Audit Report on Financial Statements
issued by an Independent Auditor

REALIA BUSINESS, S.A. AND INVESTEES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2022

Building a better
working world

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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 investees (the Group), which comprise the consolidated statement of financial position at December 31, 2022, the consolidated statement of profit and loss, the consolidated statement of revenues and expense, the consolidated statement of changes in total equity, the consolidated statement of cash flow, 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, 2022 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.

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, 2022, the Group has "Investment properties" and "Inventories" amounting to 1,509,154 thousand euros and 352,760 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 21 to the accompanying consolidated financial statements, at December 31, 2022, the Group recognized deferred tax assets amounting to 99,803 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 2022 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 2022 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 2022 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 2022 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). In this regard the Corporate Governance Report and the Board Remuneration Report of the Board of Directors have been incorporated by reference in the Consolidated Management Report.

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, 2023.

Term of engagement

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

Previously, we were appointed as auditors by the shareholders for 3 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, 2023

REALIA BUSINESS, S.A. AND INVESTEES

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

(Thousands of Euros)

ASSETS	31/12/2022	31/12/2021		31/12/2022	31/12/2021
NON-CURRENT ASSETS			**EQUITY (Note 16):**		
Intangible assets (Note 8)	42	69	Share capital	196,864	196,864
Property plant and equipment (Note 9)	633	2,051	Share premium	528,492	528,492
Property investment (Note 10)	1,509,154	1,468,782	Reserves	394,678	322,744
Investments in associates (Note 11)	38,622	37,253	Treasury shares	(7,526)	(7,526)
Non-current financial assets (Note 14.2)			Valuation adjustments	6,435	(4,326)
Non-current loans to associates	-	9,700	Profit/loss for the year attributable to the Parent	58,139	57,861
Derivatives (Note 19)	4,540	-	**Total equity attributable to the Parent**	**1,177,082**	**1,104,109**
Deferred tax assets (Note 21)	99,803	109,821	**Non-controlling interests (Note 17)**	**75,876**	**76,732**
Other non-current assets (Note 14.3)	9,252	9,517	**Total Equity**	**1,252,958**	**1,180,841**
Total non-current assets	**1,662,046**	**1,637,193**			
			NON-CURRENT LIABILITIES		
			Long-term provisions (Note 18)	18,224	15,740
			Non-current financial liabilities (Note 19):		
			Bank borrowings	465,677	497,123
			Derivatives	-	2,289
			Deferred tax liabilities (Note 21)	193,613	183,591
			Other non-current liabilities (Note 20.a)	15,241	17,178
			Total non-current liabilities	**692,755**	**715,921**
CURRENT ASSETS			**CURRENT LIABILITIES**		
Inventories (Note 13)	352,760	352,075	Short-term provisions (Note 18)	508	516
Trade and other receivables (Note 14.1)			Current financial liabilities (Note 19):		
Trade receivables for sales and services	10,102	7,990	Bank borrowings	25,896	1,083
Other receivables	2,178	3,367	Derivatives	-	2,386
Current tax assets (Note 21)	9,297	5,733	Other current financial liabilities	84,264	129,693
Current financial assets (Notes 21 and 14.1)			Trade and other payables (Note 20.b)		
Current loans to associates	8,201	-	Payable to suppliers	16,071	13,004
Derivatives (Note 19)	6,870	-	Other payables	18,297	14,732
Other current financial assets	832	1,377	Current tax liabilities (Note 21)	-	4,685
Other current assets (Note 14.3)	4,296	4,310	Other current liabilities (Note 20.d)	1,482	1,280
Cash and cash equivalents (Note 15)	35,649	52,096			
Total current assets	**430,185**	**426,948**	**Total current liabilities**	**146,518**	**167,379**
TOTAL ASSETS	**2,092,231**	**2,064,141**	**TOTAL EQUITY AND LIABILITIES**	**2,092,231**	**2,064,141**

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 2022.

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

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR 2022

(Thousands of Euros)

	2022	**2021**
Revenues (Note 23.a)	113,336	161,815
Other operating income (Note 23.b)	20,859	18,260
Excess provisions	-	22
Changes in inventories of finished goods and work in progress (Note 13)	6,846	(40,335)
Procurements (Note 23.c)	(54,848)	(34,957)
Employee costs (Note 23.d)	(5,360)	(5,763)
Other operating expenses (Note 23.c)	(31,858)	(33,972)
Changes in operating provisions (Note 23.j)	24,298	2,914
Results from the sale of investment property	997	-
Provision for amortization (Notes 8 and 9)	(322)	(292)
Impairment and profit or loss on disposals of fixed assets (Notes 8 and 9)	(44)	(8)
Other profits/losses	143	(7)
PROFIT (LOSS) FROM OPERATIONS	**74,047**	**67,677**
PROFT (LOSS) FROM VARIATION OF PROPERTY INVESTMENT (Notes 4.y,10 and 23.f)	**11,559**	**38,073**
Finance income (Note 23.g)	2,733	675
Finance costs (Note 23.g)	(14,627)	(14,206)
Changes in fair value of financial instruments	3,137	(234)
Impairment and gains or losses on disposals of financial instruments (Notes 23.g and 23.i)	806	190
FINANCIAL PROFIT/LOSS	**(7,951)**	**(13,575)**
Result of companies consolidated using the equity method (Notes 11 and 23.e)	2,585	1,339
Impairment loss	1	(1)
EARNING BEFORE TAXES	**80,241**	**93,513**
Income tax (Note 21)	(18,769)	(22,089)
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**61,472**	**71,424**
CONSOLIDATED EARNINGS FOR THE YEAR	**61,472**	**71,424**
Attributable to:		
Shareholders of the Parent (Note 23.h)	**58,139**	**57,861**
Non-controlling interests (Notes 17 and 23.h)	**3,333**	**13,563**
Earnings per share:		
From continuing operations (€/share)		
Basic	**0.072**	**0.071**
Diluted	**0.072**	**0.071**

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 2022.

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

CONSOLIDATED STATEMENT OF REVENUES AND EXPENSE FOR 2022

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(Thousands of Euros)

	2022	**2021**
CONSOLIDATED RESULT FOR THE YEAR (from profit and loss account)	**61,472**	**71,424**
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	13,117	947
Translation differences	1	(54)
Tax effect	(3,279)	(237)
Total revenue and expenses recognized directly in shareholders' equity	**9,839**	**656**
TRANSFER TO THE PROFIT AND LOSS ACCOUNT		
Arising from cash flow hedges	1,230	2,526
Translation differences	-	-
Tax effect	(308)	(631)
Total transfer to profit and loss	**922**	**1,895**
TOTAL RECOGNISED INCOME AND EXPENSES	**72,233**	**73,975**
A) Attributable to the Parent	**68,900**	**60,412**
B) Attributable to non-controlling interests	**3,333**	**13,563**

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 2022.

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

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY IN 2022

	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 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 2021	**196,864**	**528,492**	**(145,087)**	**(7,526)**	**477,831**	**(2,621)**	**(1,705)**	**-**	**57,861**	**1,104,109**	**76,732**	**1,180,841**
Income and expenses recognized in the year	**-**	**-**	**-**	**-**	**-**	**10,760**	**1**	**-**	**58,139**	**68,900**	**3,333**	**72,233**
Allocation of 2021 result												
To reserves	**-**	**-**	22,776	-	35,085	-	-	-	(57,861)	-	-	-
Interim dividends	- **-**	**-**	-	-	-	-	-	-	-	-	(3,809)	(3,089)
Changes in scope of consolidation	**-**	**-**	-	-	(61)	-	-	-	-	(61)	(1,639)	(1,700)
Other	**-**	**-**	-	-	4,134	-	-	-	-	4,134	539	4,673
Balances at 31 December 2022	**196,864**	**528,492**	**(122,311)**	**(7,526)**	**516,989**	**8,139**	**(1,704)**	**-**	**58,139**	**1,177,082**	**75,876**	**1,252,958**

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 2022

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

	2022	2021
Profit/loss before tax	**80,241**	**93,513**
Adjustments to profit/loss	**(31,509)**	**(29,710)**
a) Depreciation and amortization charge (Notes 8 and 9)	322	292
b) Other adjustments to profit and loss	(31,831)	(30,002)
1. Valuation in value of investment property (Note 23.f)	(11,559)	(38,073)
2. Variations in operating provisions (Note 23.j)	(24,298)	(2,914)
3. Financial income (Note 23.g)	(2,733)	(675)
4. Financial expenses (Note 23.g)	14,627	14,206
5. Profit/loss from companies using the equity method	(2,585)	(1,339)
6. Other	(5,238)	(1,207)
Changes in working capital:	**28,642**	**40,647**
a) Inventories, trade and other receivables and other current assets (Notes 13 and 14)	21,691	48,377
b) Trade and other payables and other current liabilities (Note 20)	6,951	(7,730)
Other cash flows from operating activities:	**(7,133)**	**(5,446)**
a) Dividends received (Note 11)	1,217	820
b) Income tax recovered/paid	(12,124)	(7,527)
c) Other amounts received/paid relating to operating activities	3,774	1,261
CASH FLOWS FROM OPERATING ACTIVITIES	**70,241**	**99,004**
Payments due to investment:	**(16,923)**	**(7,835)**
a) Property, plant and equipment, intangible assets and property investment (Notes 8, 9 and 10)	(16,828)	(7,684)
b) Other financial assets	(95)	(151)
Proceeds from disposals:	**1,411**	**43,722**
b) Property, plant and equipment, intangible assets and property investment (Notes 8, 9 and 10)	1,051	43,305
c) Other financial assets (Note 14.2)	360	417
Other cash flows from investment activities:	**5,583**	**(2,328)**
a) Interest received (Note 14.2)	2,732	675
b) Other proceeds/payments relating to investing activities	2,851	(3,003)
CASH FLOWS FROM INVESTMENT ACTIVITIES	**(9,929)**	**33,559**
Proceeds and payments relating to equity instruments:	**(1,706)**	**(189,074)**
a) Acquisition (Note 16)	(1,706)	(189,074)
Proceeds and payments relating to financial liability instruments:	**(62,505)**	**45,011**
a) Issue	-	136,214
b) Repayment and redemption	(62,505)	(91,203)

Dividends and returns on other equity instruments paid (Note 17)	**(3,089)**	**(1,039)**
Other cash flows from financing activities	**(9,459)**	**(10,180)**
a) Interest paid	(9,926)	(10,262)
b) Other proceeds/payments relating to financial activities	467	82
CASH FLOWS FROM FINANCING ACTIVITIES	**(76,759)**	**(155,282)**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES AND OTHERS	**-**	**(7)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(16,447)**	**(22,726)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**52,096**	**74,822**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**35,649**	**52,096**

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 2022.

Consolidated financial statements for the year ended 31 December 2022

1. <u>Activities of the Realia Group</u>

The Group companies and associate companies listed in Appendices I and II engage respectively, mainly in the development and operation of real estate business. At year-end 2022 these activities are carried out in Spain and Romania

The Parent was incorporated on 14 August 1997 after the spin-off of Proyectos y Desarrollos Urbanísticos, S.A. (PRODUSA) into Produsa Este, S.L. and Produsa Oeste, S.L. 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. Its registered office is currently located at Avenida Camino de Santiago 40, in Madrid.

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. <u>Basis of presentation of the consolidated financial statements</u>

a) Basis of presentation

The consolidated financial statements for 2022 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 2023.

These consolidated financial statements were drawn up 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 2022 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 2022 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 present the various items composing the consolidated financial statements homogenously, the accounting policies and measurement bases used by the Parent were applied to all the consolidated companies.

The Group's consolidated financial statements for 2021, 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 14 June 2022. 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 2022. 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.x.

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 2022, 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 2022 (Notes 4.c, 4.f, 10 and 13).

Although these estimates were made on the basis of the best information available at 31 December 2022 on the events analyzed, future events might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, 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 economic activity in Spain returned to normal during 2022, and the social and economic measures adopted by the Governments during the pandemic (Covid 19) were lifted in 2020 and 2021. Accordingly, the support measures granted to tenants due to Covid by the Realia Group have also been discontinued.

The post-Covid era has given rise to a new scenario, with the emergence and spread of new trends in the business world, such as digitalization, telework, e-commerce... that affect the market and require the adaptation of the business world.

e) Basis of consolidation

i) 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.

ii) Joint ventures

In 2022 and 2021, 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).

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.

iv) 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 2022 and 2021 were as follows:

Inclusions in the scope of consolidation

There were no additions to the scope of consolidation of the Realia Group in 2022 and 2021.

Exclusions from the scope of consolidation

There were no exclusions from the scope of consolidation of the Realia Group in 2022 and 2021.

Changes to the scope of consolidation

2022:

- On 17 March 2022, Realia Business, S.A. executed the purchase contract entered into in 2021 and acquired Nozar's shares in the company Servicios Índice, S.A., increasing its ownership interest in the consolidated balance sheet of that company from 50.50% to 90.42%. This operation reduced the item "Non-controlling interest" by EUR 1,639 thousand. The investment amounted to EUR 1,700 thousand.

2021:

- 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 from of the consolidation of investee Inversiones Inmobiliarias Rústicas y Urbanas S.L. are the following:

a) 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).

b) 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).

c) 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).

d) The result of EUR -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).

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

f) 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).

g) 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.

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 2021 consolidated financial statements is presented solely for the purpose of comparison with the information on the year ended 31 December 2022.

j) Changes in accounting standards

No significant changes have taken place during 2022 regarding the standards applied in 2021.

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 2021.

3. Allocation of profit and loss of the Parent

The proposed allocation of the result in 2022 drawn up by the Directors of the Parent Company and pending approval by the General Meeting of Shareholders is the following:

	2022
Legal reserve	3,356
Offset of prior years’ losses	30,206
Total	**33,562**

The Parent did not pay any interim dividends during 2022.

