment mentioned in the preceding paragraph, as well as a EUR 30,000 thousand loan granted by its Parent, Realia Business, S.A.

At 31 December 2021, the outstanding balance of the syndicated loan amounts to EUR 465,189 thousand (EUR 526,561 thousand in 2020, not including IFRS 9 valuation adjustments or loan arrangement costs for EUR 14,066 thousand or interest accrued for EUR 1,030 thousand.

As collaterals of the syndicated loan, and as debentures resulting from the hedging contracts associated to the loan, mortgage guarantees on property investments were created, as provided for in Notes 10 and 13, and on some land classified under "Inventories", and also as a pledge over the credit risks derived from lease contracts, insurance contracts, inter-group loans and dividends received by Realia Patrimonio, S.L.U. and as pledge on the shares of Hermanos Revilla S.A., Planigesa S.A. and As Cancelas Siglo XXI, S.L.

During the term of the loan, the Company must meet several ratios related to the debt service hedge (RCSD equal or higher than 1.10x) and to net indebtedness levels over the GAV of property assets ("Loan to Value" or LTV lower than 60%). At 31 December 2021, the Company fulfils the covenants established in the loan contract. Similarly, the Company must transfer annually an amount equivalent to 50% of the cash surplus to early debt servicing, according to the loan contract.

Additionally, the Company entered into an interest rate swap (IRS) with a floor of 0%, for 70% of the outstanding balance of the loan to reduce the risk of interest rate variation and its impact on the cash flows associated to the hedged loan. The life of such hedging instrument is the same as the one established for the syndicated loan; the current notional amount is EUR 356,524 thousand. Nonetheless, according to clause 6 of the novation agreement of the loan signed on 27 April 2020, Realia Patrimonio S.L.U. undertakes to sign new hedging contracts at market prices before 27 March 2024 covering the period between 27 April 2014 and 27 April 2025, with the banks interested in participating in the new interest rate hedges, which should cover a nominal amount not lower than 70% of the outstanding balance at the time the hedge is formalized.

In 2020, the Group performed the so-called "10% test" according to IFRS 9, assuming that there are no significant changes to the debt from a qualitative standpoint, and obtained a result below 10% and concluded that the terms are not substantially different.

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

Bilateral loans with banks

At 31 December 2021, the company Hermanos Revilla S.A. holds credit and loan policies for a limit of EUR 68,000 thousand (EUR 68,000 thousand in 2020), of which EUR 46,000 thousand have been drawn down (EUR 59,769 thousand at 31 December 2020). Bilateral loans will mature during 2022-2024 and the average interest rate at 31 December 2021 is 1.37%.

Bilateral loans with Group companies

On 21 December 2021, Fomento de Construcciones y Contratas, S.A. granted a loan to the Parent for EUR 120,000 thousand, due on December 2022, although it can be extended for an additional year, for the purpose of financing partially the purchase of shares of the company Hermanos Revilla, S.A. (see Note 2.g). This amount in recognized under "Other current financial liabilities".

Bilateral loans with other entities

The principal amount of the loan granted to Inversiones Inmobiliarias Rústicas y Urbanas S.A. (IIRU) by the companies Reyal and Inmuebles Carpe, EUR 3,590 thousand, is recognized under "Other current financial liabilities", due to the change in the consolidation method of IIRU, from equity to global integration.

Information on hedges

Realia Patrimonio, S.L.U. has risk hedge transactions in place for interest rate variations in order to cover the risks to which its future cash flows are exposed. The detail of derivate instruments entered into during 2021, and the details of the maturity of their notional values is as follows:

			Maturity of notionals		
Thousands of Euros	**Valuation**	**Notional**	**2022**	**2023**	**2024**
IRS + Floor	4,675	356,524	15,575	16,736	324,213

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

The expected charge to the profit and loss account during the next years resulting from the cash flow hedging derivatives amounts to EUR 2,386 thousand for 2022 and the remaining EUR 2,289 thousand, for subsequent years.

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

The Group has conducted efficacy tests to all the hedging derivative instruments. As a result, derivatives have been classified into two categories:

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

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

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

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

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

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

In 2021, the Company recognized as a positive financial result the part whose inefficient hedging amounts to EUR 234 thousand, under “Variation of fair value in financial instruments” (Note 23.g).

The amount recognized under Equity at 31 December 2021 is negative for EUR 2,621 thousand, net of taxes. During 2021, a negative amount of EUR 2,526 was transferred to profit and loss as a result of the interest rate hedge, EUR 2,080 thousand of which were settled in 2021, and EUR 465 thousand in 2020. These amounts have been recognized under financial costs.

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

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

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

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

Thousands of Euros	Level 1	Level 2	Level 3	Total
Financial Liabilities at fair value Hedging derivatives		4,675	-	-
	-	**4,675**	**-**	**-**

No transfers between the different fair value hierarchies took place during 2021.

<u>19.1 Changes in liabilities originating from financial activities</u>

The following table summarized the variations in the cash-flows of the gross bank borrowings during 2021 and 2020:

	31 December 2020	Cash flows	Others	31 December 2021
Non-current bank borrowings	528,061	(18,592)	(12,346)	497,123
Current bank borrowings	41,358	(56,563)	16,285	1,083
Current borrowings from Group companies	-	120,081	(41)	120,040
Current borrowings from external companies	-	85	4,417	4,502
Long-term derivatives	5,530	-	(3,241)	2,289
Current derivatives	2,403	-	(17)	2,386
Total liabilities from financial activities	**577,352**	**45,011**	**5,160**	**627,423**

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

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

19.2 Fair values of financial instruments

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

	Thousands of Euros			
	Carrying amount		Fair value	
	2021	2020	2021	2020
• Financial assets (Note 14.2) Non-current loans Current loans	 9,700 1,377	 11,500 4,848	 9,700 1,377	 11,500 4,848
	11,077	16,348	11,077	16,348
• Financial liabilities Bank borrowings (Note 19) Debts to third parties (Note 19) Derivatives (Note 19)	 498,206 129,693 4,675	 569,419 3,528 7,933	 498,206 129,693 4,675	 569,419 3,528 7,933
	632,574	580,880	632,574	580,880

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

20. Other liabilities

a) Other non-current liabilities

The detail of this heading at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Other non-current liabilities payable	2,404	2,404
Non-current guarantees and deposits received	14,774	14,692
	17,178	**17,096**

b) Trade and other payables

The detail of "Trade and other payables" is as follows at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Suppliers of Group companies and associates	5,477	8,712
Suppliers for the purchase of land: No payment instruments	3,170	3,170
Suppliers - Rest	4,357	2,161
Customer advances – development (Note 4.h)	3,003	10,199
Creditors	7,681	7,420
Tax payable (Note 21)	4,048	3,790
Current tax liabilities (Note 21)	4,685	591
	32,421	**36,043**

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

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

c) *Average period of payment to suppliers*

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

	2021	**2020**
	Days	Days
Average payment period to suppliers	67	67
Ratio of transactions paid	68	71
Ratio of transactions pending payment	57	34
	Thousands of Euros	
Total payments made	53,958	58,703
Total outstanding payments	11,165	9,029

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

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

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

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

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

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

d) *Other current liabilities*

This includes mainly rents from the billing of advanced leases, charged against profit and loss, depending on their accrual, and amount to EUR 1,280 thousand (EUR 1,259 thousand in 2020).

21. Public Bodies and fiscal situation

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

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

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

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

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

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

	Thousands of Euros							
	Tax Assets				Tax Liabilities			
	Current		Deferred		Current		Deferred	
	2021	2020	2021	2020	2021	2020	2021	2020
Prepaid taxes	-	-	36,764	38,016	-	-	-	-
Credits for loss carryforwards	-	-	62,147	65,495	-	-	-	-
Tax credit carryforwards	-	-	10,910	13,198	-	-	-	-
Tax payable- VAT / IGIC (Canary Island Tax)	648	754	-	-	1,849	1,867	-	-
Tax refund	5,733	4,659	-	-	-	-	-	-
Tax payable – Corporate Tax	-	-	-	-	4,685	591	-	-
Tax payable – Personal Income Tax	-	-	-	-	164	1,167	-	-
Social Security	4	3	-	-	95	92	-	-
Other public bodies	-	-	-	-	1,940	664	-	-
Deferred taxes	-	-	-	-	-	-	183,591	172,262
	6,385	**5,416**	**109,821**	**116,709**	**8,733**	**4,381**	**183,591**	**172,262**

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

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

The movement of deferred tax assets and liabilities in 2021 and 2020 was as follows:

	Thousands of Euros	
	Deferred Tax Assets	Deferred Tax Liabilities
Balance at 31 December 2019	**115,044**	**173,470**
Derivatives	(247)	-
Tax assets and deductions for the year	(62)	-
Provisions for expenses	783	-
Loan provisions	-	(14)
Consolidation adjustments	31	(840)
Accelerated amortization and depreciation	-	(143)
Merger securities	-	-
Non-deductible financial expenses	1,395	-
Non-deductible amortization costs	(242)	-
IAS 40 adjustment to fair value (Note 4.c)	-	(169)
Other	7	(42)
Balance at 31 December 2020	**116,709**	**172,262**
Derivatives	(867)	-
Tax assets and deductions for the year	(5,635)	-
Provisions for expenses	340	-
Loan provisions	-	-
Consolidation adjustments	37	(493)
Accelerated amortization and depreciation	-	(337)
Merger securities	-	6,247
Non-deductible financial expenses	(512)	-
Non-deductible amortization costs	(243)	-
IAS 40 adjustment to fair value (Note 4.c)	-	5,953
Other	(8)	(41)
Balance at 31 December 2021	**109,821**	**183,591**

