Renta Corporación Real Estate, S.A. and Subsidiaries

Consolidated Financial Statements
for the year ended
31 December 2021
prepared in accordance with the
International Financial
Reporting Standards and
Consolidated Directors' Report

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2021

(Thousands of euros)

ASSETS	Notes	31.12.21	31.12.20
NON-CURRENT ASSETS:			
Intangible assets		**471**	**345**
Property, plant and equipment-		**188**	**188**
Plant and other property, plant and equipment		188	188
Rights-of-use assets	**Note 7**	**965**	**912**
Investment property	**Note 8**	**31,019**	**24,023**
Investments in associates and joint ventures-		**27**	**—**
Investments accounted for under the equity method		2	—
Loans to associates and joint ventures		25	—
Non-current financial assets	**Note 11**	**17,180**	**21,376**
Equity instruments		12,938	20,538
Non-current accounts receivable	Notes 11	4,117	722
Other financial assets		125	116
Deferred tax assets	**Note 17**	**27,207**	**27,244**
Total non-current assets		**77,057**	**74,088**
CURRENT ASSETS:			
Inventories-	**Note 12**	**60,408**	**65,195**
Land and building lots		18,115	18,115
Buildings acquired for refurbishment and/or conversion		41,568	40,918
Purchase options and supplier advances		725	6,162
Trade and other receivables-		**10,922**	**4,298**
Trade receivables for sales and services	Note 13	6,880	3,018
Sundry accounts receivable	Note 13	2,849	658
Other accounts receivable from public authorities	Note 17	1,193	622
Current financial assets-		**430**	**542**
Other financial assets		430	542
Cash and cash equivalents-	**Note 14**	**15,977**	**7,677**
Cash		15,977	7,677
Total current assets		**87,737**	**77,712**
TOTAL ASSETS		**164,794**	**151,800**

EQUITY	Notes	31.12.21	31.12.20
EQUITY AND LIABILITIES:			
SHAREHOLDERS' EQUITY-		**74,128**	**66,538**
Share capital-		**32,888**	**32,888**
Registered share capital		32,888	32,888
Share premium		**89,913**	**89,913**
Reserves of the Parent		**19,954**	**19,940**
Prior years' losses of the Parent		**(71,250)**	**(61,688)**
Consolidated reserves		**(970)**	**(4,057)**
Treasury shares		**(2,106)**	**(1,656)**
Consolidated profit/(loss) for the year attributable to the Parent		**6,899**	**(8,802)**
(Interim dividend)		**(1,200)**	**—**
VALUATION ADJUSTMENTS-		**1,602**	**292**
Equity instruments at fair value	Note 11	1,602	292
Total equity	**Note 15**	**75,730**	**66,830**
NON-CURRENT LIABILITIES:			
Non-current payables-	**Note 16**	**27,567**	**40,882**
Non-current debt instruments and other marketable securities		20,502	16,033
Bank borrowings		5,687	22,930
Other financial liabilities		1,378	1,919
Deferred tax liabilities	**Note 17**	**3,305**	**2,290**
Total non-current liabilities		**30,872**	**43,172**
CURRENT LIABILITIES:			
Current payables-	**Note 16**	**50,180**	**33,916**
Current debt instruments and other marketable securities		15,701	5,020
Current bank borrowings maturing at long term		15,450	18,692
Current bank borrowings		18,444	1,753
Other current financial liabilities		585	8,451
Trade and other payables-		**8,012**	**7,882**
Sundry accounts payable		6,511	4,208
Remuneration payable		692	331
Other accounts payable to public authorities	Note 17	655	2,163
Customer advances		154	1,180
Total current liabilities		**58,192**	**41,798**
TOTAL EQUITY AND LIABILITIES		**164,794**	**151,800**

The accompanying Notes 1 to 23 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2021.

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR
THE YEAR ENDED 31 DECEMBER 2021
(Thousands of euros)