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 2022:

a) *Intangible assets*

These identifiable non-monetary assets 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 when they were incurred.

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

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

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

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

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

c) Property investments

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

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

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

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

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

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

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

e) Leases

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

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

- *Rights of use*

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

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

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

Lease liabilities

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

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

- *Short term leases and low value asset leases*

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

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

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

By virtue of some of its contracts, the Group has the option of leasing the assets for additional periods. 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.

ii) 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.

iii) 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 2022, when the fair value was lower than the carrying amount.

On 31 December 2022, TINSA determined the fair value of assets applying the RICS methodology to the residential asset portfolio.

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

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

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

g) Trade receivables

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

h) Customer advances

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

i) Financial assets

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

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

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

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

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

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

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

a) The financial asset is held within a business model whose aim is achieved attaining the contracted cash-flows and selling financial assets and

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

Finally, a financial asset will be measured at fair value with changes on results when the conditions for its measurement at amortized cost or at fair value with changes on 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 that 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:

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

m) 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 based on 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 amount 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 2022, 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 2021 (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.

o) 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.

p) 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.

q) 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. The companies Hermanos Revilla S.A. and Boane 2003 S.A.U. joined the Tax Group during 2022.

r) 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.

s) 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 the carrying amount of the asset.

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

t) 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 2022 and 2021.

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.

u) 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.

v) 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, 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.

w) 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.

x) 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 2022, which were not material, related in full to the Realia Group company Realia Contesti, S.R.L.

y) 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	
	2022	2021
Inventories (Note 13)	291,899	319,092
Total current assets	**291,899**	**319,092**
Trade and other payables	863	2,139
Total current liabilities	**863**	**2,139**

z) 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 2022 and 2021 totaled EUR 20,061 thousand and EUR 17,495 thousand respectively, are recognized under "Other operating income" in the attached consolidated statement of profit and loss (see Note 23.b).

aa) 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, and recognizes the difference between the selling price of the asset and the latest valuation obtained by the independent expert as the result for the year. Additionally, any adjustment arising from the sale of an asset in prior years are recognized under "Result of the changes in investment property" or "Results from the sale of investment property", depending on the method applied by the Group at the time of the sale, either "fair value" or "historic value" (IAS 40).

In 2022, the Group recognized an amount of EUR 11,559 thousand under "Results from the changes in value of property investments" in the accompanying consolidated profit and loss account, EUR 11,444 thousand of which arise from the change in fair value of the assets in the valuation made by an independent expert, and EUR 115 thousand correspond to the adjustment of expenses related to the plot located in Parc Central (22@) Barcelona, for EUR 18.500 thousand in July 2021.

EUR 997 thousand were recognized in 2022 under "Results from the sale of property investments", corresponding to the adjustment of the result of the sale of the Diagonal building after the City of Barcelona refunded the amounts paid for the tax on the increase in value of urban land (IIVTNU).

Additionally, in 2021 a result of EUR 0.93 Million was recognized under "Results of the changes in value of investment property", arising from the adjustment of urban development costs of the plot, and EUR 1.34 Million from the difference between the selling price (EUR 23.11 Million) and the fair value of 5 non-core assets of the company Hermanos Revilla, S.A. determined by an independent expert (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 time this year:

Standard, interpretation or change	**Date of enforcement in the EU**
Amendments to IFRS 3 Business Combination IAS 16 Property, Plant and Equipment IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022

Amendments to IFRS 3, IAS 16, IAS 17 and annual improvements 2018-2020

In July 2021, the IASB published the changes to IFRS 3, IAS 16 and IAS 37, which provided new clarifications for a more coherent implementation of the rules, or updated references; additionally, it published the Annual Improvements to International Financial Reporting Standards, Cycle 2018-2020. The annual improvements contain changes to IAS 41 Agriculture, IFRS 1 First adoption of the International Financial Reporting Standards, and IFRS 9 Financial Instruments.

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

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

Standard, interpretation or modification	**Date of publication at the EU Gazette**	**Date of enforcement in the EU**	**Date of enforcement of the IASB**
Changes to IAS 1 Presentation of financial statements: classification of financial liabilities as current or non-current	Pending	Pending	1 January 2023
Information to disclose about accounting policies (Amendments to IAS 1 and the Practice Statement of IFRS No. 2)	2 March 2022	1 January 2023	1 January 2023
Definition of accounting estimates (Changes to IAS 8)	2 March 2022	1 January 2023	1 January 2023
Deferred assets related to assets and liabilities arising from a single transaction – Changes to IAS 12	11 August 2022	1 January 2022	1 January 2022

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:

	2022	2021
Net result for the year attributable to the Parent (thousands of euros)	58,139	57,861
Weighted average number of shares outstanding	811,089,229	811,089,229
Basic earnings per share (euros)	0.072	0.071

At 31 December 2022 and 2021, 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 2022 and 2021, 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 2022 and 2021, 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	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue:								
External sales (1)	46,957	98,300	88,235	81,775	-	-	135,192	180,075
Inter-segment sales	2,269	1,981	3	3	(2,272)	(1,984)	-	-
Total revenue	**49,226**	**100,281**	**88,238**	**81,778**	**(2,272)**	**(1,984)**	**135,192**	**180,075**
Result:								
Profit (loss) from operations	17,298	16,285	56,749	51,392	-	-	74,047	67,677
Variation in property investments	-	7	11,559	38,066	-	-	11,559	38,073
Financial profit (loss)	3,869	1,087	(11,820)	(14,662)	-	-	(7,951)	(13,575)
Share of result of associates	-	(33)	2,585	1,372	-	-	2,585	1,339
Net impairment	1	(1)	-	-	-	-	1	(1)
Profit (loss) before tax	**21,168**	**17,345**	**59,073**	**76,168**	**-**	**-**	**80,241**	**93,513**
Income tax	(4,526)	(3,371)	(14,243)	(18,718)	-	-	(18,769)	(22,089)
Non-controlling interests	(47)	13	3,380	13,550	-	-	3,333	13,563
Segment result	16,689	13,961	41,450	43,900	-	-	58,139	57,861

(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	
	2022	2021	2022	2021	2022	2021	2022	2021
Other information: Additions to fixed assets	48	61	21,613	10,112	-	-	21,661	10,173
Depreciation and amortization charge:	(90)	(102)	(232)	(191)	-	-	(322)	(293)
Net impairment recognized in profit and loss:								
Investment property	-	-	-	-	-	-	-	-
Inventories and other assets	22,842	4,465	(222)	35	-	-	22,620	4,500
Balance sheet:								
Assets								
Segment assets	673,304	688,621	1,604,041	1,567,838	(223,736)	(229,571)	2,053,609	2,026,888
Equity investments in associate companies Associates	-	-	38,622	37,253	-		38,622	37,253
Total consolidated assets	**673,304**	**688,621**	**1,642,663**	**1,605,091**	**(223,736)**	**(229,571)**	**2,092,231**	**2,064,141**
Equity and Liabilities								
Equity by segments	614,326	511,524	821,392	836,320	(182,760)	(167,703)	1,252,958	1,180,141
Rest of liabilities by segment	58,978	177,097	821,271	768,771	(40,976)	(61,868)	839,273	884,000
Total consolidated Equity and Liabilities	**673,304**	**688,621**	**1,642,663**	**1,605,091**	**(223,736)**	**(229,571)**	**2,092,231**	**2,064,141**

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	
	2022	2021	2022	2021	2022	2021	2022	2021
Spain	135,192	180,075	1,662,046	1,637,193	2,088,726	2,060,665	21,661	9,934
Rest	-	-	-	-	3,505	3,476	-	-
	135,192	**180,075**	**1,662,046**	**1,637,193**	**2,092,231**	**2,064,141**	**21,661**	**9,934**

8. Intangible assets

The changes in the various intangible asset items in 2022 and 2021 were as follows:

	Thousands of Euros
	Other Intangible Assets
Balances at 31 December 2020	**961**
Additions	33
Disposals	(109)
Balances at 31 December 2021	**885**
Additions	1
Disposals	(7)
Balances at 31 December 2022	**879**
Accumulated depreciation:	
Balances at 31 December 2020	**(883)**
Additions	(42)
Disposals	109
Balances at 31 December 2021	**(816)**
Additions	(28)
Disposals	7
Balances at 31 December 2022	**(837)**
Intangible assets, net:	
Balances at 31 December 2021	**69**
Balances at 31 December 2022	**42**

The balances as at 31 December 2022 and 2021 relate mainly to computer software.

During 2022 and 2021, the Group recognized an amortization charge for intangible assets of EUR 28 thousand and EUR 42 thousand respectively, under “Depreciation and amortization charge” in the attached consolidated income statement.

Fully amortized intangible assets still in use as of 31 December 2022 and 2021 amounted to EUR 724 thousand and EUR 590 thousand, respectively.

9. Property, plant and equipment

The changes in “Property, Plant and Equipment” in the consolidated statement of financial position in 2022 and 2021 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 2020	**2,049**	**4,139**	**6,188**
Charges	6	33	39
Disposals	(74)	(27)	(101)
Transfers and other (Note 10)	(4)	1	(3)
Balances at 31 December 2021	**1,977**	**4,146**	**6,123**
Charges	42	30	72
Disposals	-	(379)	(379)
Transfers and other (Note 10)	(1,534)	-	(1,534)
Balances at 31 December 2022	**485**	**3,797**	**4,282**

Accumulated amortization:			
Balances at 31 December 2020	**(580)**	**(3,248)**	**(3,828)**
Charges	(39)	(212)	(251)
Disposals	35	27	62
Transfers	-	(2)	(2)
Balances at 31 December 2021	**(584)**	**(3,435)**	**(4,019)**
Charges	(25)	(269)	(294)
Disposals	-	329	329
Transfers	387	-	387
Balances at 31 December 2022	**(222)**	**(3,375)**	**(3,597)**
Impairment losses:			
Balances at 31 December 2020	**(51)**	**-**	**(51)**
Charges	(2)	-	(2)
Balances at 31 December 2021	**(53)**	**-**	**(53)**
Charges	1	-	1
Balances at 31 December 2022	**(52)**	**-**	**(52)**
Tangible assets, net:			
Balances at 31 December 2021	**1,340**	**711**	**2,051**
Balances at 31 December 2022	**211**	**422**	**633**

“Buildings, Plant and Equipment” includes mainly the offices used by a subsidiary of the Group in Spain, recognized for a carrying amount of EUR 1,148 thousand at 31 December 2021. As of March 2022, the subsidiary Hermanos Revilla, S.A. ceased to use the offices in Paseo de la Castellana, 41 for its “own use”; for it has moved its headquarters to Avenida Camino de Santiago 40. Accordingly, a change in the use of the assets took place since that date, and it is now considered as a property investment. Since property investments are recognized at their fair value, which at the time of the move amounted to EUR 7,386 thousand, an increase in value of EUR 6,238 thousand (Note 10) was generated, and recognized as equity in the consolidated financial statement.

The fair value of the Group’s assets or “Net Asset Value”, included under “Buildings, Plant and Equipment” at 31 December 2022, calculated on the basis of appraisals conducted by independent experts not related to the Group, as described in Note 4.c, amounted to EUR 10 thousand (EUR 7,397 thousand at 31 December 2021).

In 2022 and 2021, the Group recognized a depreciation charge for property, plant and equipment of EUR 294 thousand and EUR 251 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 1,818 thousand at 31 December 2022, and EUR 1,875 thousand at 31 December 2021.

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At the end of 2022, the property, plant and equipment were fully insured against this risk.

10. <u>Property investment</u>

The changes in “Property investment” in the consolidated statement of financial position in 2022 and 2021 were as follows:

	Thousands of Euros		
	Rental buildings	**Construction in progress and advances**	**Total**
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**
Additions	609	20,979	21,588
Disposals	(46)	-	(46)
Transfers	5,312	(4,164)	1,148
Changes in fair value (*)	16,044	1,638	17,682
Balances at 31 December 2022	**1,470,694**	**38,460**	**1,509,154**
Property investments:			
Balances at 31 December 2021	1,448,775	20,007	1,468,782
Balances at 31 December 2022	1,470,694	38,460	1,509,154

*Out of the total changes in fair value, EUR 6,238 thousand correspond to the changes in value due to the transfers of fixed assets from “own use” to property investments, with a net book value of EUR 1,148 thousand (Note 9).

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 2022 increased by EUR 17,682 thousand (EUR 38,073 thousand increase in 2021), broken down into EUR 6,238 thousand arising from the change in value resulting from the transfer of fixed assets from “own use” to property investment, as mentioned above, and EUR 11,444 thousand are due to the change in fair value of property investments 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.aa) which, together with the EUR 35,805 thousand arising from the valuations by independent experts resulted in a change of EUR 38,073 thousand in fair value in 2021.

a) Lease Properties

The most significant additions in and transfers in 2022 were the following:

- In March, the subsidiary Hermanos Revilla moved its headquarters from the building in Paseo de la Castellana 41 (a building it owned) to Avenida Camino de Santiago 40 (leased offices), both in Madrid, leading to the reclassification of the former under “Property investments” for a net amount of EUR 1,148 thousand. Due to the change in the use of the offices, the valuation method also changes, from being recognized at their historic value to fair value, and generating an increase of EUR 6,238 thousand against consolidation reserves and their tax effect on deferred tax liabilities (see Notes 16 and 17). Additionally, it capitalized EUR 414 thousand for the renovation and adaptation of several buildings and transferred a total of EUR 513 thousand during 2022 to “Buildings for rent” after the completion of the works.

n) Patrimonio, S.L.U. capitalized EUR 195 thousand for the renovation and reform of several buildings. Similarly, Realia Patrimonio S.L.U. transferred EUR 3,644 thousand from “Constructions in progress” to “Buildings for rent”, EUR 2,848 thousand of which correspond to the completed construction of a building to be run by a new operator at the La Noria Shopping Center.