The detail of deferred tax assets and liabilities at year-end 2021 and 2020 is as follows:

	Thousands of Euros			
	Deferred Assets		Deferred Liabilities	
	2021	2020	2021	2020
Credits for loss carryforwards	62,147	65,495	-	-
Tax credit carryforwards	10,910	13,198	-	-
Derivatives	876	1,743	-	-
Provisions for expenses	4,742	4,402	-	-
Intragroup adjustments	391	354	-	-
Non-deductible financial costs	29,926	30,438	-	-

Non-deductible amortization costs	710	953	-	-
Other	119	126	-	-
Securities portfolio	-	-	-	-
Capital gains	-	-	5,604	5,604
Consolidation adjustments	-	-	1,848	2,341
IAS 40 adjustment at fair Value (Note 4.c)	-	-	164,248	158,295
Accelerated amortization and depreciation	-	-	4,542	4,879
Value of merger assets (Note 2.g)	-	-	6,247	-
Other	-	-	1,102	1,143
Total	**109,821**	**116,709**	**183,591**	**172,262**

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

The conciliation between the accounting result before taxes and the tax base of the Corporate Tax for 2021 is the following:

	Thousands of Euros		
	Increases	Decreases	Total
Result before taxes			**93,513**
Permanent differences and unrealized temporary differences:			**(5,236)**
Permanent differences:			**(1,307)**
Surcharges and penalties	7		
Consolidation adjustments:			
Result of consolidated companies by equity method		(1,339)	
Other consolidation adjustments	43		
Adjustments from dividends	52		
Other adjustments and participating interests	4	(74)	
Unrealized temporary differences:			**(3,929)**
Provision for insolvencies		(7,953)	
Provision for expenses and contingent liabilities	2,647		
Provision for inventories, plant and equipment	1,377		
Temporary differences arising in the year:			**(19,645)**
Provisions for inventories, plant and equipment	1,931		
IAS 40 implementation (Fair value adjustment/ Elimination of amortization)		(48,940)	

Reversal of deferred taxes on sales	27,364		
Temporary differences arising in prior years:			**(17,444)**
Accelerated amortization and depreciation	1,304	(344)	
Non-deductible financial expenses		(731)	
Provision for inventories, plant and equipment		(1,209)	
Non-deductible financial costs		(2,065)	
Offset of capitalized tax losses		(14,399)	
Offset of non-capitalized tax losses from prior years		(28)	**(28)**
Tax base (taxable profit)	**34,729**	**77,082**	**51,160**

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

	Thousands of Euros		
	Increases	Decreases	Total
Result before taxes			**7,648**
Permanent differences and unrealized temporary differences:			**(1,044)**
Permanent differences:			**(3,412)**
Surcharges and penalties	154		
Consolidation adjustments:			
Result of consolidated companies by equity method	471		
Other consolidation adjustments		(4,112)	
Financial adjustments from haircuts			
Non-deductible provisions	63		
Other adjustments and participating interests	12		
Unrealized temporary differences:			**2,368**
Provision for insolvencies	224		
Provision for impairment of inventories, plant and equipment		(2,410)	
Non-deductible amortizations			
Tax assets for unrecognized BINs	8,054		
Securities portfolio	3,457	(6,957)	
Temporary differences arising in the year:			**9,863**
Non-deductible financial costs	5,519		
Provisions for insolvencies	592		
Provisions for inventories, plant and equipment	3,065		
IAS 9 implementation		(8,947)	
IAS 40 implementation (Fair value adjustment/ Elimination of amortization)	9,634		
Other			
Temporary differences arising in prior years:			**(214)**
Accelerated amortization and depreciation	739		
Non-deductible financial expenses		(953)	
Securities portfolio	55		

Other consolidation adjustments		(55)	
Offset of capitalized tax losses			
Offset of non-capitalized tax losses from prior years			0
Tax base (taxable profit)			**16,253**

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

- Positive adjustment in 2020 for EUR 143 thousand for the penalty, signed on a contested basis and appealed within the time limit, arising from the tax inspection of years 2014-2015. There were no relevant adjustments in 2021.

- “Consolidation adjustments” include the following adjustments:

    - Negative adjustment of EUR 1,339 thousand due to the elimination of the result of companies consolidated through the equity method (positive adjustment of EUR 471 thousand in 2020).

    - Negative adjustment of EUR 4,112 thousand in 2020, corresponding to the reversal of the equities portfolio adjustment on the individual statement.

The main temporary differences, recognized and unrecognized of 2021 and 2020, are the result of:

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

  Thus, net financial expenses will be deductible to a maximum of 30% of the operating profit for the year. To this end, the rule considers that “net financial expenses” are the excess financial expenses with respect to the revenues derived from the assignment to third parties of equity accrued during the fiscal year. In any case, net financial costs of the fiscal year will be deductible, without limitation, up to 1 Million Euros. In 2021, a negative adjustment of EUR 2,065 thousand was made (positive adjustment for EUR 5,519 thousand in 2020).

  Pursuant to transitory provision sixteen of Royal Decree-Law 3/2016, of 2 December, approved in 2016, that establishes that the impairment losses of the securities representing equity holdings in companies that have been tax deductible on the Corporate Tax base in fiscal years before 2013, but not thereafter, and that the reversal of that impairment loss must be recognized for a minimum annual amount during five years, on 31 December 2021 a positive adjustment was applied to the reported profit or loss of EUR 3,457 thousand as a permanent difference (and EUR 55 thousand for the reversal of a liability temporary difference recognized in the prior years, and there are no amounts pending consolidation in 2021.

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

- Negative adjustment of EUR 48,940 thousand, oh which EUR 38,073 thousand correspond to the revaluation at fair value (Notes 10 and 23.f), and EUR 10,867 thousand to the elimination of amortizations in investment properties (positive adjustment of EUR 9,634 thousand in 2020).

- Positive adjustment of EUR 27,364 thousand, mainly from the reversal of deferred taxes on assets sold and the adjustment arising from the reversal of financial costs resulting from the application of IFRS 9.

- Positive adjustment in 2020 of EUR 8,947 thousand corresponding to the valuation of financial instruments according to IAS 9.

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

The income tax expense accrued in 2021 amounts to EUR 22,089 thousand (EUR 1,596 thousand in 2020), as shown in the accompanying consolidated profit and loss statements. The conciliation of the expense to the tax charge payable is as follows:

	Thousands of Euros	
	2021	2020
Income tax expense	93,513	7,648
Result of consolidated companies consolidated using the equity method	(1,339)	471
Other consolidation adjustments	43	(4,112)
Rest of permanent differences	(11)	229
Unrecognized temporary differences	(3,957)	2,368
Adjusted accounting profit	**88,249**	**6,604**
Tax charge	22,063	1,651
Deductions	48	(11)
Accrued income tax expense	-	1,640
Adjustments to the tax charge	(22)	(44)

Income tax expense (benefit)	**22,089**	**1,596**
Tax loss and tax credit carryforwards	(5,864)	(58)
Deferred tax assets and liabilities in the year	(5,672)	2,284
Tax refunds receivable	5,151	1,382
Tax withholdings and prepayments	(11,014)	(4,657)
Tax payable	(4,688)	(591)

At 31 December 2021, tax assets for loss carryforwards and deductions amounted to EUR 62,147 thousand (EUR 65,495 thousand in 2020). The directors think that these can be recovered in the future from the expected evolution of both the development and property businesses, and by the high potential gains of the property investments of the Group, for which it has recognized a deferred tax liability of EUR 164,248 thousand in 2021 (EUR 158,295 thousand in 2020).

All the tax assets recognized in the financial statements, capitalized or not, generated until 31 December 2015, of the company and its tax group, have been reviewed and their deductibility according to current tax legislation has been accepted. They amount to EUR 102,931 thousand for BIN and EUR 10,908 thousand for deductions, of which EUR 61,605 thousand and EUR 10,908 thousand have been capitalized, respectively.

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

	Thousands of Euros	
Concept	2021	2020
From settlement of income tax in prior years	22	44
Total adjustments to tax charge	22	44

The breakdown of the income tax charge for 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Current tax	(22,111)	(4,052)
Deferred tax	22	2,456
Total income tax charge	**(22,089)**	**(1,596)**

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

	Thousands of Euros	
Year Earned	2021	2020
1998	33	61
1999	393	393
2000	191	177
2001	832	830
2002	185	185
2003	547	547
2004	71	-
2005	200	107

2006	166	-
2007	238	-
2008	329	53
2009	1,201	1,553
2010	30,325	44,632
2011	64,613	64,487
2012	246,494	246,379
2013	29,754	29,683
2014	31,428	31,365
2015	1,437	1,387
2016	6,109	5,559
2017	436	419
2018	145	133
2019	123	107
2020	11,599	7,923
2021	68	-
	426,917	**435,980**

Tax loss carryforwards of the companies in the Tax Group amount to EUR 411,734 thousand and EUR 422,472 thousand in 2021 and 2020, respectively.

The list of tax charges includes the adjustments made by the tax inspection of years 2014 and 2015, and the review of tax bases from 2008 to 2015, which entailed a reduction of the negative tax charges (unrecognized) of the parent of the tax group for an amount of EUR 20,452 thousand. 61% of the adjustments made produced an increased in unrecognized temporary differences that will be carried forward to subsequent years (EUR 504 thousand were reversed during 2020, for they correspond to the securities portfolio).

The Group only recognized deferred taxes associated to tax losses that the directors expect to recover (see Note 4.o). The tax losses not recognized by the Group as at 31 December 2021 amount to EUR 178,329 thousand (EUR 174,412 thousand at 31 December 2020).