	Notes	2021	2020
CONTINUING OPERATIONS:			
Revenue	Note 18	81,484	44,519
Other operating income		167	1,115
Changes in inventories of buildings acquired for refurbishment and/or conversion	Note 18	(59,876)	(31,689)
Purchases	Note 12	—	(936)
Staff costs	Note 18	(5,277)	(5,754)
Other operating expenses	Note 18	(6,681)	(13,128)
Depreciation and amortisation charge		(273)	(304)
Impairment and gains or losses on disposals of non-current assets		10	—
Consolidated profit/(loss) from operations		**9,554**	**(6,177)**
Changes in fair value of investment property	Note 8	2,168	445
Finance income	Note 18	174	1,069
Finance costs	Note 18	(3,730)	(4,182)
Share in profit or loss of associates under the equity method		(48)	—
Consolidated profit/(loss) before taxes		**8,118**	**(8,845)**
Income taxes	Note 17	(1,219)	43
Consolidated profit/(loss) for the year		**6,899**	**(8,802)**
Consolidated profit/(loss) for the year attributable to the Parent		**6,899**	**(8,802)**
Consolidated profit/(loss) for the year attributable to non-controlling interests		**—**	**—**
Basic earnings per share (euros)	**Note 5**	**0.21**	**(0.27)**
Diluted earnings per share (euros)	**Note 5**	**0.21**	**(0.27)**

The accompanying Notes 1 to 23 and the Appendices are an integral part of the consolidated statement of profit or loss for the year ended 31 thousand in December 2021.

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(Thousands of euros)

	2021	2020
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR (I)	**6,899**	**(8,802)**
OTHER COMPREHENSIVE INCOME		
Total other comprehensive income recognised directly in consolidated equity (II)	**1,310**	**(420)**
Items that cannot be reclassified to the consolidated statement of profit or loss:		
- On valuation of financial instruments	**1,747**	**(560)**
Equity instruments at fair value through consolidated statement of comprehensive income	1,747	(560)
- Tax effect	**(437)**	**140**
Total transfers to consolidated profit or loss (III)	**—**	**—**
Total other consolidated comprehensive income (I+II+III)	**8,209**	**(9,222)**
Total other comprehensive income attributable to the Parent	**8,209**	**(9,222)**
Total other comprehensive income attributable to non-controlling interests	**—**	**—**

The accompanying Notes 1 to 23 and the Appendices are an integral part of the consolidated statement of other comprehensive income for the year ended 31 December 2021.

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR
THE YEAR ENDED 31 DECEMBER 2021

(Thousands of euros)

	Share capital	Share premium	Reserves of the Parent	Prior years' losses of the Parent	Consolidated reserves	Treasury shares	Net consolidated profit/(loss) for the year attributable to the Parent	Interim dividend	Valuation adjustments	Total
Balance at 31 December 2019	**32,888**	**89,913**	**20,681**	**(78,256)**	**(3,404)**	**(2,608)**	**17,115**	**(1,200)**	**712**	**75,841**
Total comprehensive income	—	—	—	—	—		(8,802)	—	(420)	(9,222)
Distribution of 2019 profit/(loss)	—	—	—	16,568	(653)	—	(17,115)	1,200	—	—
Transactions with shareholders:										
Treasury share transactions	—	—	(577)	—	—	594	—	—	—	17
Share-based payments	—	—	(164)	—	—	358	—	—	—	194
Other changes in equity	—	—	—	—	—	—	—	—	—	—
Balance at 31 December 2020	**32,888**	**89,913**	**19,940**	**(61,688)**	**(4,057)**	**(1,656)**	**(8,802)**	**—**	**292**	**66,830**
Total comprehensive income	—	—	—	—	—	—	6,899	—	1,310	8,209
Distribution of 2020 profit/(loss)	—	—	—	(9,562)	760	—	8,802	—	—	—
Transactions with shareholders:										
Interim dividend	—	—	—	—	—	—	—	(1,200)	—	(1,200)
Treasury share transactions	—	—	(1)	—	—	(528)	—	—	—	(529)
Share-based payments	—	—	15	—	—	78	—	—	—	93
Recognition under “Reserves” of profit from the disposal of financial instruments measured as assets at fair value through the consolidated statement of other comprehensive income	—	—	—	—	2,327	—	—	—	—	2,327
Balance at 31 December 2021	**32,888**	**89,913**	**19,954**	**(71,250)**	**(970)**	**(2,106)**	**6,899**	**(1,200)**	**1,602**	**75,730**

The accompanying Notes 1 to 23 and the Appendices are an integral part of the consolidated statement of changes in total equity for the year ended 31 December 2021.