No significant additions or disposals took place in 2022 and 2021. The total amount of additions and disposals was EUR 1,340 thousand and EUR 1,318 thousand, respectively, mainly due to the settlement of the urban development works at the plot located in 22 @Barcelona and to the renovation and adaptation work in several buildings owned by Realia Patrimonio S.L.U. and Hermanos Revilla S.A.

b) Property investment under construction and advances

The main additions to and transfers to/from “Property investment under Construction” in 2022 and 2021 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. Total investment during 2022 amounted to EUR 18,570 thousand (EUR 4,955 thousand in 2021).

- Realia Patrimonio S.L.U. capitalized EUR 1,570 thousand, of which EUR 156 thousand correspond to advanced payments (EUR 2,705 thousand and EUR 167 thousand correspond to developments in progress and advanced payments, respectively at 31 December 2021).

- Subsidiary Hermanos Revilla S.A. capitalized EUR 839 thousand (EUR 862 thousand at 31 December 2021), for the renovation and reform works of several owned buildings.

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 2022 and 2021.

c) 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 2022 and 2021, calculated on the basis of appraisals conducted by independent experts not related to the Group, amounts to EUR 1,509,154 thousand and EUR 1,468,782 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, if 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 2022 were the following:

	Current average rent	Exit Yield (1)	IRR (1)	ERV
Offices	21.3 €/m2/month	4.6%	7.1%	20.6 €/m2/month
Shopping centers	10.9 €/m2/month	6.5%	8.7%	11.6 €/m2/month
Other assets (2)	2.6 €/m2/month	6.0%	8.4%	2.2 €/m2/month
Residential	6.7 €/m2/month	4.3%	6.3%	8.8 €/m2/month

(1) Weighed by the value of the assets
(2) Current average rent and ERV decreased in 2022 compared to 2021 due to the change in valuation method of the asset located in García de Paredes.

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 centers	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 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			
	2022		2021	
	Assets	Consolidated net profit (loss)	Assets	Consolidated net profit (loss)
Increase of the yield rate by one quarter of a point	(46,385)	(34,789)	(47,305)	(35,479)
Decrease of the yield rate by one quarter of a point	51,095	38,321	52,515	39,386

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			
	2022		2021	
	Assets	Consolidated net profit (loss)	Assets	Consolidated net profit (loss)
10% increase in the ERV	110,725	83,044	113,315	84,986
10% decrease in the ERV	(112,175)	(84,131)	(111,470)	(83,603)

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

	Thousands of Euros			
	2022		2021	
	Assets	Consolidated net profit (loss)	Assets	Consolidated net profit (loss)
Increase of the IIR by one quarter of a point	(28,970)	(21,728)	(26,610)	(19,958)
Decrease of the IIR by one quarter of a point	26,730	20,048	27,460	20,595

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	
	2022	2021
Offices	15,529	38,805
Shopping centers	(8,133)	(3,990)
Other assets	2,233	1,162
Residential	1,930	2,096
	11,559	**38,073**

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 2022 and 2021 were made based on contractual rents and their revision.

d) <u>Breakdown of fair value of property investments</u>

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:

	2022
Recurrent fair value valuations	
Property investments	
Offices	1,142,030
Shopping centers	284,349
Other assets	28,375
Residential (1)	54,400
Total assets valued at fair price	**1,509,154**

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

(1) Includes a residential asset that started commercial operation in 2020, valued at EUR 18,600 thousand and EUR 18,300 thousand in 2022 and 2021, respectively.

No assets were transferred between the different levels in 2022 or 2021.

e) 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 (3)		Occupancy rate (%) (3)	
	2022	2021	2022	2021
Madrid (1)	257,731	257,741	93.07	93.34
Barcelona	32,325	32,325	93.19	95.29
Logroño	40,544	40,544	100.00	100.00
Seville (2)	8,735	8,735	85.61	82.85
Guadalajara	32,440	32,507	81.64	77.85
Rest	16,946	13,931	77.99	79.28
	388,721	**385,783**	**92.03**	**92.16**

(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 most significant variation in the year is under "Rest", due to the start of the commercial operation of a warehouse with 3,015 m2 of gross leasable area located at the La Noria Shopping Center (Murcia).

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

	Square meters for rent		Use (%)	
	2022	2021	2022	2021
Offices	224,749	224,759	57.82	58.26
Commercial	111,588	108,640	28.71	28.16
Residential	9,973	9,973	2.56	2.59
Other (1)	42,411	42,411	10.91	10.99

	388,721	**385,783**	**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 86,983 thousand and EUR 81,451 thousand in 2022 and 2021, respectively (see Notes 23.a and 23.b), and the related operating expenses directly related to the activity amounted to EUR 27,646 thousand and EUR 25,895 thousand, respectively.

Property investments with mortgage charges, broken down by companies, are:

	Thousands of Euros			
	Fair value		Mortgage loan drawn down	
	2022	2021	2022	2021
Realia Patrimonio, S.L.U.	834,110	829,152	450,299	457,677
Total investments with mortgage charge	**834,110**	**829,152**	**450,299**	**457,677**

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

At 31 December 2022 and 2021, there were no property assets to which the title was restricted.

At 31 December 2022 and 2021, the Group had no firm commitments to purchase property investments. In the performance of its activities, Valaise, S.L.U., a Group company, formalized commitments for the construction of property, plant and equipment, which were pending execution at 31 December 2022 for an amount of EUR 9,935 thousand (EUR 27,300 thousand at 31 December 2021). The rest of the group has formalized construction commitments in capex, which were pending for an amount of EUR 3,371 thousand at 31 December 2022.

11. Investments in associates

The detail, by company, of “Investments in Associates” at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
As Cancelas Siglo XXI, S.L.	38,622	37,253
	38,622	**37,253**

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 2022 and 2021, the valuation of the property investments of the Group’s companies through the equity method, at 50%, amounted to EUR 51,500 thousand and EUR 51,450 thousand, respectively. This value has increased the Group’s ownership interest.

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.

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 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**
Dividends	(1,216)	-	(1,216)
Profit/loss for the year (Note 23.e)	2,585	-	2,585
Balances at 31 December 2022	**38,622**	-	**38,622**

In 2022, the company As Cancelas Siglo XXI, S.A. paid out dividends to its parent Realia Patrimonio, S.L.U., for an amount of EUR 1,216 thousand (EUR 821 thousand at 31 December 2021).

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 2022 and 2021, according to their ownership interest, is as follows:

At year-end 2022:

	Thousands of Euros	
	As Cancelas Siglo XXI, S.L. (50.00%)	Total
Balance sheet:		
Non-current assets	34,504	34,504
Current assets	1,586	1,586
Total assets	**35,640**	**35,640**
Equity	24,978	24,978
Non-current liabilities	1,115	1,115
Current liabilities	9,547	9,547
Total liabilities	**35,640**	**35,640**
Statement of profit/loss:		
Revenues	6,232	6,232
Profit(loss) from operations	2,159	2,519
Profit (loss) before tax	2,080	2,080

Profit (loss) for the year (1)	1,562	1,562

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

At 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

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 asset and liability balances, income, and expenses were eliminated appropriately.

The main aggregates at 31 December 2022 and 2021 of the joint property entities (included in Appendix III) included in the consolidated financial statements of Realia Business are as follows:

	Thousands of Euros	
	100% Joint Property Entities	
	2022	2021
Revenue	3,022	2,391
Profit (loss) from operations	547	194
Financial income	-	-
Non-current assets	1	1
Current assets	958	3,278
Liquid assets	270	64
Current liabilities – financial	548	2,823
Current financial liabilities – other	128	319

At 31 December 2022 and 2021, the Group companies did not have any commitments to purchase real estate assets to be contributed to the joint ventures. Similarly, no

commitments to purchase real estate assets 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 2022 and 2021, which relate mainly to property for residential use, is as follows:

	Thousands of Euros					
	2022			2021		
	Cost	Write-downs	Net	Cost	Write-downs	Net
Land and building lots	678,974	(417,000)	261,974	707,586	(441,413)	266,173
Sundry materials	8	-	8	6	-	6
Short-cycle construction work in progress	34,048	-	34,048	-	-	-
Long-cycle construction work in progress	63,241	(33,316)	29,925	84,653	(31,734)	52,919
Completed buildings	31,806	(5,869)	25,937	37,597	(5,656)	31,941
Advances to suppliers	868	-	868	1,036	-	1,036
	808,945	**(456,185)**	**352,760**	**830,878**	**(478,803)**	**352,075**

The market value of the Group's inventories at 31 December 2022 and 2021, calculated based on the appraisals conducted by independent experts not related to the Group, amounted to EUR 371,504 thousand and EUR 379,592 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 22,620 thousand (2021: net reversal of EUR 4,500 thousand).

On 31 December 2022 and 2021, TINSA determined the fair value of assets at December 2022 and 2021, 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 permits and the start of urban development and/or construction work

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

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

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

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

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

The result of the sensitivity analysis for the period ended on 31 December 2022 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	14.1	(12.9)	(10.6)	10.5	(52.1)	52.3

The changes in “Inventories” in the years ended 31 December 2022 and 2021, 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 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**
Conversion differences	2	-	-	-	-	2
Changes in the scope of consolidation	-	-	-	-	-	-
Additions	3,423	11,972	11,497	-	10	26,902
Disposals	(22,950)	-	(204)	(25,507)	(8)	(48,669)
Transfers	(9,087)	22,076	(32,705)	19,716	-	-
Balance at 31 December 2022	**678,974**	**34,048**	**63,241**	**31,806**	**8**	**808,077**

a) Land and building lots and Developments in progress

In 2022, EUR 3,423 thousand were recognized under "land and building plots"; mainly, the recognition of plot RC-1.9 in Valdemoro (Madrid), for EUR 2,512 thousand; and EUR 21,419 thousand from the sale of land in Pinto (Madrid), a plot in Nou Nazareth in San Juan de Alicante for EUR 683 thousand, and the land assigned to the Valdebebas Development and Apportionment Board for EUR 794 thousand were derecognized from "Land and building plots".

Additionally, in April 2022, the development Essencia de Sabadell Phase II for an amount of EUR 2,512 thousand; in June 2022, the development Glories BCN for an amount of EUR 12,302 thousand and in November, the development Realia Parque del Ensanche II for an amount of EUR 14,637 were transferred from "Long-cycle work in progress" to "Short-cycle work in progress". In September, the development Levante Dreams started commercial operation, causing the transfer of EUR 9,124 thousand from "Land and building plots" to "Long-cycle work in progress".

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.

b) Advances to suppliers

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

	Thousands of Euros	
	2022	2021
Realia Business, S.A.:		
Valdebebas	-	473
El Molar	323	18
Inversiones Inmob. Rústicas y Urbanas 2000, S.L.		
El Molar	545	545
Total advances to suppliers	**868**	**1,036**

During 2022 and due to the sale of plots allocated to the Valdebebas Development and Apportionment Board, EUR 473 thousand were derecognized from "Advances to suppliers".

Advances to suppliers in 2021 corresponded mainly to urban development costs drawn by the Valdebebas Development and Apportionment Board (EUR 473 thousand) and the acquisition of 10% of the urban use of sector SAU-21 of El Molar (EUR 545 thousand).

During 2021, as a consequence of the incorporation to the scope of consolidation mentioned in Note 2.g, the amounts given to 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 2022 and 2021, 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 2022, certain assets were recognized under inventories, with an aggregate carrying amount of EUR 4,453 thousand, which serve as a mortgage security for the “syndicated” loan arranged by Realia Patrimonio S.L.U. for EUR 2,727 thousand (see Note 19). 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 loan arranged between Realia Patrimonio and the “syndicated loan” for EUR 2,800 thousand (see Note 19).

c) Inventory write-downs

The changes with an impact on inventory write-downs in 2022 and 2021 were as follows:

	Thousands of Euros	
	2022	2021
Initial balance	(478,803)	(483,438)
Net impairment losses – land (Note 23.j)	17,550	(5,177)
Net amounts used/reversed – property developments in progress and completed (Note 23.j)	5,070	9,677
Effect of exchange rate changes	(2)	135
Final balance	**(456,185)**	**(478,803)**

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.s).

14. Other assets

14.1 Trade and other receivables

The breakdown of “Trade and other receivables” is as follows:

	Thousands of Euros	
	2022	2021
Trade and other receivables	10,608	8,757
Customers in default	-	14
Doubtful trade receivables	513	814
Impairments - customers	(1,019)	(1,595)
Sundry accounts receivable	2,053	3,382
Impairments - receivables	(624)	(667)
Other accounts receivable from public authorities (Note 21)	749	652
Current tax assets (Note 21)	9,297	5,733
Total trade and other receivables	**21,577**	**17,090**

"Trade and other Receivables" at year-end 2022 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 8,103 thousand (EUR 6,419 thousand in 2021), in accordance with the accounting treatment provided for under International Accounting Standards (IFRS 16/ IAS 17).

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 2022 and 2021 is as follows:

	Thousands of Euros			
	2022		2021	
	Non-current	Current	Non-current	Current
Credit facilities	-	8,201	9,700	374
Financial derivatives assets	4,540	6,870	-	-
Other	-	832	-	1,030
Total other financial assets	**4,540**	**15,903**	**9,700**	**1,377**

Current financial assets recognize a year-end 2022 balance, corresponding to the loan granted by Realia Patrimonio, S.L.U. to its subsidiary As Cancelas Siglo XXI, S.L., for an amount of EUR 8,200 thousand, and EUR 1 thousand in interest accrued, which was transferred from "Non-current financial assets" in January 2022. At 31 December 2021, this loan was recognized as a non-current loan for an amount of EUR 9,700 thousand.