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

	Thousands of Euros			
	Tax Credit Carryforwards			
Year Earned	2021	2020	2021	2020
2008	457	460	457	457
2009	4,763	5,213	4,763	5,213
2010	48	48	48	48
2011	1,672	3,473	1,672	3,473
2012	1,323	1,323	1,323	1,323
2013	1,275	1,275	1,275	1,275
2014	1,262	1,262	1,262	1,262
2015	110	182	110	147
	10,910	**13,233**	**10,910**	**13,198**

This list of tax carryforwards includes the adjustments made by the tax inspection, which produced a reduction in the amounts deducted by the parent of the group by EUR 1,372 thousand in 2020 (EUR 721 thousand from adjustments and EUR 651 thousand from a higher recognition of deductions in the settlement of the corporate tax return for 2015).

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

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

For these reasons, for the closure of 2021, the Group has evaluated whether, according to paragraph 39 of IAS 12, it should recognize the corresponding non-distributed deferred liability taxes from its subsidiaries’ and Group associates’ reserves.

Under current legislation, taxes cannot be considered to be definitively settled until the tax authorities have reviewed the tax returns filed or the four-year statute of limitation period has elapsed. At year-end 2021, all the companies of the group have opened for review the years 2017 to 2021 for all state taxes. The Directors of the Company consider that the aforementioned taxes have been settled correctly, so that, in case discrepancies arise regarding the interpretation of the current tax regulations due to the tax treatment given to the transactions, the eventual liabilities resulting, in case they materialize, would not have a significant impact on the accompanying financial statements.

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

22. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2021 and 2020, the Group has provided the following guarantees to third parties:

	Thousands of Euros	
	2021	2020
Guarantees relating to purchases of land, urban development charges, litigation and other (1)	2,418	1,987
Down payments from development customers	2,629	10,496
	5,047	**12,483**

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

23. Income and expenses

a) Revenue

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

2021

	Thousands of Euros				
	Sale of Property, Developments, Building Lots and Other	Leases	Services	Total	%
Madrid	54,674	49,997	3,168	107,389	66.64%
Catalonia	14,744	6,399	-	21,143	13.07%
Andalusia	8,333	786	660	9,779	6.04%
Castilla-La Mancha	-	2,689	-	2,689	1.66%
Valencia	3,087	-	-	3,087	1.91%
Castilla y León	479	44	-	523	0.32%
Murcia	-	1,034	-	1,034	0.64%
Balearic Islands	12,714	-	-	12,714	7.86%
Galicia	-	1,617	-	1,617	1.00%
Rest of Communities	-	1,390	-	1,390	0.86%
TOTAL	**94,031**	**63,956**	**3,828**	**161,815**	**100.00%**

2020

	Thousands of Euros				
	Sale of Property, Developments, Building Lots and Other	Leases	Services	Total	%
Madrid	1,157	46,615	2,726	50,498	58.79%
Catalonia	736	6,388	-	7,124	8.29%
Andalusia	3,453	860	452	4,765	5.55%
Castilla-La Mancha	-	2,569	-	2,569	2.99%

Valencia	4,405	-	-	4,405	5.13%
Castilla y León	1,402	59	-	1,461	1.70%
Murcia	-	824	-	824	0.96%
Balearic Islands	10,875	-	-	10,875	12.66%
Galicia	-	1,624	-	1,624	1.89%
Rest of Communities	18	1,480	-	1,498	1.75%
Abroad	250	-	-	250	0.29%
TOTAL	**22,296**	**60,419**	**3,178**	**85,893**	**100.00%**

At 31 December 2021 and 2020, the Group had contracted with tenants for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment revisions:

	Thousands of Euros	
	2021	2020
Within one year	63,850	62,738
Between two and five years	120,003	125,796
After five years	68,615	75,228
	252,468	**263,762**

b) Other operating income

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

	Thousands of Euros	
	2021	2020
Expenses passed on in connection with property rentals (Note 4.x)	17,495	17,958
Other	365	401
Work done by the company on its assets	400	35
Total other operating income	**18,260**	**18,394**

c) Procurements and other external expenses

The detail of “Procurements” in the Group’s consolidated statement of profit and loss for 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Purchases of land and building lots	(12,264)	(7,584)
Changes in inventories	(5,021)	(345)
Construction work and services rendered by third parties	(17,672)	(23,384)
Total procurements	**(34,957)**	**(31,313)**

During 2021, the purchase of land and building lots include mainly urban development costs. The works and services by third parties recognize the investments made in the construction of new developments.

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

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

	Thousands of Euros	
	2021	2020
Rent and royalties	174	134
Repair and upkeep expenses	8,448	7,262
Independent professional services	305	330
Insurance	299	236
Banking and similar services	72	80
Advertising, publicity and public relations	670	825
Utilities	2,672	2,394
Services provided by third parties	10,928	9,154
Taxes other than income tax	10,404	7,990
Other current operating expenses	-	26
Total other external expenses	**33,972**	**28,431**

d) Staff costs and average headcount

The detail of "Staff Costs" is as follows:

	Thousands of Euros	
	2021	2020
Wages, salaries and similar expenses	4,559	4,342
Employee benefit costs	940	904
Pension contributions and provisions (1)	181	159
Other employee benefit costs	83	72
Total staff costs	**5,763**	**5,477**

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

The average number of employees in the different Group companies in 2021 and 2020 was 90 and 90 respectively. The detail of the headcount at year-end 2021 and 2020 year-end, by professional category, is as follows:

	Average number of employees				
	2021				
	Total	Men	Women	Spain	Abroad
Executives and university graduates	37	24	13	37	-
Other line personnel and further education college graduates	8	7	1	8	-
Clerical and similar staff	14	5	9	14	-
Other salaried employees	31	31	-	31	-
	90	**67**	**23**	**90**	**-**

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

The number of employees at the various Group companies at 31 December 2021 and 2020 was 85 and 90, respectively.

At the end of 2021 and 2020, the Group does not have any employee with a degree of disability of 33% or higher.

e) Result of companies consolidated using the equity method

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

	Thousands of Euros	
	2021	2020
Associates:		
As Cancelas Siglo XXI, S.L.	1,372	(465)
Inversiones Inmob. Rústicas y Urbanas 2000, S.L.	(33)	(7)
Total (Note 11)	**1,339**	**(472)**

The figure for As Cancelas Siglo XXI includes the impact of the valuation of property investments at IAS 40 Fair Value; in 2021 the impact was positive for EUR 150 thousand, and in 2020 it was negative for EUR 1,285 thousand.

f) Change in value of property investment

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

	Thousands of Euros	
	2021	2020
Change in value from independent expert valuations (Note 10)	38,073	(24,627)
Result of change in value of property investment	**38,073**	**(24,627)**

The result for 2021 includes the result from the disposal of investment properties for an amount of EUR 2,268 thousand (Notes 4.y and 10)

g) Finance income and finance costs

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

	Thousands of Euros	
	2021	2020
Finance income:		
Interest on financial assets	91	127
Financial income valuation adjustments IFRS 9 (Note 19)	-	10,348
Other finance income	584	135
	675	**10,610**
Finance costs:		
Interest on loans (1)	(11,658)	(12,333)
Finance cost of cash flow hedging instruments	(2,526)	(2,629)
Other	(22)	(779)
	(14,206)	(15,741)
Change in fair value of financial instruments (Note 19)	(234)	524
Impairment and gain or losses on disposals of financial instruments (Note 23.i)	190	-
Financial result	**(13,575)**	**(4,607)**

(1) Includes the financial expense accrued from the reversal of IFRS 9 for EUR 2,070 thousand in 2021 and EUR 1,380 thousand in 2020.

As a consequence of the novation of the syndicated loan of Realia Patrimonio dated 27 April 2020 (see Note 19) and following the criterion of IFRS 9 Financial Instruments, the Group recognized an increase of new borrowings against a financial income of EUR 10,348 thousand. This amount will be accrued as a higher financial cost throughout the life of the new loan.

h) *Contribution to consolidated result*

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

	Thousands of Euros					
	2021			2020		
	Profit (Loss) attributable to the Parent	Profit (Loss) Attributable to External Partners	Total	Profit (Loss) Attributable to the Parent	Profit (Loss) Attributable to External Partners	Total
Fully consolidated:						
Realia Business, S.A.	14,405	-	14,405	(8,057)	-	(8,057)
Valaise, S.L.U.	1,903	-	1,903	(221)	-	(221)
Realia Business Portugal-Unipessoal, Lda.	-	-	-	14	-	14
Servicios Índice, S.A.	14	13	27	(77)	(75)	(152)
Planigesa Subgroup	19,886	13,550	33,436	3,571	4,014	7,585
Realia Patrimonio, S.L.U.	20,670	-	20,670	7,568	-	7,568
Realia Contesti, S.R.L.	62	-	62	35	-	35
Guillena Golf, S.L.	(418)	-	(418)	(248)	-	(248)
Consolidated with the equity method:						
As Cancelas Siglo XXI, S.L.	1,372	-	1,372	(465)	-	(465)
Inversiones Inmob. Rústicas y Urbanas 2000, S.L.	(33)	-	(33)	(7)	-	(7)
	57,861	**13,563**	**71,424**	**2,113**	**3,939**	**6,052**

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

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

	Thousands of Euros	
	2021	2020
Result from disposals and changes in the scope of consolidation	190	-
	190	**-**

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

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

	Thousands of Euros	
	2021	2020
Net write-down of work in progress and finished goods (Note 13)	(1,425)	128
Net impairment losses on land and building lots (Note 13)	5,925	(13,805)
Net write-downs, impairment losses and provisions	(1,586)	(734)
	2,914	**(14,411)**