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR
THE YEAR ENDED 31 DECEMBER 2021
(Thousands of euros)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES (I):		**1,836**	**18,260**
Consolidated profit/(loss) for the year before tax-		**8,118**	**(8,845)**
Adjustments to profit/(loss)-		**(3,122)**	**6,592**
Depreciation and amortisation charge		273	304
Adjustments for impairment		(591)	4,518
Impairment and gains or losses on disposals of non-current assets		(10)	121
Finance income	Note 18	(174)	(1,069)
Finance costs	Note 18	3,730	4,182
Changes in fair value of investment property	Note 8	(2,168)	(445)
Other income and expenses		(4,182)	(1,019)
Changes in working capital-		**(1,795)**	**22,460**
Inventories	Note 12	5,632	18,861
Trade and other receivables		(7,009)	5,877
Trade and other payables		(418)	(2,278)
Other cash flows from operating activities-		**(1,365)**	**(1,947)**
Interest paid (received)		(800)	(1,851)
Dividends received		73	—
Income tax paid (received)		(638)	(96)
CASH FLOWS FROM INVESTING ACTIVITIES (II):		**7,702**	**(384)**
Payments due to investment-		**(5,151)**	**(390)**
Group companies and associates		(75)	—
Intangible assets		(158)	(116)
Property, plant and equipment		(81)	(70)
Investment property	Note 8	(4,828)	—
Other financial assets	Note 11	(9)	(204)
Proceeds from disposal-		**12,853**	**6**
Property, plant and equipment		21	—
Other financial assets	Note 11	12,832	6
CASH FLOWS FROM FINANCING ACTIVITIES (III):		**(1,238)**	**(15,552)**
Proceeds and payments relating to equity instruments-		**(435)**	**211**
Acquisition of equity instruments	Note 15	(524)	—
Disposal of equity instruments	Note 15	89	211
Proceeds and payments relating to financial liability instruments-		**397**	**(15,763)**
Proceeds from issue of debt instruments and other marketable securities	Note 16	35,004	16,415
Proceeds from issue of bank borrowings	Note 16	19,061	6,293
Proceeds from issue of other borrowings	Note 16	53	7,814
Repayment of debt instruments and other marketable securities	Note 16	(21,516)	(25,731)
Repayment of bank borrowings	Note 16	(23,978)	(15,778)
Repayment of other borrowings	Note 16	(8,227)	(4,776)
Dividends and returns on other equity instruments paid-		**(1,200)**	**—**
Dividends	Note 3	(1,200)	—
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		**8,300**	**2,324**
Cash and cash equivalents at beginning of year		7,677	5,353
Cash and cash equivalents at end of year	Note 14	15,977	7,677

The accompanying Notes 1 to 23 and the Appendices are an integral part of the consolidated statement of cash flows for the year ended 31 from December 2021.

Renta Corporación Real Estate, S.A.
and Subsidiaries

Consolidated Financial Statements for
the year ended
31 December 2021

1. Activities of the Renta Corporación Group

Renta Corporación Real Estate, S.A. (from its incorporation until 2 June 2001 Suatel XXI, S.L., and in the period from 2 June 2001 to 5 December 2003 Corporación Renta Antigua, S.A., as of when it acquired its current name), the Parent of the Renta Corporación Real Estate Group (the “Group” or the “Renta Corporación Group”) was incorporated as a private limited liability company in Barcelona (Catalonia, Spain) on 9 October 2000, and became a public limited liability company on 27 October 2001. Since October 2007 its registered office and tax domicile have been at Vía Augusta, 252-260 (Barcelona, Catalonia, Spain), where its main offices are located as well.

The shares of Renta Corporación Real Estate, S.A. (the “Parent”) are traded on the Spanish Stock Market Interconnection System and are listed on the Madrid and Barcelona Stock Exchanges.

The corporate purpose of the Parent is the performance of all types of transactions involving movable property, except those regulated by special legislation, and real estate. The activity and business of the Parent consists of the acquisition of real estate assets for their conversion and sale. The principal objective of this conversion process is to create value by adapting the properties to the needs of the demand in each market. As part of these conversion processes, the Parent acts on various elements that make up the real estate asset and its value. These conversion elements are: the physical condition of the asset, its use and classification, its rental and profitability status, the conditioning urban development factors, certain legal aspects, the division or aggregation of properties, etc.

The Group divides its activities into two business units: Transactional business and Asset business.

Transactional business

The Transactional business refers to all the properties for which, in the normal course of the Group’s operations, the latter performs a purchase and sale transaction or provides a service. The Transactional business is in turn divided into two business lines:

a. *“Real estate sales” line* −

   It consists of the acquisition, refurbishment and sale of buildings to third parties, the entire transaction being recorded in the Group’s balance sheet.

b. *“Real estate project management” line* −

   It consists of the acquisition of a right to purchase a property and developing the conversion project. The property is then sold to a third party; therefore, the transaction is not recognised in the Group’s balance sheet. The proposed improvements and conversions may be carried out by the Group at the buyer’s request.