At 31 December 2022, "Financial derivatives assets" recognizes a balance of EUR 4,540 thousand as a non-current assets, and EUR 6,870 thousand as current assets, corresponding to the valuation of the financial derivative in Realia Patrimonio, S.L.U., conducted by an independent expert.

“Other financial assets” recognized at 31 December 2022 shows a balance of EUR 832 thousand, corresponding mainly to the amounts deposited in courts as a result arising from court rulings on the litigations around the development Fuente San Luis (Valencia) for EUR 705 thousand. Financial assets of the development Arroyo de la Encomienda were cancelled for EUR 185 thousand. It also includes the refund of 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 4,296 thousand and EUR 4,310 thousand in 2022 and 2021, respectively. Non-current assets relates to the long-term guarantees and deposits provided to Public Authority bodies, which amounted to EUR 9,252 thousand and EUR 9,517 thousand at year-end 2022 and 2021, 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	
	2022	2021
Short-term deposits held at banks	339	372
Cash and current accounts	35,310	51,724
Total cash and cash equivalents	**35,649**	**52,096**

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

At 31 December 2022 and 2021, according to the “syndicated” loan contract of Realia Patrimonio S.L.U., the current accounts of this company were pledged. The amounts pledged at 31 December 2022 and 2021 amount to EUR 14,373 thousand and EUR 2,953 thousand, respectively.

16. Shareholder’s equity

At year-end 2022 and 2021, 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 2022, 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.A. (80.03% subsidiary of FCC, S.A.)	51.89%
Rest	24.88%
	100%

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. This stake was subsequently increased during 2022.

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 61.71% of Realia Business, S.A.

At 31 December 2021, the share capital of the Company was represented by 820,265,698 shares. The majority shareholders, according to the disclosures made to the CNMV, are the following:

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

At 31 December 2022 and 2021, 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 2022 and the average share price in the last quarter were EUR 1.07 and 1.03 euros per share, respectively (EUR 0.80 and 0.75 per share, respectively, at 31 December 2021).

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 2022 (EUR 528,492 thousand at 31 December 2021).

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 2022, the legal reserve amounts to EUR 24,987 thousand (EUR 22,709 thousand at 31 December 2021), and was not fully established.

Other reserves

At 31 December 2022, this item includes special and voluntary reserves, for EUR 43,876 thousand and EUR 262,679 thousand, respectively (EUR 43,876 thousand and EUR 262,679 thousand at 31 December 2021).

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 2021).

Additionally, there are “Negative results from prior years” for a negative amount of EUR 453,853 thousand (EUR 474,351 thousand at 31 December 2021).

Reserves in consolidated companies

The breakdown of reserves in consolidated companies is as follows:

	Thousands of Euros	
	2021	**2021**
Realia Business, S.A. and consolidation adjustments	37,013	19,416
Subgroup Planigesa	164,130	147,571
Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L.	2,542	11,241
As Cancelas Siglo XXI, S.L.	13,861	13,706
Realia Contesti, S.R.L.	1,696	1,650
Servicios Índice, S.A.	(61)	-
Realia Patrimonio, S.L.U.	295,921	284,257
Valaise, S.L.U.	1,887	(10)
Total	**516,989**	**477,831**

In 2022 and 2021, EUR 473,736 thousand and EUR 454,987 thousand respectively are included within the reserves of consolidated companies, due the increase in the fair value of investment properties.

In March 2022, fair value reserves increased by EUR 4,106 thousand, corresponding to the part of the net capital gains awarded to the Parent (fair value – book value) at March 2022, from the offices in Paseo de la Castellana, 41, which were no longer occupied by Hermanos Revilla, S.A. (see Notes 9, 10 and 17).

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 extended at the AGM held on 2 June 2020, under the same terms.

The changes in treasury shares during 2022 and 2021 were as follows:

	Number of shares	Thousands of Euros
Balances at 31 December 2020	9,176,469	7,526
Acquisitions	-	-
Balances at 31 December 2021	9,176,469	7,526
Acquisitions	-	-
Balances as at 31 December 2020	9,176,469	7,526

The average price of treasury shares at year-end 2022 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 2020	**238,033**
Changes in consolidation method (Note 2.g)	11,378
Changes in ownership interest % (Note 2.g)	(186,129)
Dividends paid	(113)
Profit/loss for the year 2021	13,563
Balance at 31 December 2021	**76,732**
Changes in ownership interest % (Note 2.g)	(1,639)
Dividends paid	(3,089)
Profit (loss) for 2022	3,333
Other movements	539
Balance at 31 December 2022	**75,876**

An increase in fair value reserves took place in March 2022 for an amount of EUR 573 thousand, corresponding to the part of the net capital gains awarded to minority interests (fair value – book value) at March 2022 and the offices of Paseo de la Castellana 41, that were no longer occupied by Hermanos Revilla, S.A. (see Notes 9, 10 and 16).

The detail, by company, of "Non-controlling Interests" at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	**2021**
Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L. (Note 2.g)	11,306	11,378
Planigesa Subgroup (Note 2.g)	64,186	63,322
Servicios Índice, S.A. (Note 2.g)	384	2,032
Final balance	**75,876**	**76,732**

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	**2022**	**2021**
Nozar, S.A.	Servicios Índice, S.A.	0.00%	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 2022 and 2021 were as follows:

	Thousand Euros		
	Warranty Provision	Other Provisions	Total
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**
Charges for the year	-	3,959	3,959
Amounts used/reversed	(982)	(185)	(1,137)
Transfers	(308)	-	(308)
Balance at 31 December 2022	**3,783**	**14,441**	**18,224**

“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). EUR 982 thousand were reversed from the rulings of litigations related to construction defects.

In 2022, the Group recognized and reversed provisions for EUR 3,959 thousand and EUR 185 thousand, respectively (EUR 1,261 thousand and EUR 732 thousand respectively at 31 December 2021). The provisions in 2022 correspond mainly to the possible new settlement of the City of Barcelona of the municipal gain from the sale of the building located on Diagonal Sarria. EUR 185 thousand in reversals correspond to provisions for litigations related to the development of Arroyo de la Encomienda, whose amount was deposited in court and which had an impact on the profit and loss account of prior years.

Current provisions

At 31 December 2022, “Current Provisions” mainly include provisions for “Short-term guarantees” for an amount of EUR 508 thousand. At 31 December 2021, current provisions amounted to EUR 516 thousand.

19. Bank borrowings and other financial liabilities

The detail of the Group’s “Bank Borrowings and Other Financial Liabilities” as at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	2021	**2020**
Non-current:		
Bank borrowings	**465,677**	**497,123**
Loans and other bank borrowings	475,239	511,189
(Loan arrangement costs)	(4,881)	(7,168)
Valuation adjustments IFRS 9)	(4,681)	(6,898)
(Assets)/liabilities from non-current derivatives	**(4,540)**	**2,289**
Current:		
Bank borrowings	**25,896**	**1,083**
Loans and other bank borrowings	23,787	-
(Loan arrangement costs)	(152)	-
Valuation adjustments IFRS 9)	(147)	-
Current interest from bank borrowings	2,408	1,083
(Assets)/liabilities from current derivatives	**(6,870)**	**2,386**
Other current financial liabilities	**84,264**	**129,693**
Loans and other bank borrowings	70,000	120,000
Loans and other borrowings from third parties	3,590	3,590
Current interest from borrowings from third parties	1,037	952
Suppliers of property, plant and equipment	8,991	4,158
Other	646	993
Total financial debt (including derivatives)	**564,427**	**632,574**

At 31 December 2022 and 2021, bank borrowings and payables to third parties, broken down by types of guarantee, are as follows:

	Thousands of Euros			
	2022		2021	
Type of guarantee	Limit	Drawn Down	Limit	Drawn Down
Personal and other guarantees	134,997	119,590	191,997	169,590
Syndicated Property	435,026	453,026	465,189	465,189
Loan arrangement costs and valuation adjustments IFRS 9	(9,861)	(9,861)	(14,066)	(14,066)
Interest from current accounts	3,445	3,445	2,035	2,035
Gross bank borrowings	581,607	566,200	645,155	622,748
Derivatives	(11,410)	(11,410)	4,675	4,675
Total gross bank borrowings	**570,197**	**554,790**	**649,830**	**627,423**

The detail, by type, of the bank borrowings as at 31 December 2022 and 2021 is as follows:

Current and non-current Loans and Credit Facilities	Thousands of Euros	
	2022	2021
Syndicated property loan	453,026	465,189
Bilateral loan and credit with banks	46,000	46,000
Loan and other borrowings from Group companies	70,000	120,000
Loan and other borrowings from third parties	3,590	3,590
Loan arrangement costs and valuation adjustments IFRS9	(9,861)	(14,066)
Interest	3,445	2,035
Derivatives	(11,410)	4,675
Total	**554,790**	**627,423**

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

	Thousands of Euros	
	2022	2021
2022	-	125,625
2023	97,377	14,826
2024	55,709	61,433
2025	419,530	432,895
Interest (2023)	3,445	2,035
Loan arrangement costs and valuation adjustments IFRS 9	(9,861)	(14,066)
Derivatives	(11,410)	4,675
	554,790	**627,423**

At 31 December 2022, loan arrangement costs (EUR 5,033 thousand) and valuation adjustments (EUR 4,828 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 9,861 thousand (EUR 14,066 thousand in 2021).

Syndicated loans – Rental property

On 27 April 2017, Realia Patrimonio, S.L.U. took a new syndicated loan contract with six initial banks, five at 31 December 2022, 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 2021 and 31 December 2022, the spread applied was 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. This loan was amortized by EUR 10,900 thousand, and the interest accrued was capitalized for EUR 346 thousand, with an outstanding balance at 31 December 2022 of EUR 19,446 thousand.

On 27 January 2022, EUR 1,224 thousand were amortized early on the payout of an extraordinary dividend from the Net Proceeds of the sale of assets of the company Hermanos Revilla.

On 27 April 2022, a mandatory partial early repayment of EUR 10,939 thousand was made as a Cash Sweep.

At 31 December 2022, the outstanding balance of the syndicated loan amounts to EUR 453,026 thousand (EUR 465,189 thousand in 2021, not including IFRS 9 valuation adjustments or loan arrangement costs for EUR 9,836 thousand or interest accrued for EUR 2,313 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 2022, 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 340,949 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. In subsequent years, financial costs have emerged, with a balance of the aforementioned impact of EUR 4,828 thousand at 31 December 2022.

Bilateral loans with banks

At 31 December 2022, the company Hermanos Revilla S.A. holds credit and loan policies for a limit of EUR 61,000 thousand (EUR 68,000 thousand in 2021). Loans for an amount of EUR 22,000 matured in December 2022, and a new loan was formalized for EUR 15,000 thousand, maturing in 2024. At year-end, the credit line has not been drawn down and the loans are fully drawn down, EUR 46,000 thousand (EUR 46,000 thousand at year-end 2021). Bilateral loans will mature during 2023 and 2024, and the average interest rate at 31 December 2022 is 2.40%.

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), and will mature in December 2023, after its tacit extension for one more year. EUR 50,000 thousand from this loan were repaid during 2022. At 31 December 2022, the outstanding balance of the loan amounted to EUR 70,000 thousand (EUR 120,000 thousand in 2021). This amount is recognized under “Other current financial liabilities”.

Bilateral loans with other entities

“Other current financial liabilities” includes the principal amount and interest, EUR 957 thousand, of the loan granted to Inversiones Inmobiliarias Rústicas y Urbanas S.A. (IIRU) by the companies Reyal and Inmuebles Carpe for EUR 3,590 thousand. This amount was recognized in 2021 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**	**2023**	**2024**
IRS + Floor	11,410	340,949	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 6,871 thousand for 2023 and the remaining EUR 4,540 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 2022, the Company recognized as a positive financial result the part whose inefficient hedging amounts to EUR 733 thousand, under “Variation of fair value in financial instruments” (Note 23.g).

The amount recognized under Equity at 31 December 2022 is positive for EUR 8,139 thousand, net of taxes. During 2022, a negative amount of EUR 1,230 was transferred to profit and loss due to the interest rate hedge. This amount includes EUR 559 thousand from income earned that will be settled in 2023; EUR 1,789 thousand were settled during 2022, EUR 446 thousand of which corresponded to 2021. 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		11,410	-	-
	-	**11,410**	**-**	**-**

No transfers between the different fair value hierarchies took place during 2022.

19.1 Changes in liabilities originating from financial activities

The following table summarized the variations in the cash flows of the gross bank borrowings during 2022 and 2021:

	31 December 2021	**Cash flows**	**Others**	**31 December 2022**
Non-current bank borrowings	497,123	(1,241)	(30,205)	465,677
Current bank borrowings	1,038	(9,615)	34,428	25,896
Current borrowings from Group companies	120,040	(49,960)	-	70,080
Current borrowings from external companies	4,502	45	-	4,547
Long-term derivatives	2,289	-	(6,829)	(4,540)
Current derivatives	2,386	(1,005)	(8,251)	(6,870)
Total liabilities from financial activities	**627,423**	**(61,776)**	**(10,857)**	**554,790**

	31 December 2020	**Cash flows**	**Other**	**31 December 2021**
Non-current bank borrowings	528,061	(18,592)	(12,346)	497,123
Current bank borrowings	41,358	(56,563)	16,288	1,083
Current borrowings from group companies	-	120,081	(41)	120,040
Current borrowings from external companies	-	85	4,417	4,502
Non-current derivatives	5,530	-	(3,241)	2,289
Current derivatives	2,403	-	(17)	2,386
Total liabilities from financial activities	**577,352**	**45,011**	**5,060**	**627,423**

"Others" includes the effect of reclassification between current and non-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	
	2022	2021	2022	2021
• Financial assets (Note 14.2)				
Non-current loans	-	9,700	-	9,700
Current loans	9,033	1,377	9,033	1,377
Derivatives	11,410	-	11,410	-
	20,443	11,077	20,443	11,077
• Financial liabilities				
Bank borrowings (Note 19)	491,573	498,206	491,573	498,206
Debts to third parties (Note 19)	84,264	129,693	84,264	129,693
Derivatives (Note 19)	-	4,675	-	4,675
	575,837	632,574	575,837	632,574

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 2022 and 2021 is as follows:

	Thousands of Euros	
	2021	2020
Other non-current liabilities payable	-	2,404
Non-current guarantees and deposits received	15,241	14,774
	15,241	**17,178**

b) Trade and other payables

The detail of "Trade and other payables" is as follows at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Suppliers of Group companies and associates	6,017	5,477

Suppliers for the purchase of land: No payment instruments	3,170	3,170
Suppliers - Rest	6,884	4,357
Customer advances – development (Note 4.h)	6,879	3,003
Creditors and employees	7,931	7,681
Tax payable (Note 21)	3,487	4,048
Current tax liabilities (Note 21)	-	4,685
	34,368	**32,421**

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.