<u>24. Balances and transactions with related companies</u>

The Group had the following balances with related companies at year-end 2021:

	Thousands of Euros								
	Assets			Financial Liabilities			Other Liabilities		
	Non-Current (1)	Current	Total	Non-Current	Current	Total	Non-Current	Current	Total
FCC Indust. e Infraest. Energ, S.A.U.	-	-	-	-	3	3	-	359	359
Fedemes, S.L.	-	-	-	-	-	-	39	11	50
Jezzine Uno, SLU	-	36	36	-	-	-	-	-	-
FCyC, S.L.	-	1,423	1,423	-	80	80	-	-	-
Dominum Dirección y Gestión, SAU	-	6	6	-	-	-	-	-	-
Serv. Especiales de Limpieza, S.A.	-	-	-	-	-	-	-	301	301
CB Turó del Mar	-	3	3	-	-	-	-	1	1
As Cancelas Siglo XXI	48,479	52	48,531	-	-	-	-	-	-
Soinmob Inmobiliaria Española, SAU	-	9	9	-	-	-	-	-	-
FCC, S.A.	-	-	-	-	120,040	120,040	24	47	71
Cementos Portland Valderribas, S.A.	-	-	-	-	-	-	132	17	149
FCC Construcción	-	3	3	-	-	-	-	4,708	4,708
FCC Medio Ambiente, S.A.	-	-	-	-	-	-	-	50	50
	48,479	**1,532**	**50,011**	**-**	**120,123**	**120,123**	**195**	**5,494**	**5,689**

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

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

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

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

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

	Thousands of Euros	
	Associates	
	2021	2020
Capitalized under property investment	-	425
Rent income	2,027	2,000
Services provided	3,127	2,288
Other income	154	103
Construction and services	(12,163)	(25,170)
Services received	(2,163)	(2,279)
Financial expenses	(40)	-
Financial income	92	125

In 2021 and 2020 no significant transactions were carried out with related companies other than those disclosed herein.

25. Situations of conflict of interest involving the directors

At year-end 2021, the members of the Board of Directors of Realia Business, S.A. have reported that they or persons related to them were not involved in any situations of conflict, either directly or indirectly, as defined by the Law on Corporations, they may have with the interests of the Company. However, they did report the following:

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

26. Remuneration and other benefits of directors and senior executives

The detail of the remuneration received in 2021 and 2020 by the members of the Board of Directors and Senior Executives of Realia Business, S.A. is as follows:

2021

	Thousands of Euros						
	No. of People	Salaries	Variable Remuneration	Bylaw-stipulated Directors' Emoluments	Pension Plans	Insurance Premiums	Other
Directors	6	-	355	321	-	-	-
Senior executives	4	664	-	-	43	2	3
	10	**664**	**355**	**321**	**43**	**2**	**3**

2020

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

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

At 31 December 2021, the Parent Company has a civil liability insurance policy to cover directors, executives and representatives, for which it paid a premium of EUR 30 thousand in 2021 (EUR 14 thousand in 2020).

27. Fees paid to auditors

In 2021 and 2020, the fees for financial audit and other services provided by the auditor of the Group's and its subsidiaries' consolidated financial statements Ernst & Young, S.L. and the fees for services billed by other auditors and by companies related thereto through control, common ownership or management, were as follows:

2021

	Services provided by the Auditor and by related firms
Audit services	113
Other attest services	12
Total audit and related services	**125**

2020

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

28. Information on the environment

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

In 2021, the Group incurred environmental expenses amounting to EUR 113 thousand (EUR 86 thousand in 2020).

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

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

29. Risk management

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

Capital management

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

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

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

1 - Compliance with all the Group's rules

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

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

The main risks worth noting are:

Financial risks

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

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

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

Credit risk

The Group engages mainly in property development, the sale of land and the lease of property assets. Property development does not entail any credit risk since payment is automatically received upon delivery of the asset. With regard to the sale of land, it is normal practice to allow customers certain payment deferrals. Unsecured commercial loans for land sales currently amount to EUR 8,188 thousand in 2020, which have been fully written down by the company. Lastly, in relation with the lease of property assets, the risk has increased in 2020 due to Covid-19. During 2021, lack of activity, the Group continued to support tenants, albeit not as much as in 2020. In some cases, the restrictions for the development of the activity, especially the commercial activity, made it necessary to continue to grant aids to clients or moratoriums in payments. The aid to tenants granted by all the companies of the group amounted to EUR 1.3 M (EUR 3.4 M in 2020), charged to the results of 2021 and 2020. Additionally, EUR 0.2 M were granted in aids to the companies consolidated with the equity method (EUR 0.9 M in 2020). Regarding the moratoriums, these are recognized under “Trade receivables”, amounted to EUR 0.9 M, after deducting the collection risk estimated (EUR 0.9 M in 2020) and will be collected according to the contracts signed with clients.

The balance of clients in default has decreased significantly compared to 2020, when a significant increase took place due to the impact of Covid-19, from EUR 1.7 M in 2020 to EUR 1.4 M in 2021.

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

Interest rate risk

The Group has interest rate hedge contracts with 4 of the 5 banks that granted the Syndicated Loan to Realia Patrimonio S.L.U., for an amount of EUR 465,189 thousand. The total amount hedged is 70% of the outstanding loan balance; at 31 December 2021 it amounted to EUR 356,524 thousand (EUR 370,980 thousand in 2020), maturing on 27 April 2024). The type of hedging instrument is an IRS plus an option for Euribor floor rate at 0%.

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

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

During 2021, this hedge, valued at market value, had a negative impact of EUR 2,526 thousand on profit and loss, and a negative impact of EUR 2,621 thousand on equity.

The following table shows the structure of this financial risk at year-end 2021 and 2020, detailing the risk hedged at a fixed interest rate:

	Thousands of Euros			
	2021	%	2020	%
Debt at fixed interest rate	380,114	60%	370,980	70%
Debt at variable interest rate	254,665	40%	155,581	30%
Total Financial Debt (*)	**634,779**	**100%**	**526,561**	**100%**

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

Clearly, the interest rate risk has been limited through derivative instrument contracts that act as financing hedges, ensuring a maximum fixed rate payable for the loans associated to assets for rent. The effect of these instruments is that a raise of one point in the Euribor rate, the generic reference rate for financing operations, is buffered by 60% by the effect of the instruments.

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

	Million €	
	2021	
Impact on Results (Before Taxes)	+1%	-0.25%
Financial expense at average cost	-1.1	-
Variation in hedging		
Impact on Profit and Loss	-	-
Impact on Equity	5.51	-0.54

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

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

Liquidity risk

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

The Realia Business Group has resorted to financial leverage through a loan of EUR 120 Million granted by Fomento de Construcciones y Contratas, S.A. for the purpose of partially financing the purchase of 37.11% of the shares of Hermanos Revilla, S.A.

Whenever any of the companies of the Group needed to renovate or refinance one of the existing lines of financing, it had not trouble to do so within the traditional banking system, at very low and competitive interest rates, thanks to the solvency of the Group and the commercial quality and profitability of its projects and assets. It is worth noting that Realia Patrimonio, S.L.U. reduced the spread over Euribor down to 120 basis point, since its LTV dropped under 40%.

Additionally, at year-end 2021, the Group has positive working capital for EUR 259,569 thousand.

The main aggregates of the cash projections for the next 12 months of the Realia Business Group, based on a minimum basis of recurring business, dividends and other payments received from services rendered to Group companies, lead to estimated collections of EUR 154 Million, which together with estimated payments of EUR 111 Million, which include the construction of new developments, generate a positive operational cash flow of EUR 43 Million, which, together with the current cash position (EUR 52 Million), will be used to repay debt (interest and amortization) and to undertake new investments in residential buildings for rent, capex for buildings for rent, and new investments opportunities that may arise in the market.

Foreign currency risk

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

Solvency risk

At 31 December 2021, net borrowings and other financial liabilities with Group companies, added to the valuation of derivatives of Realia Business Group's amounted to EUR 575,327 thousand (EUR 502,530 thousand in 2020), as shown in the following table:

Thousands of Euros	December 2021	December 2020
Credit institutions		
Mortgage loans	465,189	526,561
Syndicated	465,189	526,561
Bilateral loans	169,590	59,769
Arrangement costs and value adjustments IFRS 9	(14,066)	(18,274)
Interest	2,035	1,363
Derivatives	**4,675**	**7,933**
Gross bank borrowings	**627,423**	**577,352**
Cash and cash equivalents	52,096	74,822
Net bank borrowings	**575,327**	**502,530**

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

	Consolidated
Indebtedness ratio	
Net borrowing costs / Asset GAV (LTV)	30.2%
Coverage ratio	
EBIDTA/Financial cost	4.6

At year-end 2021, the Group had positive working capital of EUR 259,569 thousand (EUR 355,678 thousand positive working capital in 2020).

Concentration risk

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

- Sources of financing: the Realia Business Group obtains financing from 9 Spanish and foreign banks, which mainly operate through a syndicated loan. On December 2021, due to the short time available to close the operation, it obtained financial support from the FCC Group to partially finance the acquisition of a 37.11% stake in Hermanos Revilla.

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

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

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

Market risk caused by Covid-19

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

In view of this situation and considering the events in the real estate sector during 2021, the following is expected to happen in 2022:

a) Stability in the demand for new housing that will allow to continue developments in progress; however, there is a high risk due to the “raw materials” and “construction labour market” crisis, which if it were to continue, will lead to a substantial increase in production costs, with its corresponding impact on developer’s margins and/or the raise of final prices.

b) The evolution of the market will be unequal, depending on the geographic areas, locations, and types of products, for Covid-19 has caused a change of approach of demand, location and preferences about product types.