Both business units perform the same activity and use practically the same business process, consisting of the purchase of real estate assets for conversion and sale.

The main purpose of this conversion process is to create value by adapting the properties to demand in each market. The process generally entails a change of use, physical improvements to the buildings and repositioning of the properties by enhancing their returns.

Asset business

Asset management relates to properties managed by the Group from which returns are obtained. It also involves creating and managing real-estate investment vehicles with third parties that generate fees from both the origination and management of assets.

Status of the Arrangement with Creditors and the effects of the lifting of the insolvency proceedings −

On 19 March 2013, the Parent and three of its subsidiaries filed a petition for voluntary insolvency proceedings, which was given leave to proceed by the Barcelona Commercial Court No. 9 on 27 March 2013. Also, on 8 July 2014 Barcelona Commercial Court No. 9 handed down a final judgement approving the Arrangement with Creditors.

The Arrangement with Creditors approved by the Renta Corporación Group encompassed several alternatives or payment proposals in the case of both secured claims and ordinary and subordinated claims. In this regard, it was agreed that the secured claims, that were not settled with the assets securing them, would be settled together with the ordinary claims, and the secured creditors were able to opt from among the various alternatives in the payment proposal for the ordinary and subordinated claims. With regard to the latter claims, the Arrangement with Creditors offered the creditors the option to choose from among the various alternatives for the settlement of their claims, including a proposal that contained a debt composition and rescheduling option and another that envisaged the conversion of loans into participating loans or the maintenance of participating loans and their subsequent partial conversion into shares and repayment of the remaining amount. Specifically, the three alternatives proposed were as follows:

Alternative A: Progressive reduction and payment over an eight-year term.

Alternative B: Conversion of loans into participating loans or maintenance of participating loans.

Alternative C: Conversion of loans into participating loans or maintenance of participating loans with no intermediate repayments.

In the case of credits under *Alternative A*, they should be paid within an eight-year term. The first of these annual periods started one year after the date on which the Arrangement with Creditors became effective, i.e., on 8 July 2015, and the first payment was made on 8 July 2016.

The subordinated creditors to whom this Alternative was applied were affected by the debt composition and rescheduling established therein, computing the rescheduling periods from the date of full compliance with the Arrangement with Creditors under this Alternative with respect to the ordinary creditors.

Regarding the claims under *Alternative B*, they were converted into participating loans, or continued to be participating loans if they were already such prior to the commencement of the insolvency proceedings. Debtors cannot make any early repayments, except for the realisation of the land lots Pere IV and Cánovas, of which 80%

(Amounts in thousands of euros)

or 100% of all the proceeds obtained, respectively, would have to be used. In turn, 50% of the consolidated available free cash flow ("AFCF") would have to be allocated at the end of each reporting period until 31 December 2021 on a pro rata basis over the entire period.

The loans converted into or maintained as participating loans bear interest at the end of each reporting period at a floating rate of one-year Euribor plus a spread. Such spread is set as follows: 1%, if the consolidated net profit of the debtors exceeds EUR 10 million; 2%, if it exceeds EUR 20 million; and 3%, if it exceeds EUR 30 million. If the consolidated net profit is less than EUR 10 million, no floating interest will accrue.

The remaining amount of the claims affected by this Alternative must be paid in a single payment to be made when three months have elapsed from the date scheduled for the last payment to the ordinary creditors to whom Alternative A applies. If, based on the Group's consolidated financial statements for the year immediately preceding that in which the aforementioned payment should be made, there is evidence that the Group, at the closing of such reporting period, does not have sufficient AFCF to fully satisfy the payment set out in this paragraph, the debtors must allocate 50% of the average AFCF for the two months immediately preceding the payment of the remaining claims under Alternative B.

Once the aforementioned partial payment has been received, the creditors that choose Alternative B must accept as dation in payment of the rest of their claims the land lot identified as Cánovas, on an indeterminate share basis in proportion to the amount of the remaining claim that each creditor holds, free and clear of liens or charges. After this dation in payment, the creditors that choose this Alternative B have no further claims against any of the debtors. Therefore, all the obligations of the debtors under Alternative B are secured through a mortgage on the land lot identified as Cánovas owned by the fully-owned investee Renta Corporación Real Estate ES, S.A.U. The mortgage liability relating to this asset amounts to EUR 15,000 thousand. The mortgage was unilaterally created by the debtor owning the land lot in favour of the creditors that provided evidence that they had opted for Alternative B in proportion to the amount of their claims.