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

f) 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.

	2022	**2021**
	Days	Days
Average payment period to suppliers	59	67
Ratio of transactions paid	65	68
Ratio of transactions pending payment	38	57
	Thousands of Euros	
Total payments made	62,845	53,958
Total outstanding payments	18,924	11,165

	2022	**2021**
	Days	Days
Total payments made before the deadline established in the regulation on late payments	52,785	43,131
	Ratio	Ratio
	84	80
Total payments made during the year	8,896	8,916
Number of invoices paid before the deadline established in the regulation on late payments	7,326	6,791
	Ratio	Ratio
	82	76

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.

g) 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 1,482 thousand (EUR 1,280 thousand in 2021).

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.

The companies Hermanos Revilla, S.A. and Boane, S.A.U. joined the tax group on 1 January 2022.

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 proceeding for an amount of EUR 143 thousand to the parent company, which proceeded to submit the pleadings that it deems appropriate. On 20 October 2022, the Administrative Court of Madrid notified the upholding of the appeal lodged, overturning the contested proceedings. On 23 January 2023, the Tax Agency notified the agreement of implementation of the economic-administrative decision and proceeded to refund the amounts paid by the company.

Therefore, all the tax assets recognized in the financial statements, either capitalized or not, generated until 31 December 2015, 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	
	2022	2021	2022	2021	2022	2021	2022	2021
Prepaid taxes	-	-	33,643	36,764	-	-	-	-
Credits for loss carryforwards	-	-	59,234	62,147	-	-	-	-
Tax credit carryforwards	-	-	6,926	10,910	-	-	-	-
Tax payable- VAT / IGIC (Canary Island Tax)	746	648	-	-	2,768	1,849	-	-
Tax refund	9,297	5,733	-	-	-	-	-	-
Tax payable – Corporate Tax	-	-	-	-	-	4,685	-	-
Tax payable – Personal Income Tax	-	-	-	-	210	164	-	-
Social Security	3	4	-	-	90	95	-	-
Other public bodies	-	-	-	-	419	1,940	-	-
Deferred taxes	-	-	-	-	-	-	193,613	183,591
	10,046	**6,385**	**99,803**	**109,821**	**3,487**	**8,733**	**193,613**	**183,591**

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 2022 and 2021 was as follows:

	Thousands of Euros	
	Deferred Tax Assets	Deferred Tax Liabilities
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**
Derivatives	(876)	-
Tax assets and deductions for the year	(6,897)	-
Provisions for expenses	1,122	-
Loan provisions	-	-
Consolidation adjustments	56	(477)
Accelerated amortization and depreciation	-	(135)
Merger securities	-	-
Non-deductible financial expenses	(3,181)	-
Non-deductible amortization costs	(237)	-
IAS 40 adjustment to fair value (Note 4.c)	-	7,963
Other	(5)	2,671
Balance at 31 December 2022	**99,803**	**193,613**

The detail of deferred tax assets and liabilities at year-end 2022 and 2021 is as follows:

	Thousands of Euros			
	Deferred Assets		Deferred Liabilities	
	2022	2021	2022	2021
Credits for loss carryforwards	59,234	62,147	-	-
Tax credit carryforwards	6,926	10,910	-	-
Derivatives	-	876	-	-
Provisions for expenses	5,864	4,742	-	-
Intragroup adjustments	447	391	-	-
Non-deductible financial costs	26,745	29,926	-	-

Non-deductible amortization costs	473	710	-	-
Other	114	119	-	-
Securities portfolio	-	-	-	-
Capital gains	-	-	5,604	5,604
Consolidation adjustments	-	-	1,371	1,848
IAS 40 adjustment at fair Value (Note 4.c)	-	-	172,211	164,248
Accelerated amortization and depreciation	-	-	4,407	4,542
Value of merger assets (Note 2.g)	-	-	6,247	6,247
Other	-	-	3,773	1,102
Total	**99,803**	**109,821**	**193,613**	**183,591**

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 2022 is the following:

	Thousands of Euros		
	Increases	Decreases	Total
Result before taxes			**80,241**
Permanent differences and unrealized temporary differences:			**(4,594)**
Permanent differences:			**(426)**
Surcharges and penalties		(143)	
Consolidation adjustments:			
Result of consolidated companies by equity method		(2,585)	
Other consolidation adjustments	38		
Adjustments from dividends	2,252		
Other adjustments and ownership interests	12		
Unrealized temporary differences:			**(4,168)**
Provision for insolvencies		(1,146)	
Provision for expenses and contingent liabilities	5		
Provision for inventories, plant and equipment		(3,026)	
Non-deductible amortizations		(1)	
Temporary differences arising in the year:			**(20,830)**
Non-deductible financial costs			
Provisions for inventories, plant and equipment	2,517		
IAS 40 implementation (Fair value adjustment/ Elimination of amortization)		(23,347)	
Reversal of deferred taxes on sales			

Temporary differences arising in prior years:			**(23,080)**
Accelerated amortization and depreciation	706		
Non-deductible financial expenses		(947)	
Provision for expenses	290		
Provision for the impairment of inventories, plant and equipment		(105)	
Non-deductible financial costs		(12,394)	
Offset of capitalized tax losses		(10,630)	
Offset of non-capitalized tax losses from prior years		**-**	**-**
Tax base (taxable profit)	**5,820**	**54,324**	**31,737**

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 ownership interests	4	(74)	
Unrealized temporary differences:			**(3,929)**
Provision for insolvencies		(7,953)	
Provision for expenses and liability	2,647		
Provision for impairment of inventories, plant and equipment	1,377		
Temporary differences arising in the year:			**(19,645)**
Non-deductible financial costs			
Provision for impairment of inventories, plant and equipment	1,931		
IAS 40 implementation (Fair value adjustment/ Elimination of amortization)		(48,940)	
Reversal of deferred sales taxes and other	27,364		
Temporary differences arising in prior years:			**(17,444)**
Accelerated amortization and depreciation	1,304	(344)	
Non-deductible amortizations		(731)	
Provision for impairment of 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 main permanent differences of 2022 and 2021 are the result of:

- "Consolidation adjustments" include the following adjustments:
    - Negative adjustment of EUR 2,585 thousand due to the elimination of the result of companies consolidated through the equity method (negative adjustment of EUR 1,339 thousand in 2021).

The main temporary differences, recognized and unrecognized of 2022 and 2021, 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 2022, a negative adjustment of EUR 12,934 thousand was made (negative adjustment for EUR 2,065 thousand in 2021).

- Negative adjustment of EUR 23,347 thousand, EUR 11,559 thousand of which correspond to the revaluation at fair value (Notes 10 and 23 f) and EUR 11,788 thousand to the elimination of amortizations and provisions of its property investments (negative adjustment of 48,940 thousand in 2021).

- 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.

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 2022 amounts to EUR 18,769 thousand (EUR 22,089 thousand in 2021), 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	
	2022	2021
Income tax expense	80,241	93,513
Result of consolidated companies consolidated using the equity method	(2,585)	(1,339)
Other consolidation adjustments	38	43
Rest of permanent differences	2,121	(11)
Unrecognized temporary differences	(4,168)	(3,957)
Adjusted accounting profit	**75,647**	**88,249**
Tax charge	18,912	22,063
Deductions and bonuses	(120)	48
Accrued income tax expense	-	-
Adjustments to the tax charge	(23)	(22)
Income tax expense (benefit)	**18,769**	**22,089**
Tax loss and tax credit carryforwards	(6,494)	(5,864)
Deferred tax assets and liabilities in the year	(8,321)	(5,672)
Tax refunds receivable	4,067	5,151
Tax withholdings and prepayments	(8,021)	(11,014)
Tax payable	-	(4,688)

At 31 December 2022, tax assets for loss carryforwards and deductions amounted to EUR 59,234 thousand (EUR 62,147 thousand in 2021). 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 172,211 thousand in 2021 (EUR 164,248 thousand in 2021).

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 102,123 thousand for BIN and EUR 6,926 thousand for deductions, of which EUR 59,234 thousand and EUR 6,926 thousand have been recognized, respectively.

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

	Thousands of Euros	
Concept	2022	2021
From settlement of income tax in prior years	23	22
Total adjustments to tax charge	23	22

The breakdown of the income tax charge for 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Current tax	(29,746)	(22,111)
Deferred tax	10,978	22
Total income tax charge	**(18,769)**	**(22,089)**

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

	Thousands of Euros	
Year Earned	2022	2021
1998	33	33
1999	393	393
2000	191	191
2001	832	832
2002	185	185
2003	547	547
2004	71	71
2005	200	200
2006	166	166
2007	238	238
2008	329	329
2009	1,173	1,201
2010	19,079	30,325
2011	64,613	64,613
2012	246,494	246,494
2013	29,754	29,754
2014	31,428	31,428
2015	1,437	1,437
2016	6,109	6,109
2017	436	436
2018	145	145
2019	123	123
2020	11,599	11,599
2021	68	68
2022	202	-
	415,845	**426,917**

Tax loss carryforwards of the companies in the Tax Group amount to EUR 400,492 thousand and EUR 411,734 thousand in 2022 and 2021, 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.

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 2022 amount to EUR 178,758 thousand (EUR 178,329 thousand at 31 December 2021).

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

	Thousands of Euros			
	Tax Credit Carryforwards			
Year Earned	2022	2021	2022	2021
2008	457	457	457	457
2009	4,754	4,763	4,754	4,763
2010	48	48	48	48
2011	-	1,672	-	1,672
2012	-	1,323	-	1,323
2013	285	1,275	285	1,275
2014	1,262	1,262	1,262	1,262
2015	120	110	120	110
	6,926	**10,910**	**6,926**	**10,910**

This list of tax carryforwards includes the adjustments made by the tax inspection.

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 2022, 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 2022, all the companies of the group have opened for review the years 2018 to 2022 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 2022 and 2021, the Group has provided the following guarantees to third parties:

	Thousands of Euros	
	2022	2021
Guarantees relating to purchases of land, urban development charges, litigation and other (1)	2,033	2,418
Down payments from development customers	9,302	2,629
	11,335	**5,047**

(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:

2022

	Thousands of Euros				
	Sale of Property, Developments, Building Lots and Other	Leases	Services	Total	%
Madrid	21,589	51,404	4,050	77,043	67.98%
Catalonia	10,215	6,867	-	17,082	15.07%
Andalusia	2,441	773	587	3,801	3.35%
Castilla-La Mancha	-	3,510	-	3,510	3.10%
Valencia	1,019	-	-	1,019	0.90%
Murcia	-	1,344	-	1,344	1.18%
Balearic Islands	6,513	-	-	6,513	5.75%
Galicia	-	1,711	-	1,711	1.51%
Rest of Communities	-	1,313	-	1,313	1.16%
TOTAL	**41,777**	**66,922**	**4,637**	**113,336**	**100.00%**

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%**

At 31 December 2022 and 2021, 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	
	2022	2021
Within one year	63,401	63,850
Between two and five years	106,184	120,003
After five years	17,370	68,615
	186,955	**252,468**

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	
	2022	2021
Expenses passed on in connection with property rentals (Note 4.z)	20,061	17,495
Other	383	365
Work done by the company on its assets	415	400
Total other operating income	**20,859**	**18,260**

c) Procurements, changes in finished product and other external expenses

The detail of “Procurements” and “Changes in inventories of finished product and work in progress” in the consolidated statement of profit and loss of the Group for 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Purchases of land and building lots	(3,591)	(12,264)
Changes in inventories	(28,613)	(5,021)
Construction work and services rendered by third parties	(22,644)	(17,672)
Changes in inventories of finished product and work in progress	6,846	(40,335)
	(48,002)	**(75,292)**

During 2022, the purchase of land and building lots include mainly the addition of plot RC-1.9 in Valdemoro (Madrid) for an amount of EUR 2,512 thousand, and the expenses incurred in the development of several urban development environments. The works and services by third parties recognize the investments made in the construction of new developments.

The lower volume of deliveries during 2022 justifies the changes in inventories of finished product and work in progress compared to 2021. The changes in consumptions and procurements is mainly due to the drop in costs after the delivery of the Pinto plot for an amount of EUR 21,422 thousand.