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

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

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

f) In the sector of residential homebuilding for rent, rents have a downward tendency, due to several factors: 1) Greater housing stock for rent, with new BTR projects and new development policies in social housing for rent, and 2) Emergence of new regulatory standards approved to avoid tensions in rent prices.

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

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

The Realia Group believes that it must focus its efforts on the three business lines it currently develops, directly or through its investees. In the property area, thanks to its extraordinary property portfolio, strengthened through the acquisition of 37.1% of the company Hermanos Revilla, it holds a privileged position; however, it must optimize its asset management to meet the new demands of tenants and the demands arising from Covid-19. In the development area, it must monitor the evolution of demand, its location and the typology of products on demand, with the purpose of adapting our new development projects and analysing their viability and profitability, and finally, in the development and commercial operation of developments for residential rent, it must monitor the regulatory changes and its potential impact on the profitability and the legal protection of the business; nonetheless, the current assets in operation and the future developments in the pipeline should not be affected by these changes, since all these developments are of social housing (VPPB or VPPL).

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

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

Operational risks

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

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

Legal and fiscal risk

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

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

a) Judicial claims and out-of-court complaints.

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

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

b) Realia's liability arising from litigations that may affect the urban development plan or work permits. REALIA's activity may give rise to judicial claims from third parties, based on public legitimation, litigations seeking the annulation of urban development plans or the licenses granted.

   In order to reduce this risk, Realia contracts professionals and architects of proven reputation and competence, and monitors their work thoroughly. In case these litigations are filed, Realia commissions its legal representation to expert lawyers in the geographic area where it takes place, whose work is also supervised by the legal department of the company.

Money laundering and terrorism financing prevention risks

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

As in previous years, in 2021 the Company has been subject to an annual audit by an independent expert, as required by Law. Once again, the conclusion is that there were no significant risks for the company related to money laundering and financial offenses.

Personal data protection risk

These risks are controlled by the personal data protection prevention system of the Group, adapted to the demands of the RGPD and the LOPDGDD. The system includes a personal data (PD) policy, a Manual for PD Management System, and a suite of Standard Processing Procedures for all areas of activity, that facilitate compliance with the regulation of this subject by all company personnel. In 2021, the Company was subject to the biennial audit by the independent expert as required by Law, with a very satisfactory outcome.

Consumer and user protection risks

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

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

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

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

<u>The Corporate Fiscal Policy</u>, which includes the implementation of good tax practices.

<u>The Anticorruption Policy</u>, approved by the Board of Directors on May 2019, which establishes "zero tolerance" for fraud and corruption activities.

The Criminal Prevention Manual, approved early in 2020 and reviewed on the third quarter of 2021, defines the structure and the guidelines of the Criminal Compliance and Prevention Model of the Group, and details and regulates its bodies and procedures. Additionally, the company has a "Compliance Officer" that monitors the proper implementation of the Model.

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

30. Events after the reporting period

No relevant events occurred after the reporting date.

31. Additional note for English translation

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

MANAGEMENT REPORT FOR THE YEAR ENDED 31 December 2021

1. THE COMPANY AND ITS ORGANIZATIONAL AND OPERATIONAL STRUCTURE

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

Business activities are focused mainly on three lines of business:

a) ASSET RENTAL FOR TERTIARY USE: These assets are mainly buildings for Offices, Shopping Centres and Retail Premises, and other residual assets (mainly an industrial building). The assets are the property of Realia Patrimonio S.L. (wholly owned by Realia Business, S.A.) and through Hermanos Revilla, S.A. (87.76% of direct and indirect ownership interest and 100% of controlling interest) and As Cancelas S.A. (50% direct interest). This activity is carried on entirely in Spain.

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

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

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

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

c) RESIDENTIAL HOUSING RENT: This is carried out by VALAISE S.L.U., fully owned by Realia Business S.A. This company owns a completed development of 85 subsidized homes (VPPB) for rent in the municipality of Tres Cantos (Madrid), currently in the stage of operation and commercialization to its tenants. It also has 2 projects in progress for 195 subsidized homes (VPL and VPPB) for rent; development has already started and is expected to start operating in 2023.

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

Its organizational structure may be summarized as follows:

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

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

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

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

2. CHANGES IN THE EQUITY INVESTMENT PORTFOLIO:

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

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

  Subsequently, on 2 December, the company amended its bylaws, to reduce the minimum number of votes required at the Shareholders' Meeting from 80% to 50% of the share capital in order to approve a resolution, and to allow the Board of Directors to approve resolutions with a simple majority of those present at the meeting, and not with a minimum of 5/6ths, as was the case until now. As a result of these changes Realia Business attains the control of the company, and therefore consolidates it through the global consolidation method.

- On July 2021, the sole partner made an injection of capital to Guillena Golf, S.L., S.A.U. for EUR 150 thousand to cover the losses generated in 2020 and to restore the equity balance. This operation did not cause any change in the percentage of integration of the company within the Group.

- On 21 December 2021, Realia Business, S.A. and Realia Patrimonio, S.L.U. acquired 31.01% and 6.1% respectively of the company Hermanos Revilla, S.A., the full stake of the Revilla family on the company. This increased the ownership interest on the consolidated results of the company from 48.79% to 87.76% and reaching 100% control over the company.

3. AVERAGE PAYMENT PERIOD TO SUPPLIERS

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

	2021
	Days
Average payment period to suppliers	67
Ratio of transactions paid	68
Ratio of transactions outstanding	57
	Thousands of Euros
Total payments made	53,958
Total outstanding payments	11,165

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

For the purposes of providing the information required by this Resolution, suppliers are the commercial creditors for debts with the suppliers of goods or services included under "Suppliers", "Suppliers, Group companies and Associates", and "Creditors" in the current liability side of the balance sheet.

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

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

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

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

4. MAIN AGGREGATES OF 2021

- Realia generated total revenues in 2021 for EUR 180.07 Million, 72.7% higher than in 2020; it registered an increase of the property business (3.5%) (EUR 81.78 M in 2021 versus EUR 79.02 M in 2020), explained by the amount of rebates and aids granted mainly to retailers of shopping centres affected by the close of business due to Covid-19, amounting to EUR 1.3 Million in the group companies (EUR 3.4 Million in 2020) and EUR 0.2 Million in the companies consolidated with the equity method (EUR 0.9 Million in 2020). In the development area, there was an increase of 312.2% (EUR 94.76 Million in 2021 versus EUR 22.99 Million in 2020), explained by the start of deliveries of new developments that started construction in prior years and the increase in deliveries of other developments started earlier. A total of 291 units have been delivered during 2021.

- EBITDA of the Realia Group (see APMS, item 5) reached EUR 65.05 Million, a 25.3% increase over 2020. This improvement in Ebitda was the result of an improvement in the development business and the slight improvement in the property business. It also led to the reduction of overheads and structural costs.

- Financial results in 2021 recorded a negative balance of EUR -13.57 Million, versus EUR -4.60 Million in 2020. Despite the positive evolution of lower borrowing costs, the year-on-year comparison of results suffered the negative impact of the recognition of revenues of EUR 8.97 Million at year-end 2020, as a positive result due to the application of IFRS 9 on the novation of the syndicated loan of Realia Patrimonio, S.L.U. in the year, whereas in 2021, the positive adjustment mentioned had a negative impact of EUR 2.08 Million each year.

- Earnings before taxes at December 2021 reached EUR 93.51 Million, versus EUR 7.65 Million in 2020 (+1,122.6%). This substantial increase in earnings, and the changes mentioned in the previous subparagraphs (increased revenues, cost cutting, improvement in operating results, etc...) are explained by:

  1) The variation in provisions/provisions used by EUR +17.20 Million (EUR +2.94 Million in 2021 versus EUR -14.26 Million in 2020).

  2) The change in the valuation of investment property at fair value by EUR +62.70 Million (EUR +38.07 Million in 2021 versus EUR -24.63 Million in 2020).

  3) The improvement in the result of the companies consolidated using the equity method, EUR 1.81 Million (EUR +1.34 Million in 2021 versus EUR -0.47 Million in 2020), explained by the lower impact of COVID-19 on the operation of the Shopping Centre As Cancelas.

- As a consequence, attributable earnings before taxes at 31 December 2021 amounted to EUR 57.86 Million, versus EUR 2.11 Million at 31 December 2020 (+2,642.2%), as explained above, after the appropriate fiscal adjustments arising from income tax.

INDEBTEDNESS

The Realia Group had net financial borrowings of EUR 627.43 Million at 31 December 2021, compared to EUR 577.35 Million at year-end 2020 (+8.7%). This increase is mainly due to the following changes:

a) On 21 December 2021, Realia took out a loan with Fomento de Construcciones y Contratas, S.A. for EUR 120 Million, for a term of one year, and with the option to extend it for an additional year, earning Euribor interest rate plus 110 basis points. The purpose of this loan to partially finance the acquisition of 37.11% of the shares of Hermanos Revilla.

b) Increase of EUR 4.5 Million due to the global consolidation of the company Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L.

c) Ordinary and extraordinary repayment of EUR 61.37 Million of the syndicated loan of Realia Patrimonio, S.L.U.

d) Decrease in the number of credit facilities of Hermanos Revilla drawn down for an amount of EUR 13.77 Million.

Cash and cash equivalents at 31 December 2021 amounted to EUR 52.10 Million, versus EUR 74.82 Million at 31 December 2020, which, together with the cash-flow generated, will be used to repay the debt, to conclude developments in progress, to start new developments, to develop the “Build to Rent” (BTR) activity, to invest in the current assets and to acquire new projects.