Finally, and in connection with *Alternative C*, which also covered the intra-group loans at the reporting period, on 31 December 2017, the directors of Renta Corporación Real Estate, S.A. and of the wholly-owned investee Renta Corporación Real Estate ES, S.A.U. entered into an agreement for the reciprocal remission of the claims held by them against the other and that were affected by the Arrangement with Creditors. In this regard, the Parent's directors and their legal advisers considered that such remission did not violate the provisions of the Arrangement or any provision of the Spanish Insolvency Law in any way whatsoever, nor did it alter the seniority or means of settling the other insolvency claims established by the Arrangement with Creditors.

The detail of the results (at their face value) of applying the Arrangement with Creditors at 31 December 2021 and 2020 is as follows:

	Thousands of euros			
	Renta Corporación Real Estate, S.A.		Renta Corporación Real Estate ES, S.A.U.	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Bank borrowings	—	—	18,342	18,339
Other current and non-current accounts payable to public authorities	—	—	—	—
Other current and non-current liabilities	978	1,347	290	448
Total liabilities	**978**	**1,347**	**18,632**	**18,787**

(Amounts in thousands of euros)

The balances of these liabilities are recognised in these consolidated financial statements at amortised cost, discounted at a rate of 5.12%. The breakdown of the amounts recorded at 31 December 2021 and 2020 and the estimated maturity date are as follows:

	Thousands of euros			
	Renta Corporación Real Estate, S.A.		Renta Corporación Real Estate ES, S.A.U.	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Current payables	360	360	18,028	154
Non-current payables-				
2022	—	342	—	17,147
2023	28	27	6	6
2024	54	51	12	11
2025	77	73	17	16
2026	73	69	16	15
Subsequent years	231	230	47	50
Total deferred payables	**823**	**1,152**	**18,126**	**17,399**

Other disclosures

Because of the nature of the activities performed by the Group, it does not have any environmental liability, expense, asset, provision or contingency that might be material to its equity, financial position or profit and loss. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements. However, the Group implements an active environmental policy in its urban development, real estate construction, maintenance and upkeep activities.

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, taking into account all the mandatory accounting principles and standards and measurement bases, and the Spanish Commercial Code, the Spanish Companies Law, the Spanish Securities Market Law and all other applicable Spanish corporate law, as well as the rules of the Spanish National Securities Market Commission (CNMV), and, accordingly, they present fairly the Renta Corporación Group’s consolidated equity and consolidated financial position at 31 December 2021 and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The consolidated financial statements of Renta Corporación Real Estate, S.A. and Subsidiaries for the year ended 31 December 2021, which were obtained from the accounting records kept by the Parent and by the other companies composing the Group, were authorised for issue by the Parent’s directors at the Board of Directors meeting held on 23 February 2021.

However, since the accounting policies and measurement bases used in preparing the Group’s consolidated financial statements at 31 December 2021 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the principles and criteria used and to make them compliant with IFRS.

(Amounts in thousands of euros)

With a view to presenting the various items of the consolidated financial statements in a uniform manner, the accounting policies and measurement bases used by the Parent were applied to all the consolidated companies.

The Group's consolidated financial statements for the year ended 31 December 2020 were approved by the shareholders at the Annual General Meeting of the Parent on 21 April 2021 and were filed with the Barcelona Mercantile Register.

b) *Adoption of International Financial Reporting Standards*

The Renta Corporación Group's consolidated financial statements are presented in accordance with IFRS, pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the requirement to present consolidated financial statements in accordance with IFRS as adopted in Europe is also regulated by Final Provision Eleven of Law 62/2003, of 30 December, on tax, administrative, labour and social security measures.

The principal accounting policies adopted by the Renta Corporación Group are disclosed in Note 4.

Standards and interpretations applicable in 2021 −

In 2021 new accounting standards came into force, which, accordingly, were taken into account in the preparation of the accompanying consolidated financial statements. The following standards were applied to these consolidated financial statements, with no significant impact on the presentation and disclosure thereof:

New standards, amendments and interpretations		**Mandatory application in years beginning on or after**
Approved for application in the EU:		
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued in September 2020)	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to the Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to IFRS 4 Deferral of effective date of IFRS 9 (issued in June 2020)	Deferral of effective date of IFRS 9 until 2023	1 January 2021
Amendment to IFRS 16 Leases − Rent Concessions (issued in March 2021)	Amendments to IFRS 16 to extend the scope of the practical expedient (COVID 19-Related Rent Concessions)	1 April 2021

Standards and interpretations issued but not yet in force -

At the date of preparation of these consolidated financial statements, the following standards and interpretations had been published by the IASB (International Accounting Standards Board) but had not yet come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union:

(Amounts in thousands of euros)

New standards, amendments and interpretations		**Mandatory application in years beginning on or after**
Approved for application in the EU:		
Amendments to IFRS 3 Amendments to IFRS 3 – Reference to the Conceptual Framework (issued in May 2020)	IFRS 3 is updated to align the definitions of assets and liabilities in a business combination with those under the conceptual framework. Certain clarifications regarding the recognition of contingent assets and liabilities are introduced as well.	1 January 2022
Amendments to IAS 16 Proceeds before Intended Use (issued in May 2020)	This amendment prohibits entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while that asset is being prepared for its intended use. Proceeds from selling such items, together with the related production costs, must be recognised in profit or loss.	1 January 2022
Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract (issued in May 2020)	This amendment clarifies that the cost of fulfilling a contract comprises the incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.	1 January 2022
Improvements to IFRS Standards 2018-2020 (issued in May 2020)	Amendments to IFRS 1, IFRS 9, IFRS16 and IAS 41.	1 January 2022
Not approved for application in the EU:		
New standards:		
Amendments to IFRS 17 – Insurance Contracts (issued in May 2017)	It supersedes IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts issued to ensure that entities provide relevant and reliable information that gives a basis for users of the information to assess the effect that contracts have on the financial statements.	1 January 2023
Amendments and/or interpretations:		
Amendments to IAS 1 Classification of Liabilities as Current or Non-current (issued in January 2020)	Clarifications on the recognition of liabilities as current or non-current.	1 January 2023
Amendments to IAS 1 Disclosure of Accounting Policies (issued in February 2021)	Amendments that are intended to help entities in adequately deciding which accounting policies to disclose in their financial statements.	1 January 2023
Amendments to IAS 8 Definition of Accounting Estimates (issued in February 2021)	Amendments and clarifications to help entities to distinguish between accounting policies and accounting estimates.	1 January 2023

(Amounts in thousands of euros)

New standards, amendments and interpretations		Mandatory application in years beginning on or after
Amendments and/or interpretations:		
Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	Clarifications on how companies account for deferred tax on transactions such as leases and decommissioning obligations.	1 January 2023
Amendments to IFRS 17 Insurance Contracts – Initial Application of IFRS 17 and IFRS 9	Amendment to the transition requirements in IFRS 17 for insurance companies that apply IFRS 17 and IFRS 9 simultaneously for the first time.	1 January 2023

The application of new standards, amendments and interpretations will be considered by the Group once they have been ratified and adopted, as the case may be, by the European Union. In any case, the Parent's directors have assessed the potential impact of applying these standards in the future and consider that their entry into force will not have a material effect on the Group's consolidated financial statements.

c) *Functional currency*

These consolidated financial statements are presented in the Group's functional currency, the euro, since this is the currency of the main economic area in which the Group operates.

d) *Responsibility for the information and use of accounting estimates and judgements*

The information in these consolidated financial statements is the responsibility of the Parent's directors. Estimates were made by the Parent's management based on objective information in order to quantify certain assets, liabilities, income, expenses and obligations reported herein. Said estimates and criteria relate to:

– The assessment of the use of the going concern basis of accounting (Note 2-j).

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

– The fair value of investment property. This fair value was obtained from the appraisal conducted by an independent valuer at 31 December 2021 applying the methods disclosed in Note 4-e.

– The measurement and impairment of inventories (Note 4-h).

– The estimate of the appropriate allowances for doubtful debts (Note 4-f).

– The recoverability of tax loss carryforwards and deferred tax assets recognised in the consolidated balance sheet (Notes 4-n and 17).

– The assessment of lawsuits, obligations and contingent assets and liabilities at year-end (Note 4-l).

Although these estimates were made on the basis of the best information available at the date of authorisation for issue of these consolidated financial statements, events that may take place in the future might make it necessary to change these estimates (upwards or downwards). Changes in accounting estimates would then be applied prospectively, recognising the effects of the change in estimates in the related consolidated statement of profit or loss.

e) Basis of consolidation

The accompanying consolidated financial statements were prepared from the accounting records of Renta Corporación Real Estate, S.A. and of its investees, whose financial statements were prepared by the directors of each company.