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

The detail of the Group's other external expenses in 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Rent and royalties	186	174
Repair and upkeep expenses	7,650	8,448
Independent professional services	455	305
Insurance	344	299
Banking and similar services	111	72
Advertising, publicity and public relations	683	670
Utilities	5,310	2,672
Services provided by third parties	10,184	10,928
Taxes other than income tax	6,935	10,404
Total other external expenses	**31,858**	**33,972**

d) *Staff costs and average headcount*

The detail of "Staff Costs" is as follows:

	Thousands of Euros	
	2022	2021
Wages, salaries and similar expenses	4,115	4,559
Employee benefit costs	912	940
Pension contributions and provisions (1)	190	181
Other employee benefit costs	143	83
Total staff costs	**5,360**	**5,763**

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

The average number of employees in the different Group companies in 2022 and 2021 was 80 and 90, respectively. The detail of the headcount at year-end 2022 and 2021 year-end, by professional category, is as follows:

	Average number of employees				
	2022				
	Total	Men	Women	Spain	Abroad
Executives and university graduates	35	24	11	35	-

Other line personnel and further education college graduates	8	7	1	8	-
Clerical and similar staff	10	4	6	10	-
Other salaried employees	27	27	-	27	-
	80	**62**	**18**	**80**	**-**

	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**	**-**

The number of employees at the various Group companies at 31 December 2022 and 2021 was 77 and 85, respectively.

At year-end 2022 and 2021, 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	
	2022	2021
Associates:		
As Cancelas Siglo XXI, S.L.	2,585	1,372
Inversiones Inmob. Rústicas y Urbanas 2000, S.L.	-	(33)
Total (Note 11)	**2,585**	**1,339**

The figure for As Cancelas Siglo XXI includes the impact of the valuation of property investments at IAS 40 Fair Value; in 2022, the impact was positive for EUR 1,023 thousand, and in 2021, it was positive for EUR 150 thousand.

f) Change in value of property investment

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

	Thousands of Euros	
	2022	2021
Change in value from independent expert valuations (Note 10)	11,559	38,073
Result of change in value of property investment	**11,599**	**38,073**

The result for 2022 includes the result from the disposal of investment properties for an amount of EUR 115 thousand; in 2021, the result from the disposal of investment properties amounted to EUR 2,268 thousand (Notes 4.aa 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	
	2022	2021
Finance income:		
Interest on financial assets	80	91
Other finance income	2,653	584
	2,733	675
Finance costs:		
Interest on loans (1)	(13,299)	(11,658)
Finance cost of cash flow hedging instruments	(1,230)	(2,526)
Other	(98)	(22)
	(14,627)	(14,206)
Change in fair value of other financial liabilities (Note 20)	2,404	-
Change in fair value of derivatives (Note 19)	733	(234)
Impairment and result from the disposal of instruments (Note 23.i)	806	190
Financial result	**(7,951)**	**(13,575)**

(1) Includes the financial expense accrued from the reversal of IFRS 9 for EUR 2,070 thousand in 2022 and EUR 2,070 thousand in 2021.

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					
	2022			2021		
	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.	16,316	-	16,316	14,405	-	14,405
Valaise, S.L.U.	1,787	-	1,787	1,903	-	1,903
Servicios Índice, S.A.	(41)	(9)	(50)	14	13	27
Planigesa Subgroup	24,348	3,380	27,728	19,886	13,550	33,436
Realia Patrimonio, S.L.U.	13,568	-	13,568	20,670	-	20,670
Realia Contesti, S.R.L.	28	-	28	62	-	62
Inversiones Imob. Rústicas y Urbanas 2000, S.L.	(77)	(38)	(115)	-	-	-
Guillena Golf, S.L.U.	(375)	-	(375)	(418)	-	(418)

Consolidated with the equity method:						
As Cancelas Siglo XXI, S.L.	2,585	-	2,585	1,372	-	1,372
Inversiones Inmob. Rústicas y Urbanas 2000, S.L.	-	-	-	(33)	-	(33)
	58,139	**3,333**	**61,472**	**57,861**	**13,563**	**71,424**

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	
	2022	2021
Result from disposals and changes in the scope of consolidation	806	190
	806	**190**

j) Variations in operating provisions

The detail of "Variations in operating provisions" in the consolidated statement of profit and loss is as follows:

	Thousands of Euros	
	2022	2021
Net write-down of work in progress and finished goods (Note 13)	17,550	(1,425)
Net impairment losses on land and building lots (Note 13)	5,070	5,925
Net write-downs, impairment losses and provisions	1,678	(1,586)
	24,928	**2,914**

24. Balances and transactions with related companies

The Group had the following balances with related companies at year-end 2022:

	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	-	378	378
Fedemes, S.L.	-	-	-	-	-	-	46	17	83
Jezzine Uno, SLU	-	28	28	-	-	-	-	-	-
FCyC, S.L.	-	1,437	1,437	-	80	80	-	175	175
Dominum Dirección y Gestión, SAU	-	6	6	-	-	-	-	-	-
Serv. Especiales de Limpieza, S.A.	-	-	-	-	-	-	-	275	275
CB Turó del Mar	-	2	2	-	-	-	-	1	1
As Cancelas Siglo XXI	40,314	8,319	48,633	-	-	-	-	-	-

Soinmob Inmobiliaria Española, SAU	-	10	10	-	-	-	-	-	-
FCC, S.A.	-	1	1	-	70,080	70,080	25	52	77
Cementos Portland Valderrivas, S.A.	-	-	-	-	-	-	132	-	132
FCC Construcción, S.A.	-	3	3	-	-	-	-	5,051	5,051
FCC Medio Ambiente, S.A.	-	-	-	-	-	-	-	68	68
	40,314	**9,806**	**50,118**	**-**	**70,163**	**70,163**	**203**	**6,017**	**6,220**

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

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 Valderrivas, 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 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	
	2022	2021
Capitalized under property investment	-	-
Rent income	2,260	2,027
Services provided	3,974	3,127
Other income	164	154

Construction and services	(5,948)	(12,163)
Services received	(2,395)	(2,163)
Financial expenses	(1,123)	(40)
Financial income	79	92

In 2022 and 2021 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 2022, the members of the Board of Directors of Realia Business, S.A. have reported that either they or persons related to them were not involved in any situations of conflict, 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:

o) Mr. Juan Rodríguez Torres, Mr. Gerardo Kuri Kaufmann, Mrs. Esther Alcocer Koplowitz and Mrs. Alicia 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 2022 and 2021 by the members of the Board of Directors and Senior Executives of Realia Business, S.A. is as follows:

2022

	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	710	-	-	45	3	4
	10	**710**	**355**	**321**	**45**	**3**	**4**

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**

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

At 31 December 2022, the Parent Company has a civil liability insurance policy to cover directors, executives and representatives, for which it paid a premium of EUR 17 thousand in 2022 (EUR 30 thousand in 2021).

27. Fees paid to auditors

In 2022 and 2021, 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:

2022

	Services provided by the Auditor and by related firms
Audit services	110
Other attest services	6
Total audit and related services	**116**

2021

	Services provided by the Auditor and by related firms
Audit services	107
Other attest services	11
Total audit and related services	**118**

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 2022, the Group incurred environmental expenses amounting to EUR 126 thousand (EUR 113 thousand in 2021).

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

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

29. Risk management

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

Capital management

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

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

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

1 - Compliance with all the Group's rules

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

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

The main risks worth noting are:

Financial risks

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

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

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

Credit risk

The Group engages mainly in property development, the sale of land and the lease of property assets. Property development does not entail any credit risk since payment is automatically received upon delivery of the asset. With regard to the sale of land, it is normal practice to allow customers certain payment deferrals. Finally, regarding the lease of property assets, the risk increased in 2020 due to Covid-19. During 2021, the Group continued to support tenants, albeit not as much as in 2020. All these aids were discontinued during 2022 after the economic activities in the country, and therefore in our office buildings and shopping centers, returned to normal.

The balance of clients in default and doubtful debts amounted to EUR 513 thousand, versus EUR 828 thousand in 2021, and it is estimated that no problems will arise that would lead to significant changes in this respect in the short term.

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 453,026 thousand. The total amount hedged is 75% of the outstanding loan balance; at 31 December 2022 it amounted to EUR 340,949 thousand (EUR 356,524 thousand in 2021), 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 Directors 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 2022, this hedge, valued at market value, had a negative impact of EUR 1,230 thousand on profit and loss, and a positive impact of EUR 8,139 thousand on equity.

The following table shows the structure of this financial risk at year-end 2022 and 2021, detailing the risk hedged at a fixed interest rate:

	Thousands of Euros			
	2022	%	2021	%
Debt at fixed interest rate	364,539	64%	380,114	60%
Debt at variable interest rate	208,077	36%	254,665	40%
Total Financial Debt (*)	**572,616**	**100%**	**634,779**	**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 64% by the effect of the instruments.

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

	Million €	
	2022	
Impact on Results (Before Taxes)	+1%	-0.25%
Financial expense at average cost	-2.1	-0.5
Variation in hedging		
Impact on Profit and Loss	-	-
Impact on Equity	4.01	-1.01

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.

Finally, there is a potential negative impact on the accounts of the Realia Group from the upcoming maturity (27 April 2024) of the current interest rate hedge. Every increase of 100 bp of the Euribor rate would have an additional negative impact of approximately EUR 3.4 Million.

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 result, some developers have resorted to alternatives lending sources, albeit at much higher cost. The current socio-political uncertainty and the inflation is leading us to increase financial costs and the end of the "free-for-all" funding offered by the ECB. Efforts are made to lower the high inflation rates in the Eurozone that reduces liquidity and slows down consumption. These efforts have an impact on the real estate sector, where investment is expected to drop until the expected profitability versus the cost of capital is found again, therefore it is expected that the value of assets may suffer some downward adjustment in the short term and also an adjustment on demand.

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. EUR 50 M of the loan were repaid during 2022.

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 2022, the Group had positive working capital for EUR 283,667 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 183 Million, which together with estimated payments of EUR 106 Million, which include EUR 77 Million of positive operational cash flow, will be used to service the 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 2022, net borrowings and other financial liabilities with Group companies, added to the valuation of derivatives of Realia Business Group's amounted to EUR 519,141 thousand (EUR 575,327 thousand in 2021), as shown in the following table:

Thousands of Euros	December 2022	December 2021
Credit institutions and other financial liabilities		
Mortgage loans	453,026	465,189
Syndicated	453,026	465,189
Bilateral loans	119,590	169,590
Arrangement costs and value adjustments IFRS 9	(9,861)	(14,066)
Interest	3,445	2,035
Derivatives	(11,440)	4,675
Gross bank borrowings	554,790	4,675
Cash and cash equivalents	35,649	52,096
Net bank borrowings	519,141	575,327

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

	Consolidated
Indebtedness ratio	
Net borrowing costs / Asset GAV (LTV)	27.4%
Coverage ratio	
EBIDTA/Financial cost	3.4

At year-end 2022, the Group had positive working capital of EUR 283,667 thousand (EUR 259,569 thousand positive working capital in 2021).

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 7 Spanish and foreign banks, which mainly operate through a syndicated loan. On December 2021, it obtained financial support from the FCC Group to finance partially 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 risks

All the economic forecasts for 2022 have been upset by the events of the year. The strong hike in inflation, the disproportionate increase in energy costs, the emergence of disruptions in the global supply chain that led to a shortage of raw materials, and the start of the invasion of Ukraine have prevented a strong economic recovery. Faster-than-expected withdrawal of economic stimuli due to the rise of inflation, the higher risk aversion after the military conflict have brought about a tightening of global financial conditions since the beginning of 2022.

Even though the Spanish economy ended 2022 with a 5.5% increase in GDP, above the most recent estimates of the Bank of Spain, the high inflation rate (5.7%) and underlying inflation (7%), create an uncertain economic context that is not favorable to consumption and investment; GDP is expected to grow at 1.3% and 2.7% in 2023 and 2024, respectively.

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

Despite the difficulties in the current macroeconomic environment, the following is expected for 2023:

a) Stability in the sale of new housing that will allow to continue the developments in progress. Harder access to financing may cause sale terms to be extended and prices to be adjusted.

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

c) The evolution of the market will be 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.

d) 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. Increasing difficulties and legal requirements on buyers to access loans for their homes; banks will focus on buyer’s solvency and the yield of the transaction proposed.

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

f) 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.

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

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

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

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

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

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

Given the 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 permits 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 2022 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 behavior. The most notable, in addition to the above-mentioned money laundering prevention tools, are as follows:

1) 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.

2) The Ethical Code was approved for the first time in November 2010, a new version of the same was adopted in April 2018 and has been subsequently updated several times, the last in January 2023, on the occasion of the adoption of several corporate policies in November and December 2022. 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.

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

4) The Anticorruption Policy, approved by the Board of Directors on May 2019, which establishes “zero tolerance” for fraud and corruption activities.

5) 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.

6) The Competition Policy adopted in November 2022 and designed as an efficient instrument to ensure that the activities of the Realia Group are fully aligned with the regulation on protection of competition.

7) The Gift Policy, also approved in November 2022 that aims to establish clear principles on giving or accepting gifts and hospitalities by the company.

8) The Human Rights Policy, approved in November 2022, in which the Group declares its commitment to respect the human rights contained in the Universal Declaration of Human Rights of the UN, and all other rights contained in both the Declaration of the International Labor Organization (ILO) on the principles and fundamental rights at work, and in the eight basic conventions of the ILO.

9) The Protocol for the prevention and eradication of harassment, adopted in December 2022, aimed at emphasizing the commitment of the Realia Group with compliance with the rules and the development of ethical conduct in its business activities that does not tolerate abuse of authority and any type of physical, psychological or moral harassment, or any other conduct that may create an intimidating, offensive or hostile environment for people.

10) The Ethical Channel Procedure, adopted in December 2022, aimed at providing the employees of the Realia Group and any other stakeholder that may have a legitimate interest from their relations with the Group, a whistleblowing channel to ensure and promote ethical conduct reporting matters or activities that may entail non-compliance with the Code of Conduct and the Ethical Code and the commission of criminal offences by the Group or its employees.