Thus, at 31 December 2021, the Realia Group has net financial borrowings of EUR 575.33 Million, compared to EUR 502.53 Million at December 2020 (+14.5%).

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

- “Spread” – Applying 135 basis points when the ratio LTV 50% ≥ LTV ≥ 40%, and 120 basis points when the LTV ratio < 40%. At year-end 2021, the applicable spread was 120 b. p., as LTV was below 40%.
- Extension of the term until 27 April 2025 (Final date of repayment).

- At year-end 2021, the Realia Group reduced its gross bank borrowings (excluding loan arrangement cost adjustments/debt valuation – valuation of derivative and interest) by EUR 75.14 Million, down to EUR 511.19 Million, 12.82% lower than at year-end 2020. Nonetheless, it increased its net bank borrowings by EUR 48.45 Million, up to EUR 634.78 Million, compared to EUR 586.33 Million in 2020. This increase is due to the signing of the inter-group loan with FCC for EUR 120 Million aimed at the partial financing of 37.11% of Hermanos Revilla on December 2021 and the global consolidation of investee Inmob. Rústicas y Urbanas 2000, S.L.

- At year-end 2021, the Realia Group had net financial borrowings (see APMS, item 6) for EUR 450.78 Million (including valuation of derivatives for EUR 4.68 Million), 10.30% lower than at year-end 2020, EUR 502.53 Million (including the valuation of derivatives for EUR 7.93 Million), with a loan to value (LTV) (See AMPS, item 6) of 23.1%.

- The Group has interest rate hedging contracts with 4 of the 5 banks that make up the Syndicated Loan to Realia Patrimonio. The total amount hedged is 77% of the outstanding loan balance; at year-end 2021, it amounted to EUR 356.5 Million, and maturing on 27 April 2024. The type of hedging instrument is an IRS plus a floor Euribor option at 0%. During 2021, this hedge, valued at market value, had a negative impact on profit and loss of EUR 2.5 Million (positive impact of EUR 0.5 Million in 2020) and a negative impact on equity of EUR 2.6 Million (positive impact of EUR 0.7 Million in 2020).

- Financial results in 2021 amounted to EUR -13.57 Million, compared to EUR -4.60 Million in 2020. Despite the positive evolution due to lower borrowing costs, the year-on-year comparison of results suffered the negative impact of the recognition of revenues of EUR 8.97 Million at year-end 2020, as the positive result of the application of IFRS 9 for the novation of the syndicated loan of Realia Patrimonio, S.L.U. in the year, whereas in 2021, the positive adjustment in 2020 mentioned above, had a negative impact of EUR 2.08 Million per year.

- The weighted average interest rate of the gross borrowings at year-end 2021, excluding the cost of the interest rate hedges, is 1.22%, compared to 1.36% at year-end 2020. The average cost at December 2021, including the cost of hedges, amounts to 1.58% (1.79% at December 2020).

ASSET VALUATION

- At year-end 2021, the fair value of property assets reached EUR 1,523.6 Million, versus EUR 1,519.6 Million at December 2020 (+0.3%), when we consolidate the assets at December 201 (eliminating assets sold and investments in 2021), the fair value of property assets would have increased by 2.1% (EUR 31.6 Million). The main changes in property assets were:

  - Lease assets: During 2021, (non-core) assets of Hermanos Revilla were sold, whose fair value at December 2020 amounted to EUR 21.8 Million. Excluding the effect of the sale, the change in value would have been 2.4% versus 0.9%.

  - Assets under development: 2 new projects for the construction of 195 subsidized housing units (VPPL-VPPB) for rent in the municipality of Tres Cantos (Madrid) for Build to Rent (BTR). The 44% increase is due to the investment of EUR 5 Million for the development of two Build to Rent (BTRI assets.

  - Land pending development: The decrease in valuation is due to the sale of a plot in 22@Barcelona, valued at EUR 14.9 Million on December 2020. Excluding this effect, the change in value would have been +2.2%.

- The fair value of assets under inventories (land, developments in progress and finished product) amounts to EUR 382.1 Million at December 2021, versus EUR 388.4 Million at December 2020 (-1.6%). If we consolidate the existing assets at December 2021 (eliminating investments made and adjusting delivered products), the air value of residential assets would increase by 5.6% (EUR 20.4 Million).

  The main changes in residential assets were:

  - Land portfolio: Increase of EUR 35.5 Million in the land valuation of the company Inmob. Rústicas y Urbanas 2000, S.L. as a result of the 100% global consolidation (66.7% stake); acquisition of the land “plot 198-B” in Valdebebas (Madrid), whose fair value is EUR 10.1 Million; investment made on the land portfolio for EUR 2.6 Million and transfer to developments in progress for EUR -25.8 Million.

  - Developments in progress: Increase due to the transfer from “Land” for EUR +25.8 Million; investments made on developments in progress at December 2021 for EUR 4.4 Million, and transfer from “Developments in progress” to “Completed products” for EUR -62 Million.

  - Completed developments: Transfer to “Developments in progress” for EUR 62 Million, investments made before the delivery of finished products for EUR 12.8 Million and reduction due to the delivery of completed products for EUR -92 Million.

- The net net asset value (NNAV) (see APMS item 6) at December 2021 is EUR 1,129 Million, versus EUR 1,059 Million at year-end 2020. In unit terms, the price is 1.39 € per share, 6.1% higher than in 2020 (1.31 € per share).

- 80% of the value of assets corresponds to the property activity (EUR 1,523.6 Million), and 20% (EUR 382.1 Million) to residential homebuilding.

PROPERTY MANAGEMENT BUSINESS

- Rent revenues in 2021 amount to EUR 63.95 Million (35.5% of the total revenues of the Group), a 5.1% increase over the previous year (EUR 60.83 Million), mainly due to the increased revenues from the new Build to Rent (BTR) homebuilding activity that started operations on July 2020; the gradual recovery of the economic activity that entailed a reduction in aids to tenants due to the impact of Covid-19; and to the increase in revenues from the update of office contracts.

- Gross margin of the property business increased by 1.2% (EUR 55.88 M) versus EUR 55.23 M in 2020 (EUR 55.23 M) due to the 5.1% increase in rents and the reduction in operating costs from the greater activity on the properties after the initial impact of Covid-19.

  Gross margin on the rents of property business fell 3.4%, mainly due to the increase in expenses on building for upkeep and adaptations to Covid-19 and new demands from tenants.

- The evolution of the property business during 2021 was not as heavily affected by the Covid crisis as in 2020; nonetheless, Realia continued its policy of supporting its clients applied during 2020 and contributing to the revival of the economic and commercial activity of its tenants, mainly in Shopping Centres, which have been affected to a greater or lesser extent, depending on the Autonomous Community where they are located, by the restrictions to the full exercise of its economic activity.

- Global occupancy of buildings in commercial operation stood at 92.5% at year-end 2021, versus 93.2% in 2020. This slight drop in occupancy, is a consequence of the health crisis on leases (lower business activity, flex spaces, telework...) and it is expected that the positive evolution of Covid-19 will gradually increase the demand for space from new tenants, despite the change in contractual relations with tenants related to flexibility of space, the duration of contracts and the performance of the buildings.

- No new investments in property for rent were made in 2021. Nonetheless, one tertiary lad with a gross buildable surface area of 9,200 sq. m. located at district 22@ in Barcelona was sold for EUR 18.5 Million, as well as non-core assets of Revilla for a total amount of EUR 23.1 Million, with a buildable surface area above ground of 5,867 sq. m. The gross leasable surface area of the Realia Group after these sales amounts to 400,959 m2 of assets for tertiary use and 9,973 m2 of assets for residential use. The valuation of property assets at year-end 2021, including 142,668 m2 of buildable land reached EUR 1,523.6 Million, which in like for like terms, represented an increase of 2.1%.

- Our buildings have undergone improvements, to upgrade their performance (Energy efficiency, Hospitality areas, common services, gyms...) and to adapt rental spaces to the new modes of demand (co-working, flexible spaces...), in order to be proactive to the demands of our current and future clients. The amount invested in capex for our buildings was EUR 2.6 Million.

HOMEBUILDING DEVELOPMENT BUSINESS

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

- At 31 December 2021, 291 units were delivered for an amount of EUR 94.12 Million, versus 99 units for an amount of EUR 21.12 Million in 2020. The main deliveries were the developments “Realia Parque del Ensanche I”, “Valdebebas Único”, “Brisas de Son Dameto” and “Essencia de Sabadell”, with a total of 208 units delivered for EUR 80.43 Million. The rest of deliveries correspond to other developments, most notable “Hato Verde V” and “Altos de Santa Bárbara”, with 52 units delivered for EUR 10.03 Million.

- At December 2021, Realia has a stock of 321 units (homes, retail premises and offices finished or in construction and pending delivery (70 of them sold or pre-sold). Additionally, it holds 41 single-family lots for housing self-development.

- Realia’s land portfolio, at their different stages of urban development at 31 December 2021 amounts to 6,946,216 sq. m. of gross surface area, with an estimated buildable surface area of 1,752,340 sq. m.

- At December 2021, the fair value of land, developments in progress and finished product recognized under “Inventories” amounted to EUR 379.6 Million, valued by TINSA using the RICS methodology.