The criteria used to determine the consolidation method applicable to each Renta Corporación Group company were as follows:

Subsidiaries –

Subsidiaries are the entities over which the Group directly or indirectly controls the financial and operating policies, exercises power over the relevant activities, maintains exposure or rights to variable returns from involvement with the investee, and has the ability to use power over the investee to affect the amount of the investor's returns. This is generally because it holds more than 50% of the voting power. Also, in order to assess whether the Group controls another entity, it is evaluated whether it has power over the investee; exposure or rights to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of the investor's returns. When assessing whether the Group controls another entity, the existence and effect of potential voting rights are considered. These include those held both by the Parent and by third parties, provided that those rights are substantive. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation on the date that control ceases to exist.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Where necessary, the financial statements of the subsidiaries are adjusted so that the accounting policies used are the same as those applied by the Group's Parent.

The results of subsidiaries acquired during the year are included in the consolidated statement of profit or loss from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated statement of profit or loss from the beginning of the year to the date of disposal.

Should the Group have non-controlling interests, the share of those interests would be accounted for as follows:

– The equity of their investees is presented in the Group's equity under "Non-controlling interests" in the consolidated balance sheet. Any losses applicable to the non-controlling interests in excess of the carrying amount of these non-controlling interests would be recognised with a charge to the Parent's investments.

– The profit/(loss) for the year is presented under "Consolidated profit/(loss) attributable to non-controlling interests" in the accompanying consolidated statement of profit or loss.

All the accounts receivable and payable and other transactions between the consolidated companies were eliminated on consolidation.

Lastly, these consolidated financial statements do not include the tax effect that may arise from including the results and reserves of the subsidiaries in the Parent's equity since, pursuant to IAS 12, it is considered that no transfers of reserves giving rise to additional taxation will be made. Since the Parent controls the timing of distribution, it is not likely that such distribution will occur in the foreseeable future, but rather that the results and reserves will be used as financing resources at each company.

Joint ventures –

A joint venture is a contractual arrangement whereby two or more companies have interests in entities (jointly controlled entities) or undertake joint operations or hold assets; therefore, any strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers. As a result of applying IFRS 11 –Joint Arrangements–, the Group accounts for investments in jointly controlled entities using the equity method, which are recognised under "Investments accounted for under the equity method" in the accompanying consolidated balance sheet. The share in the after-tax profit/(loss) of these companies is recognised under "Share in profit or loss of associates under the equity method" in the accompanying consolidated statement of profit or loss.

If, as a consequence of losses incurred by an associate, its equity were negative, the investment should be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support.

The tax effect that may arise from including the results and reserves of the joint ventures in the Parent's equity is not included in the accompanying consolidated financial statements since, pursuant to IAS 12, it is considered that no transfers of reserves giving rise to additional taxation will be made. Since the Parent controls the timing of distribution, it is not likely that such distribution will occur in the foreseeable future, but rather that the results and reserves will be used as financing resources at each company.

Appendix I shows the main data relating to subsidiaries and joint ventures at 31 December 2021 and 2020.

f) Changes in the scope of consolidation

On 14 May 2021 Terra Green Living, S.A. was incorporated through the issuance of 100,000 shares of EUR 1 par value each, its corporate purpose being the acquisition and development of land for the sale of housing units to third parties. The Parent subscribed 50% of the share capital in the amount of EUR 50 thousand.

On 16 October 2020, the sole liquidator of the investee Linwork Properties SOCIMI, S.A.U. executed the public deed of liquidation of such investee. The aforementioned investee had been incorporated on 6 June 2019 through 200,000 shares fully subscribed and paid in by the Parent with a par value of EUR 1 each.

g) Comparative information

The information relating to 2021 contained in these notes to the consolidated financial statements is presented for comparison purposes with that relating to 2020.

h) *Grouping of items*

Certain items in the consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows are grouped for better understanding, even though such information, when significant, has been itemised in the corresponding notes to the financial statements.

i) *Correction of errors*

In preparing the accompanying consolidated financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for 2020.

j) *Financial position and going concern basis of accounting*

As to the coronavirus health crisis (COVID-19), the pandemic continued to set the pace of the real estate market throughout 2021. Governments' capacity to minimise the infection waves and administer the vaccine to a larger number of the population was critical to ease economic uncertainty. COVID-19 has accelerated some already existing trends in the areas of teleworking, the online world, digitalisation, the environment and sustainability, among others. In this regard, the real estate sector remains a safe haven for investors given its ability to generate appealing returns in a context of extremely low interest rates.