11) The Enquiry and Response Procedure, also approved in December 2022, aimed at defining the guidelines, the procedure, the tools and the mechanisms to manage the different enquiries conducted by the Organization as part of the Criminal Prevention Model Supervisory Function and the Code of Conduct and the Ethical Code, in line with their purpose and in consideration of the reporting process to the Compliance Committee.

12) The Compliance Committee Procedure, which regulates the operation of the Compliance Committee, a body created by the Board of Directors in December 2022 and is responsible for the promotion of ethical culture throughout the organization and ensure regulatory and normative compliance, externally and internally.

30. Events after the reporting period

No relevant events occurred after the reporting date.

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

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

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

1. THE COMPANY AND ITS ORGANIZATIONAL AND OPERATIONAL STRUCTURE

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

Business activities are focused mainly on three lines of business:

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

These equity investments represent around 36.48 % of the value on the asset side of the Realia Business, S.A.'s balance sheet.

b) 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 100% commercialization at year-end. It also has 2 projects in progress in the same municipality for 195 subsidized homes (VPL and VPPB) for rent; construction is well advanced, and it is expected that 43 housing units will start commercial operation in the first quarter of 2023, and the rest of units in the third quarter of the year.

The parent Company, Realia Business, S.A. is listed on the Spanish Stock Market Interconnection System in Madrid and its most significant shareholders include FCyC S.L., a company of the FCC Group, and Soinmob Inmobiliaria Española, S.A.U., with ownership interests reported to the CNMV of 51.89% and 23.23%, respectively.

Its organizational structure may be summarized as follows:

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

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

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

The daily management of the Developments and Land Management business is jointly performed from the Madrid headquarters and the Area Office of each of the geographic areas where the company has a presence.

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

2. CHANGES IN THE EQUITY INVESTMENT PORTFOLIO:

During 2022, the following changes took place in the Company's financial investments:

- In January and June 2022, the sole partner made two capital injections to Guillena Golf, S.A.U. for EUR 250 and 400 thousand, respectively, with the purpose of providing liquidity and recover the losses from prior years. These transactions did not cause any changes in the percentage of integration of the company within the Group.

- On 17 March 2022, Realia Business, S.A. execute the private sale contract entered into in 2021 and acquired the shares of Nozar in Servicios Índice, S.A., increasing its stake in the consolidated interest of that company from 50.50% to 90.42%. This transaction reduced "Other minority interests" by EUR 1,639 thousand. The investment made amounted to EUR 1,700 thousand.

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:

	2022	**2021**
	Days	**Days**
Average payment period to suppliers	59	67
Ratio of transactions paid	65	68
Ratio of transactions outstanding	38	57
		Thousands of Euros
Total payments made	62,845	53,958
Total outstanding payments	18,924	11,165

	2022	2021
Total payments made before the deadline established by the regulation on late payments	52,785	43,131
	Ratio	Ratio
Total number of invoices paid in the year	84	80
Number of invoices paid before the deadline established by the regulation on late payments	7,326	6,791
	Ratio	Ratio
	82	76

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 obtained total revenues for EUR 135.19 Million in 2022, 24.9% lower than in 2021 (EUR 180.07 Million).

  In its property business, it registered an increase of EUR 88.24 M in 2022, 7.9% higher than in 2021, due to: 1) the increase in rents, the recovery of common expenses and the end of the rebates granted due to Covid-19; 2) higher rents generated by the new Build to Rent (BTR); and 3) the result of the sales of property, plant and equipment due to the refund of a municipal gains tax.

In the development business, revenue amounted to 42.56 M €, 55.1% lower than in December 2021, mainly due to the smaller number of units delivered from developments (98 units in 2022 versus 291 units in 2021), mainly due to the schedule for work completion, for the Realia Group, in keeping with accounting regulations, does not recognize any revenue from the sales of its home units until all the rights and obligations on the units have been transferred to the buyers, through the corresponding deed of sales.

Additionally, the Group received 4.39 M € in revenue from the provision of services and others (+24.4%).

- Overhead is evolving positively, and reached 4.54 M € (-17.3%) compared to 2021 (5.49 M €), thanks to the synergies generated by the functional reorganization of the company Hermanos Revilla.

- Regarding provisions, a net reversal of + 24.30 M € was made at year-end 2022, versus a net reversal of +2.94 M € in 2021. The most relevant movements were:

  1) The reversal of provisions associated to the sale of finished product from development and land for 17.05 M €, versus 6.45 M € in 2021.

  2) Net reversal of the provision for inventories arising from the valuations made by an independent expert, for an amount of 5.57 M €, versus the provision of 1.92 M € in 2021.

  3) Reversal from risks (clients, litigations, 10-year warranty on delivered product, etc.) for an amount of 1.68 M €, versus 1.59 M € in 2021.

- Gross operating Result – "Adjusted EBITDA" (adjusted by the provisions associated to current assets for an amount of 24.30 M €), increased 9.5%, from 67.98 M € in 2021 to 74.41 M € in 2022. The Gross Operating Earnings (Adjusted EBITDA) of the Group in 2022 was positive in all its areas (development, property and services).

- The impact of the valuation of property assets (IAS 40) recognized in the financial statements, according to the valuation performed by independent experts at 31 December 2022, generated a positive result of 11.56 M € versus 38.07 M € in 2021. The valuation of property assets was affected by the rise in interest rates, which led to investors to demand higher yields.

- Financial result was -7.95 M €, a 41.4% improvement over 2021 (-13.57 M €). This improvement in the negative financial result is due to the following "Other financial revenue" obtained in 2022:

  1. Greater valuation of financial derivatives conducted by independent experts: +0.73 M €, versus -0.23 M € in 2021.

2. The collection of 2.52 M € from interest on arrears in the favorable resolution of a fiscal litigation, and an additional 2.4 M € from the change in fair value of a financial liability.

Excluding the impact of these financial revenues, the ordinary financial result of the Group at year-end 2022 would have been -12.40 M €, versus -11.92 M € in 2021, an increase of 3.9% due to the higher cost of funding of the loans referenced to Euribor rate.

- In summary, earning before taxes at December 2022 amounts to 80.24 M €, versus 93.52 M € in 2021 (-14.2%). This decrease is due to the smaller increase in the valuation of property assets for -26.51 M €, mitigated by an improvement in operating results (6.37 M €) and the financial results, and 6.86 M € in equity-accounted affiliates.

- Earnings after Taxes at December 2022 amounted to 61.47 M €, a drop of 13.9% over 71.43 M € in 2021.

- Attributable Net Result reached 58.14 M € at December 2022, 0.5% higher than in 2021 (57.86 M €), mainly due to the improved operating and financial result and equity-accounted affiliates, as well as to the increase in the allocation of results from the acquisition of 37.11% of the company Hermanos Revilla in December 2021.

INDEBTEDNESS

The Realia Group had net financial borrowings of EUR 554.79 Million at 31 December 2022, compared to EUR 627.43 Million at year-end 2021 (-11.6%). This decrease is mainly due to the different loan repayments made with the Group's cash flow. The most relevant is the repayment of 50 M € of the 120 M € intragroup loan granted for the acquisition of 37.11% of the shares of Hermanos Revilla in December 2021.

Cash and cash equivalents at 31 December 2022 amounted to EUR 35.65 Million, versus EUR 52.10 Million at 31 December 2021, 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 to respond to the needs of tenants in terms of sustainability and wellbeing (technology, health at work...) and to acquire new projects.

- Thus, at 31 December 2022, the Realia Group has net financial borrowings of EUR 519.14 Million, compared to EUR 575.33 Million at December 2021 (-9.8%).

- The weighted average interest rate of the gross borrowings (including derivatives) at 31 December 2022 is 2.33%, compared to 1.58% in 2021.

ASSET VALUATION

- At year-end 2022, the fair value of property assets reached EUR 1,556.6 Million, versus EUR 1,523.6 Million at December 2021 (+2.2%). This increase includes:

1. Capex investments on rental assets for an amount of 2.8 M €, aimed at maintaining the assets up to date in terms of livability and the incorporation of new technologies and actions intended to reinforce their sustainability.

2. Investments on assets under development (BTR) for an amount of 18.6 M €, corresponding to 2 new projects for the construction of 195 subsidized homes (VPPL-VPPB) for rent in the municipality of Tres Cantos (Madrid).

Had these investments not been made, and if we adjust the existing assets at December 2022, the fair value of property assets would increase by 0.76% (11.6 M €). The valuation of property assets have been affected by the higher interest rates that entail an increase in the yields demanded by investors.

- The fair value of residential assets (land, developments in progress and finished product) amounts to 373.9 M € at December 2022, versus 382.1 M € in 2021 (-2.1%). If we adjust the existing assets at December 2022 (excluding the investments made and adjusting delivered product and the sale of land), the fair value of residential assets in like for like terms would decrease by 0.8% (3.1 M €).

The main changes in residential assets were:

  - Purchase of the land "plot RC 1.9" in Valdemoro (Madrid) for an amount of 3.2 M €.

  - Investments made in developments in progress and land during 2022 for an amount of 23.8 M €.

  - 22.5 M € decrease in valuation of finished product arising from the deliveries made and 9.5 M € from the sale of land.

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

- 81% of the value of assets corresponds to the property activity (EUR 1,556.6 Million), and 19% (EUR 373.9 Million) to residential homebuilding.

PROPERTY MANAGEMENT BUSINESS

- Rent revenues in 2022 amount to EUR 66.89 Million (49.5% of the total revenues of the Group), a 4.6% increase over the previous year (EUR 63.95 Million), explained by: 1) the update of rent prices and the end of the rebates granted due to Covid-19, and 2) higher rents generated by the new residential BTR activity due to the increased revenues from the new Build to Rent (BTR) homebuilding activity.

- Gross margin adjusted by provisions (see APMs) of the property business increased by 9.3% (EUR 60.73 M €) versus EUR 55.56 M € in 2021 (EUR 55.56 M) due to the 4.6% increase in rents, the increased percentage of passed-on common expenses (14.8%) and the result of the sale of property, plant and equipment due to refund of a municipal capital gains tax, offset by the higher operating costs resulting from the energy crisis and inflation (10.0%).

- The evolution of the property business during 2022 was affected by the end of the socioeconomic measures adopted due to Covid-19, but also by the new consumption and labor trends that have emerged, such as telework, e-commerce, flex spaces, energy efficiency, sustainability, etc...which lead us to a new model of asset management and customer relations.

- Global occupancy of buildings in commercial operation, including the company consolidated through the equity method, stood at 92.4% at year-end 2022, versus 92.5% in 2021, practically identical. No new acquisitions of property assets for rent took place in 2022, even though a warehouse for a supermarket in the land located in La Noria (Murcia) completed its commercial operation, increasing the area in operation by 3,015 sq. m. Gross leasable surface area of the Realia Group amounts to 403,880 sq. m. of assets for tertiary use and 9,973 sq. m. of assets for residential use.

  Valuation of property assets at year-end 2022, including 115,075 sq. m. of buildable land for tertiary use and 24,578 sq. m. of buildable land for residential use in development, and reached a total area of 1,556.6 Million, an increase of 0.76% over 2021 in like for like terms.

- We have worked on renovating our buildings, modernizing their features (energy efficiency, sustainability, hospitality areas, common services, facilities, gymnasiums...), as well as adapting leasable spaces for new types of demand (co-working, flexible space....), all with the aim of being at the forefront of the most up-to-date demands of our current and future clients. The amount allocated to capex in our buildings amounted to 2.8 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 2022, 98 units were delivered for an amount of EUR 29.37 Million, versus 291 units for an amount of EUR 94.12 Million in 2021, mainly due to the schedule for the completion of work. This decrease is the consequence of the slowdown in the launch of new developments during Covid 19, and the policy of optimizing yields and minimizing risks in all new developments.

- At 31 December 2022, Realia has a stock of 272 units (homes and retail premises) finished or in construction and pending delivery (94 of them sold or pre-sold). Additionally, it holds 25 single-family lots for housing self-development.

- Realia continues with the commercial operation of 176 units from the developments in progress “Levante Dreams – 48 units” in San Juan, Alicante and “Parque del Ensanche II – 80 units” in Alcalá de Henares, Madrid, 47.2% of which are sold or pre-sold.

- Realia's land portfolio, at their different stages of urban development at 31 December 2022 amounts to 6,964,002 sq. m. of gross surface area, with an estimated buildable surface area of 1,736,158 sq. m. 27.6% of that surface area is land ready for construction, and 51.6% is located in Madrid.

- At December 2022, the fair value of residential assets (land, developments in progress and finished product) amounted to EUR 373.9 M €, versus 382.1 M € in December 2021 (-2.1%). If we adjust the assets existing at December 2022 (excluding investments made and adjusting product delivered and the sale of land), the fair value of residential assets in like for like terms would decrease 0.8%. The valuation was performed by an independent expert (TINSA) using the RICS methodology.

STOCK MARKET INFORMATION

The main Stock market parameters of the Parent company Realia Business S.A. in 2022 and their evolution are the following:

Share price at year-end 2022 (€/share)	1.070
Share price at year-end 2021 (€/share)	0.796
Variation in share price (%)	34.4%
Market capitalization at 2022 year-end (€)	877.68 M €
Maximum share price during the year (€/share)	1.1
Minimum share price during the year (€/share)	0.792
Average share price during the year (€/share)	0.927
Average daily traded volume (€)	90,500
Average daily traded volume (shares)	93,000

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. The General Meeting of Shareholders extended this agreement 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 2020	**9,176,469**	**7,526**
Balances at 31 December 2021	**9,176,469**	**7,526**
Acquisitions	-	-
Balances at 31 December 2022	**9,176,469**	**7,526**

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

5. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES

All the economic forecasts for 2022 have been upset by the events of the year. The strong hike in inflation, the disproportionate increase in energy costs, the emergence of disruptions in the global supply chain that led to a shortage of raw materials, and the start of the invasion of Ukraine have prevented a strong economic recovery. Faster-than-expected withdrawal of economic stimuli due to the rise of inflation, the higher risk aversion after the military conflict have brought about a tightening of global financial conditions since the beginning of 2022.