STOCK MARKET INFORMATION

The main Stock market parameters of the Parent company Realia Business S.A. in 2021 and their evolution are the following:

Share price at year-end 2021 (€/share)	0.796
Share price at year-end 2020 (€/share)	0.680
Variation in share price (%)	17.1%
Market capitalization at 2020 year-end (€)	652.9 M €
Maximum share price during the year (€/share)	0.80
Minimum share price during the year (€/share)	0.62
Average share price during the year (€/share)	0.71
Average daily traded volume (€)	83,000
Average daily traded volume (shares)	119,000

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

The movements during the year were the following:

	No. of shares	Thousands of Euros
Balances at 31 December 2019	**3,434,421**	**3,277**
Acquisitions	5,742,228	4,249
Balances at 31 December 2020	**9,176,469**	**7,526**
Acquisitions	-	-
Balances at 31 December 2021	**9,176,469**	**7,526**

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

5. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES

Macroeconomic forecasts for 2021 have not been met, and the economic recovery slowed down. During 2021, massive vaccination took place in Spain, and despite the successive waves of Covid-19, its impact is still uncertain, although there is greater optimism about it which, together with the arrival of the European Funds, may contribute to a fast and prompt recovery of GDP to pre-Covid levels. GDP is estimated to grow by 5.6% in 2022. If these prospects are consolidated, their impact on the real estate sector can be summarized as follows:

a) Maintaining the demand for new housing, allowing to resume the developments in progress and the start of new projects. There is a high risk due to the "raw materials" and "construction labour market" crises which, if they persist, will cause a great increase in production costs, with the corresponding impact on developer's margins and/or the raise of final prices.

b) The evolution of the market will continue to be uneven, depending on the different geographical areas, locations and types of products; Covid-19 has forced demand to reconsider its approach regarding locations and types of products.

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

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

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

f) In the sector of residential homebuilding for rent, rents have a downward tendency, due to several factors: 1) Greater housing stock for rent with new BTR projects and new policies for the development of subsidized housing for rent and 2) New regulatory standards approved to avoid tensions in rent prices.

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

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

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

For all these reasons, the and according to the internal goal of maintaining the shareholding and financial stability of the Realia Group, its efforts will focus on:

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

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

3) Acquisition of new assets and/or land with potential value, either from its management or from the market, and continuing managing its current land bank.

4) Continuing and development the new business of developments for rent, with 2 new developments (195 housing units), with the possibility of acquiring or developing new land for residential homebuilding for rent.

5) Support its property subsidiaries to adapt its buildings and its business to the new market trends in the office and shopping centres market.

Financial risk management objectives and policies

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

- Full compliance with the Company's regulatory system.
- Business areas and corporate areas will define their risk appetite in a consistent manner with the strategy defined for each area of the market where they operate.
- Business areas and corporate areas will establish the necessary risk management to ensure that market transactions agree with the policies, rules and procedures of the Group.

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

Financial risks

The concept of financial risk refers to the variation of the financial instruments contracted by the Group and their impact on the financial statements, due to changes in market factors and others.

The risk management philosophy of the Realia Business Group is consistent with its business strategy, seeking the maximum efficiency and solvency at all times, for which strict financial risk control and management criteria have been established, consisting of identifying, measuring, analysing and controlling the risks incurred by the Group's operations, with the risk policy being correctly integrated into the Group's organization.

Considering the businesses of the Group and the operations supporting these activities, the main risks surrounding the Group at the moment are the following:

Credit risk

The Company engages mainly in property development, the sale of land and the lease of property assets. Property development does not entail any credit risk since payment is automatically received upon delivery of the asset. With regard to the sale of land, it is normal practice to allow customers certain payment deferrals. There are currently no unsecured commercial loans for land sales, which amounted to EUR 8.188 Million in 2020, which the Company fully wrote down. Lastly, regarding the lease of property assets, the risk related increased in 2020 to the uncertainty about Covid-19. In 2021, the Group continued to support tenants, but to a lesser extent that in 2020. In some cases, the restrictions to the activity, especially in the commercial sector, made it necessary to grant aids or moratoriums in payment to clients. The aids to tenants granted by all the companies in the group amounted to EUR 1.3 M (EUR 3.4 M in 2020). All these aids have been recognized under the results for 2021 and 2020. Additionally, in the companies accounted for with the equity method, the aids granted amounted to EUR 0.2 Million (EUR 0.9 Million in 2020). With regard to the moratoriums, these are recognized under “Trade receivables”, and amounted to EUR 0.9 M after deducting the estimated collection risks (EUR 0.9 Million in 2020) and will be collected according to the agreements entered into with clients.

The balance of defaults has decreased compared with 2020, when it increased significantly due to the impact of Covid-19, from EUR 1.7 Million in 2020 to EUR 1.4 Million in 2021.

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

Interest rate risk

The Group holds interest rate hedge contracts with 4 of the 5 lender banks in the Syndicated Loan of Realia Patrimonio for an amount of EUR 465,189 thousand. The total amount hedged is 77% of the outstanding balance of the loan; at 31 December 2021, this amounted to EUR 356,524 thousand (EUR 370,980 thousand in 2020), due on 27 April 2024. The type of hedging instrument is an IRS plus a floor option of Euribor at 0%.

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

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

During 2021, this hedge, valued at market value, had a positive impact of EUR 2,526 thousand on profit and loss, and a negative impact of EUR 2,621 Million on equity.

The following table shows the structure of this financial risk at year-end 2021 and 2020, detailing the risk hedged by Realia Patrimonio at a fixed interest rate:

	Thousand Euros			
	2021	%	2020	%
Debt at fixed interest rate	380,114	60%	370,980	70%
Debt at variable interest rate	254,665	40%	155,581	30%
Total Financial debt (*)	**634,779**	**100%**	**526,561**	**100%**

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

As shown, the interest rate risk has been limited through the contracts of derivative instruments that act as a hedge on financing, ensuring a maximum rate payable on loans associated to assets for rent. The effect of these instruments means that a one-point increase in Euribor, the generic reference rate for financing, is compensated by 60% by the effect of these instruments.

The sensitivity analysis on results and equity against interest rate variations for the Realia Group is the following:

	Million €	
	2021	
Impact on results (before taxes)	+1%	-0.25%
Financial cost at average cost	-1.1	-
Variation in hedging		
Impact on Results	-	-
Impact on Equity	5.51	-0.54

Thus, a one-point increase in EURIBOR is absorbed by the effect of the hedges.

The movements assumed in the basis points for the sensitivity analysis of interest rates are based on the current market situation, which shows a higher volatility that in prior years.

Liquidity risk

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

The Realia Business Group has leveraged financially through a loan of EUR 120 Million granted by Fomento de Construcciones y Contratas, S.A. for the purpose of partially financing the purchase of 37.11% of the shares of Hermanos Revilla, S.A.

When any of its companies needed to extend or refinance some of the existing credit lines, they did not have any problem to borrow from traditional banks at very low and competitive interest rates, thanks to the solvency of the Group and the commercial quality and profitability of their projects. It is worth noting that Realia Patrimonio, S.L.U. reduced the spread over Euribor down to 120 b. p., for its LTV fell under 40%.

Furthermore, at year-end 2021 year-end the Realia Group has a positive working capital of EUR 259.569 Million.

The main aggregates of the cash projections of Realia Group for the next 12 months, based on a minimum basis of recurring business, dividends and other payments received for services rendered to Group companies, led to estimated collections of EUR 154 Million which, together with estimated payments of EUR 111 Million, which includes the construction of new developments, results in a positive operational cash-flow if EUR 43 Million, which together with the current cash position of the Group, EUR 52 Million, will contribute to servicing of the debt (interest plus amortizations) and to meet the objectives of the new investments on new projects for residential rent, capex on buildings for rent, and new investment opportunities that may arise in the market.

Foreign currency risk

One of the consequences of the positioning of the Realia Business Group in the international markets was the exposure arising from net currency positions against euro or a foreign currency against another, when investment and funding of an activity cannot be done in the same currency. In view of the scarce international activity of the Group in non-euro markets, the exposure to exchange rate risk is not significant.

Solvency risk

At 31 December 2021, the net bank borrowings with credit institutions and other financial liabilities with Group companies, plus the valuation of the derivatives of the Realia Group, amounted to EUR 575,327 thousand (EUR 502,530 thousand at 31 December 2020), as shown in the following table:

Thousand Euros	December 2021	December 2020
Banks and other financial liabilities		
Mortgage guarantee loans	465,189	526,561
Syndicated	465,189	526,561
Bilateral loans	169,590	59,769
Loan arrangement costs and value adjustment to IFRS 9	(14,066)	(18,274)
Interest	2,035	1,363
Derivatives	**4,675**	**7,933**
Gross bank borrowings	**627,423**	**577,352**
Cash and cash equivalents	52,096	74,822
Net bank borrowings	**575,327**	**502,530**

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

	Consolidated
Indebtedness ratios	
Net bank borrowings / GAV (Liquidation value) (LTV)	30.2%
Hedging ratio	
EBITDA/ Finance cost	4.6

At year-end 2021, the Company has a positive working capital of EUR 259,569 thousand (positive EUR 355,678 thousand in 2020).

Other risks: Market risk arising from Covid-19

The Covid-19 pandemic and its evolution throughout the different waves and the vaccination programs had affected all Spanish regions to a greater or lesser extent, and therefore the real estate sector, in as far as the pandemic has impacted its companies/customers, and the demand for space may be affected by the measures required to lessen the effects of Covid-19, new options have emerged, such as telework and @commerce that have a direct impact on production, and which, together with the evolution of employment, savings and fiscal measures, may influence the property lease sector and this can also apply to the demand for housing and their prices, since the evolution of employment, investor confidence, etc...added to wage raises, lack of labour and the “supply crisis”, may influence final prices or developers’ margins.

In view of this situation, and considering the events in the real estate sector during 2021, the following is expected to happen in 2022:

a) Stability in the demand for new housing that will allow to continue developments in progress, even though there is a high risk due to the “raw materials” and “construction labour market” crises which, if they persist, will give rise to a substantial increase in production costs, with its corresponding impact on developers' margins and the raise in final prices.

b) The evolution of the market will be uneven, depending on the geographical areas, locations and types of products, for Covid-19 has forced demand to change its approach to locations and types of products.

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

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

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

f) In the sector of residential assets for rent, rents have a downward tendency, due to several factors: 1) Greater housing stock for rent with new BTR projects and new policies for the development of subsidized housing for rent, and 2) New regulatory standards approved to avoid tensions in rent prices.

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

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

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

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

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

6. ALTERNATIVE PERFORMANCE MEASURES (APMS)

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

EBITDA

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

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

EBITDA	**Thousands of Euros**	
Profit and loss account	**2021**	**2020**
+ Operating result	67,677	37,352
+ Provision for amortization	292	303
Changes in trade provisions	2,914	-14,262
	65,055	**51,917**

NET BANK BORROWINGS:

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

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

Net bank borrowings	**Thousands of Euros**	
	2021	**2020**
Balance sheet data		
+ Non-current debt with credit institutions	497,123	528,061
+ Derivatives	2,289	5,530
+ Current debt with credit institutions	1,083	41,358
+ Derivatives	2,386	2,403
- Cash and cash equivalents	52,096	74,822
	450,785	**502,530**

Additionally, there are other financial liabilities, current and non-current, that are part of the financial indebtedness, but do not originate from banks.

Financial indebtedness not originating from banks	**Thousands of euros**	
Balance sheet data	**2021**	**2020**
+ Financial borrowings from Group companies	120,040	-
+ Financial borrowings from third parties	4,502	-
+ Other debts (suppliers of fixed assets, guarantees...)	5,151	3,528
	129,693	**3,528**

NET NET ASSET VALUE (NNAV):

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

Net Net Asset Value (NNAV)	**Million Euros**	
	2021	**2020**
Equity attributable to the Parent	1,104.11	1,035.75
+ Net gains from fixed assets for own use	4.10	2.07
+ Net gains from inventories	21.39	21.62
	1,129.60	**1,059.44**

LOAN TO VALUE (LTV):

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

Originating from banks:

Loan to Value (LTV)	Thousands of Euros	
	2021	**2020**
Ratio between		
Net indebtedness (EFN)	450,785	502,530
GAV Asset replacement value	1,952,425	1,954,162
	23.1%	**25.7%**

Total financial debt:

Loan to Value (LTV)	Thousands of Euros	
	2021	**2020**
Ratio between		
Net indebtedness (EFN)	580,478	506,058
GAV Asset replacement value	1,952,425	1,954,162
	29.7%	**25.9%**

GAV (Liquidation Value):

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

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

Valuation by independent experts		
	Million Euros	
GAV. Replacement value	**2021**	**2020**
Appraisal value of property assets Richard Ellis CB	1,582.73	1,578.21
Appraisal value of development assets TINSA	369.69	375.96
	1,952.42	**1,954.16**
• Transaction costs	**Million Euros**	
Appraisal value of property assets Richard Ellis CB	46.74	46.25
	46.25	**46.95**
GAV. Liquidation value	**Million Euros**	
	2021	**2020**
Appraisal value of property assets Richard Ellis CB	1,355.99	1,531.96
Appraisal value of assets TINSA	369.69	375.96
Total	**1,905.68**	**1,907.91**
Conciliation with Consolidated Financial Statements		
	Million Euros	
GAV. Liquidation value	**2021**	**2020**
Appraisal value of property assets Richard Ellis CB (1)	**1,535.99**	**1,531.96**
- Valuation of assets of companies consolidated with the equity method	-51.45	-52.40
- Valuation of property, plant and equipment (self-consumption)	-7.40	-6.90
+ Valuation inventories R Ellis	-9.90	-9.90

+ Carrying amount of advances to property investments non-valuated	1.54	1.36
Market value of Property Investments Financial Statements of the Group (Note 10)	**1,468.78**	**1,464.12**
Appraisal value of development assets TINSA (2)	**369.69**	**375.96**
- Asset valuation of companies consolidated using the equity method	-	-17.84
- Valuation of inventories R Ellis	9.90	9.90
Market value of Inventories Financial Statements of the Group (Note 13)	**379.59**	**368.01**
Total GAV. Liquidation Value (1+2)	**1,905.68**	**1,907.91**

7. RESEARCH AND DEVELOPMENT POLICY

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

8. EVENTS AFTER THE REPORTING PERIOD

No relevant events to report after the reporting period.

9. CORPORATE GOVERNANCE REPORT

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

ANNEX I:

2021

COMPANY	REGISTERED OFFICE	OWNER	LINE OF BUSINESS	EFFECTIVE PERCENTAGE OF OWNERSHIP	THOUSANDS OF EUROS				
					NET COST OF THE OWNERSHIP INTEREST	Investee Data (100%)			
						EQUITY		PROFIT (LOSS) BEFORE TAX	
						SHARE CAPITAL	RESERVES AND PROFIT /LOSS (d)		
INVERSIONES INMOBILIARIAS RÚSTICAS Y URBANAS 2000, S.L.	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS S.A.	Property development	66.70%	20,179	20	34,492	(137)	
SERVICIOS INDICE, S.A.	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS S.A.	Property development	50.50%	2,074	4,160	(54)	27	
VALAISE, S.L.U.	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS S.A.	Lease	100.00%	9,010	910	8,087	173	
REALIA PATRIMONIO, S.L.U. (*)	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS, S.A.	Lease	100.00%	118,781	90,000	69,906	17,958	
REALIA CONTESTI S.R.L. (b)	Candiano Popescu, 63c (Bucharest)	REALIA BUSINESS, S.A.	Property development	100.00%	3,404	3,997	(602)	62	
GUILLENA GOLF, S.L.U.	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS, S.A.	Services	100.00%	119	4	115	(418)	
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	REALIA BUSINESS, S.A.	Lease	32.56%	157,995	54,881	189,963	35,774	
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	16.44%	69,019	54,881	189,963	35,774	
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	PLANIGESA, S.A.	Lease	51.00%	57,600	54,881	189,963	35,774	
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	BOANE 2003, S.A.U.	Lease	4.76%	8,414	54,881	189,963	35,774	
BOANE 2003, S.A.U. (a)	P. Castellana, 41 (Madrid)	HERMANOS REVILLA, S.A.	Lease	100.00%	19,913	7,961	1,178	21	
PLANIGESA, S.A. (a)	Avda. Camino de Santiago, 40 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	76.00%	44,564	46,878	26,313	192	

(a) Companies belonging to the Planigesa Group
(b) Share capital of Realia Contesti, S.R.L. is Ron 15,428 thousand. The figure in the table is the result of the conversion to euros at the exchange rate effective on the day of the capital injection.
(c) Includes the result of 2020

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

2020

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

PLANIGESA, S.A. (a)	Avda. Camino de Santiago, 40 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	76.00%	44,564	46,878	26,135	6,875

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

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

ANNEX II:

2021

COMPANY	REGISTERED OFFICE	OWNER	LINE OF BUSINESS	EFFECTIVE PERCENTAGE OF OWNERSHIP	Thousands of Euros			
					NET COST OF THE OWNERSHIP INTEREST	Investee Data (100%)		
						EQUITY		
						SHARE CAPITAL	RESERVES AND PROFIT/LOSS (d)	PROFIT (LOSS) BEFORE TAX
AS CANCELAS SIGLO XXI, S.L. (*)	Avda. Camino de Santiago, 40 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	50.00%	22,176	900	48,351	3,244

(d) Including the result of 2020

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

2020

<table>
<tr><td rowspan="4">COMPANY</td><td rowspan="4">REGISTERED OFFICE</td><td rowspan="4">OWNER</td><td rowspan="4">LINE OF BUSINESS</td><td rowspan="4">EFFECTIVE PERCENTAGE OF OWNERSHIP</td><td colspan="4">Thousands of Euros</td></tr>
<tr><td rowspan="3">NET COST OF THE OWNERSHIP INTEREST</td><td colspan="3">Investee Data (100%)</td></tr>
<tr><td colspan="2">EQUITY</td><td></td></tr>
<tr><td>SHARE CAPITAL</td><td>RESERVES AND PROFIT/LOSS (d)</td><td>PROFIT (LOSS) BEFORE TAX</td></tr>
<tr><td>INVERSIONES INMOBILIARIAS RÚSTICAS Y URBANAS 200, S.L.</td><td>c/ Ayala, 3 (Madrid)</td><td>REALIA BUSINESS, S.A.</td><td>Property development</td><td>33.36%</td><td>11,548</td><td>20</td><td>34,595</td><td>(27)</td></tr>
<tr><td>AS CANCELAS SIGLO XXI, S.L. (*)</td><td>Avda. Camino de Santiago, 40 (Madrid)</td><td>REALIA PATRIMONIO, S.L.U.</td><td>Lease</td><td>50.00%</td><td>22,176</td><td>900</td><td>47,558</td><td>2,187</td></tr>
</table>

(d) Including the result of 2020

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

APPENDIX III: Detail of Joint Ventures and Joint Property Interests.

2021

	Thousands of Euros		
	Total Revenue	**% of Ownership**	**Company in which it is Consolidated**
Joint Property Investment:			
Comunidad de Bienes Turó del Mar	2,391	50.00%	Realia Business, S.A.

2020

	Thousands of Euros		
	Total Revenue	**% of Ownership**	**Company in which it is Consolidated**
Joint Property Investment:			
Comunidad de Bienes Turó del Mar	1,414	50.00%	Realia Business, S.A.