Even though the Spanish economy finished the year with a GDP growth of 5.5%, above the estimates of the Bank of Spain, the high inflation rate, 5.7%, and an underlying inflation of 7%, create an uncertain economic context that is not favorable to consumption and investment, with expected GDP growth rates of 1.3% and 2.7% in 2023 and 2024, respectively.

In view of this scenario, the Spanish economy and the rest of economies in our environment are subject to a great uncertainty due to the macroeconomic, geopolitical and socioeconomic aspect of a different nature and severity.

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

a) Maintaining the sale of new housing, allowing resuming the developments in progress. Tighter access to financing may cause sales terms to extend, and therefore, price will need to be adjusted.

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

c) The evolution of the market will continue to be uneven, depending on the different geographical areas, locations and types of product, as Covid-19 has made demand rethink its preferred locations and the type of product.

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

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

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

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

h) In the segment of tertiary assets for rent (offices, commercial premises and shopping centers), the impact of Covid-19 has been crucial to rethink future trends, which will probable change current business models and therefore the need for spaces to implement them. The foreseeable scenario is as follows: 1) rents will remain stable in offices and shopping centers, and variable rent linked to the sales of retailers will have greater weight. 2) The volume of space contracts will tend to be stable or with a slight downward trend both in offices (telework, unemployment..) and in commercial premises and shopping centers (drop in consumption, @commerce...) and 3) New contractual relations with tenants, with contracts incorporating flexibility of the contracted spaces, shorter duration of contracts and the inclusion of clauses against exceptional situations (Covid-19 or similar).

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

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

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

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

Given the 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.

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

Financial risk management objectives and policies

The 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, analyzing 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 currently 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. 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, and these aids were discontinued in 2022, once the economic activity in Spain, and therefore in our office buildings and shopping centers, returned to normal.

The balance of defaults and doubtful debts amounted to 513 M € versus 828 M € in 2021, and no problems are expected to cause significant variations in the short term.

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 453,026 thousand. The total amount hedged accounts for 75% of the outstanding balance of the loan; at 31 December 2022, this amounted to EUR 340,949 thousand (EUR 356,524 thousand in 2021), 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 2022, this hedge, valued at market value, had a positive impact of EUR 1,230 thousand on profit and loss, and a positive impact of EUR 8,139 Million on equity.

The following table shows the structure of this financial risk at year-end 2022 and 2021, detailing the risk hedged by Realia Patrimonio at a fixed interest rate:

	Thousand Euros			
	2022	%	2021	%
Debt at fixed interest rate	364,539	64%	380,114	60%
Debt at variable interest rate	208,077	36%	254,665	40%
Total Financial debt (*)	**572,616**	**100%**	**634,779**	**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 buffered by 64% 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 €	
	2022	
Impact on results (before taxes)	+1%	-0.25%
Financial cost at average cost	-2.1	-0.5
Variation in hedging		
Impact on Results	-	-
Impact on Equity	4.01	-1.01

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.

Finally, there is a potential negative impact on the financial statements of the Realia Group due to the upcoming maturity (24 April 2024) of the current interest rate hedge and by the fact that every increase of 100 bp in the Euribor rate would have an additional negative impact on financial costs of approximately 3.4 Million.

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 current scenario of sociopolitical uncertainty and inflation is leading us to increase financial costs and to the end of the "free-for-all" for financing offered by the CEB. Efforts are being made to lower the high inflation rates in the Eurozone, which reduce liquidity and slowdown consumption. These efforts have an impact on the real estate sector, where investment is expected to drop until the expected profitability against the cost of capital is recovered; therefore, it is expected that the value of assets may undergo a downward adjustment in the short term, and an adjustment in demand.

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. 50 M € of that loan were repaid during 2022.

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 2022 year-end the Realia Group has a positive working capital of EUR 283,667 thousand.

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 183 Million which, together with estimated payments of EUR 106 Million, which includes the construction of new developments, results in a positive operational cash flow if EUR 77 Million, which together with the current cash position of the Group, EUR 36 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 2022, 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 519,141 thousand (EUR 575,327 thousand at 31 December 2021), as shown in the following table:

Thousand Euros	December 2022	December 2021
Banks and other financial liabilities		
Mortgage guarantee loans	453,026	465,189
Syndicated	453,026	465,189
Bilateral loans	119,590	169,590
Loan arrangement costs and value adjustment to IFRS 9	(9,861)	(14,066)
Interest	3,445	2,035
Derivatives	**(11,410)**	**4,675**
Gross bank borrowings	**554,790**	**627,423**
Cash and cash equivalents	35,649	52,096
Net bank borrowings	**519,141**	**575,327**

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

	Consolidated
Indebtedness ratios	
Net bank borrowings / GAV (Liquidation value) (LTV)	27.4%
Hedging ratio	
EBITDA/ Finance cost	3.4

At year-end 2022, the Company has a positive working capital of EUR 283,667 thousand (positive EUR 259,569 thousand in 2021).

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	**2022**	**2021**
+ Operating result	74,048	67,677
+ Provision for amortization	322	292
Changes in trade provisions	24,299	2,914
	50,071	**65,055**

ADJUSTED EBITDA – Gross Operating Result

Operating result (profit or loss), after deducting the impact of the variation of provisions not related to the current assets.

ADJUSTED EBITDA	**Thousand euros**	
Data from the profit and loss account	**2022**	**2021**
+ Operating result	74,048	67,677
+ Provision for amortization	322	292
+ Impairment and other results	44	8
	74,414	**67,977**

GROSS MARGIN (adjusted by provisions):

Results directly attributable to the activity. Calculated as the difference between total operating revenue (net revenue, other operating revenue and result from the sale of property assets) and operating costs (variation in inventories of finished product or work in progress, procurement, other operating expenses – deducting the part allocated to overhead -, result from the disposal of property, plant and equipment and other results), minus the impact of the variation of provisions not related to current assets.

	Thousand euros	
Data from the profit and loss account	**2022**	**2021**
+ Operating result	74,048	67,677
+ Provision for amortization	322	292
+ Impairment and other results	44	8
+ Overhead	4,540	5,490
	78,954	**73,467**
Breakdown by areas:		
Property	60,730	55,560
Development	16,870	16,740
Other	1,354	1,167

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**	
	2022	**2021**
Balance sheet data		
+ Non-current debt with credit institutions	465,677	497,123
+ Non-current derivatives liabilities	-	2,289
- Non-current assets from derivatives (note 14.2)	4,540	-
+ Current bank borrowings	25,896	1,083
+ Current liabilities from derivatives	-	2,386
+ Current assets from derivatives (Note 14.2)	6,870	-
- Cash and other cash equivalents	35,649	52,096
	444,514	**450,785**

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	**2022**	**2021**
+ Financial borrowings from Group companies	70,080	120,040
+ Financial borrowings from third parties	4,547	4,502
+ Other debts (suppliers of fixed assets, guarantees...)	9,637	5,151
	84,264	**129,693**

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**	
	2022	**2021**
Equity attributable to the Parent	1,177.08	1,104.11
+ Net gains from fixed assets	-	4.10
+ Net gains from inventories	14.66	21.39
	1,191.74	**1,129.60**

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**	
	2022	**2021**
Ratio between		
Net indebtedness (EFN)	444,514	450,785
GAV Asset replacement value	1,977,642	1,952,425
	22.48%	**23.1%**

Total financial debt:

Loan to Value (LTV)	**Thousands of Euros**	
	2022	**2021**
Ratio between		
Net indebtedness (EFN)	528,778	580,478
GAV Asset replacement value	1,977,642	1,952,425
	26.74%	**29.7%**

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	**2022**	**2021**
Appraisal value of property assets Richard Ellis CB	1,615.84	1,582.73
Appraisal value of development assets TINSA	361.80	369.69
	1,977.64	**1,952.42**
• Transaction costs	**Million Euros**	
Appraisal value of property assets Richard Ellis CB	47.18	46.74
	47.18	**46.74**
GAV. Liquidation value	**Million Euros**	
	2022	**2021**
Appraisal value of property assets Richard Ellis CB	1,568.66	1,535.99
Appraisal value of assets TINSA	361.80	369.69
Total	**1,930.46**	**1,905.68**
Conciliation with Consolidated Financial Statements		
	Million Euros	

GAV. Liquidation value	2022	2021
Appraisal value of property assets Richard Ellis CB (1)	**1,568.66**	**1,535.99**
-Valuation of assets of companies consolidated with the equity method	-51.50	-51.45
-Valuation of property, plant and equipment (self-consumption)	-	-7.40
-Valuation inventories R Ellis	-9.70	-9.90
+ Carrying amount of advances to property investments non-valuated	1.69	1.54
Market value of Property Investments Financial Statements of the Group (Note 10)	**1,509.15**	**1,468.78**
Appraisal value of development assets TINSA (2)	**361.80**	**369.69**
-Asset valuation of companies consolidated using the equity method	-	-
-Valuation of inventories R Ellis	9.70	9.90
Market value of Inventories Financial Statements of the Group (Note 13)	**371.50**	**379.59**
Total GAV. Liquidation Value (1+2)	**1,930.46**	**1,905.68**

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 AND DIRECTORS' REMUNERATION REPORT

The accompanying Corporate Governance Report 2022 and the annual directors' remuneration report are included, as a separate section, in the management report, pursuant to the provisions of article 538 of the Law on Corporations. These reports are delivered individually, as additional relevant information, to the CNMV and are part, as a section thereof, of the consolidated management report. They are available at Realia's corporate Web site (www.realia.es) and at CNMV's Web site (www.cnmv.es).

ANNEX I:

2022

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	34,377	(153)
SERVICIOS INDICE, S.A.	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS S.A.	Property development	90.42%	3,688	4,160	(104)	(50)
VALAISE, S.L.U.	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS S.A.	Lease	100.00%	29,010	2,910	26,360	332
REALIA PATRIMONIO, S.L.U. (*)	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS, S.A.	Lease	100.00%	118,781	90,000	83,920	28,649
REALIA CONTESTI S.R.L. (b)	Candiano Popescu, 63c (Bucharest)	REALIA BUSINESS, S.A.	Property development	100.00%	3,424	3,997	2,168	(37)
GUILLENA GOLF, S.L.U.	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS, S.A.	Services	100.00%	395	4	391	(500)
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	REALIA BUSINESS, S.A.	Lease	32.56%	153,736	54,881	177,856	19,640
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	16.44%	68,181	54,881	177,856	19,640
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	PLANIGESA, S.A.	Lease	51.00%	57,600	54,881	177,856	19,640
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	BOANE 2003, S.A.U.	Lease	4.76%	8,414	54,881	177,856	19,640
BOANE 2003, S.A.U. (a)	P. Castellana, 41 (Madrid)	HERMANOS REVILLA, S.A.	Lease	100.00%	13,913	7,961	2,469	1,296
PLANIGESA, S.A. (a)	Avda. Camino de Santiago, 40 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	76.00%	44,564	46,878	26,368	13,002

(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 2021

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

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)	
FULLY CONSOLIDATED COMPANIES:								
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%	2,060	4,160	(54)	27
VALAISE, S.L.U.	Avda. Camino de Santiago, 40 (Madrid)	REALIA BUSINESS S.A.	Real estate services	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. (c)	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 PATRIMONIO, S.L.U.	Lease	32.56%	157,995	54,881	189,963	35,774
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	PLANIGESA, S.A.	Lease	16.44%	69,019	54,881	189,963	35,774
HERMANOS REVILLA, S.A. (a) (*)	P. Castellana, 41 (Madrid)	BOANE 2003, S.A.U.	Lease	51.00%	57,600	54,881	189,963	19,732
BOANE 2003, S.A.U. (a)	P. Castellana, 41 (Madrid)	HERMANOS REVILLA, S.A.	Lease	100.00%	13,913	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 the company Realia Contesti, S.R.L. is 15,428 thousand Ron. The figure indicated in the result of the translation to euros at the exchange rate in force at the date of the capital injection

(c) Including the result of 2020.

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

ANNEX II:

2022

COMPANY	REGISTERED OFFICE	OWNER	LINE OF BUSINESS	EFFECTIVE PERCENTAGE OF OWNERSHIP	Thousands of Euros			
						Investee Data (100%)		
						EQUITY		
					NET COST OF THE OWNERSHIP INTEREST	SHARE CAPITAL	RESERVES AND PROFIT/LOSS (d)	PROFIT (LOSS) BEFORE TAX
AS CANCELAS SIGLO XXI, S.L. (*)	Avda. Camino de Santiago, 40 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	50.00%	22,176	900	49,042	4,160

(d) Including the result of 2020

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

2021

COMPANY	REGISTERED OFFICE	OWNER	LINE OF BUSINESS	EFFECTIVE PERCENTAGE OF OWNERSHIP	Thousands of Euros			
						Investee Data (100%)		
						EQUITY		
					NET COST OF THE OWNERSHIP INTEREST	SHARE CAPITAL	RESERVES AND PROFIT/LOSS (d)	PROFIT (LOSS) BEFORE TAX
AS CANCELAS SIGLO XXI, S.L. (*)	Avenida 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.

ANNEX III: Detail of Joint Ventures and Joint Property Interests.

2022

	Thousands of Euros		
	Total Revenue	**% of Ownership**	**Company in which it is Consolidated**
Joint Property Investment:			
Comunidad de Bienes Turó del Mar	2,938	50.00%	Realia Business, S.A.

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.

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