The global health crisis in 2020 brought the investment market to a halt. The formalisation of the transactions foreseen in the plan were postponed and investments in new projects by the Group were reduced. All this had a direct impact on the trading portfolio, the operating margin and, therefore, on the profit for the year 2020. Thus, the Group reviewed its five-year strategic plan and its full implementation was delayed. However, the plan's assumptions and value-creating drivers –i.e., increasing the size of transactions and developing the asset management business– remained unaltered. In 2021 both the volume of transactions and profit figures improved substantially year-on-year, even when certain external factors –such as new coronavirus waves over the period– put off the incorporation of new lines of business aimed at rental asset management in non-residential segments.

In this context, liquidity remained a priority throughout 2021 and was overseen closely and periodically. At 31 December 2021 the Group had access to diversified sources of finance and held a sustainable leveraging level, in addition to cash amounting to EUR 15,977 thousand, all of which will enable the Group to meet its payment obligations and investment needs in the medium term.

The new 2022-2026 strategic plan approved by the Board of Directors on 23 February 2022 is based on a future strategy aimed at consolidating the Group's market positioning. To this end, the Group is taking the following approach:

a. Boosting its operating margin through the Transactional business by increasing the number of transactions and, in particular, the average scale thereof. The Asset business will rally as a result of increased investments foreseen during 2022.

b. Maintaining overhead costs in line with the expected level of activity exploring the possibility of outsourcing certain services.

c. Expanding the business model through the incorporation of new business lines engaging in the management of both Group and third-party assets for non-residential use.

(Amounts in thousands of euros)

The aforementioned strategic plan also guarantees fulfilment of the debt repayment obligations under the Arrangement with Creditors entered into in the insolvency proceedings (Note 1). The aforementioned strategic plan envisages the generation of future profits and cash flows that will enable the Group to continue as a going concern.

The directors deem that the Group stands on sound foundations, with a highly liquid asset portfolio, a healthy balance sheet and a strong financial position, which will enable it to harness any future opportunities. In this context, the directors prepared these consolidated financial statements in accordance with the going concern basis of accounting, taking into account the aforementioned strategic plan, the budget and the treasury plan for 2022, which indicates that the Group will be able to fulfil its financial and operating obligations.

3. Distribution of the Parent's profit

The proposed distribution of profit of the Parent, Renta Corporación Real Estate, S.A., for 2021 that its directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of euros
Profit for the year of the Parent	**7,121**
Interim dividend out of profit for the year	1,200
Final dividend	2,200
To prior years' losses	3,721
Total distributed	**7,121**

On account of this proposed allocation of profit of the Parent, the Board of Directors, at its meeting on 4 November 2021, approved the distribution of an interim dividend in the gross amount of EUR 0.03733194 per share, which was fully paid on 15 November 2021.

Below is the provisional accounting statement of the Parent at 30 September 2021 prepared by the directors on 04 November 2021 in accordance with the legal requirements set out in Article 277 of the Spanish Companies Law, evidencing the existence of sufficient liquidity for the distribution of the interim dividend:

	Thousands of euros
Cash and cash equivalents and current financial assets	14,650
Inventories realisable at short term	23,934
Other trade receivables	10,460
Current liabilities	(23,137)
Total	**25,907**

Also, the payment of a final dividend totalling EUR 2,200 thousand will be submitted to approval by shareholders at the Annual General Meeting.

4. Accounting policies and valuation standards

The principal accounting policies and valuation standards used in preparing these consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the interpretations in force when the consolidated financial statements were prepared, were as follows:

a) *Intangible assets*

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

They can have an "indefinite useful life" –when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the consolidated companies–, or a "finite useful life", in all other cases.

Intangible assets with indefinite useful lives are not amortised; rather, at the end of each reporting period, the consolidated companies review the remaining useful lives of the assets in order to ensure that they continue to be indefinite or, if this is not the case, to take the appropriate steps.

Intangible assets with finite useful lives are amortised over those useful lives using methods similar to those applied to depreciate property, plant and equipment.

Computer software –

The Group recognises under this caption the costs incurred in the acquisition and development of computer software. Computer software maintenance costs are recognised with a charge to the consolidated statement of profit or loss for the year in which they are incurred. Computer software is amortised on a straight-line basis over a four-year period.

b) *Property, plant and equipment*

Property, plant and equipment are recognised initially at acquisition or production cost.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in profit or loss on an accrual basis as incurred.

Work performed by the Group companies on their own property, plant and equipment is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of in-house consumption of warehouse materials and manufacturing costs allocated applying hourly absorption rates similar to those used for the measurement of inventories). The costs capitalised in this connection are deducted from "Changes in inventories of buildings acquired for refurbishment and/or conversion" in the accompanying consolidated statement of profit or loss.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated.

The period property, plant and equipment depreciation charge is recognised in the consolidated statement of profit or loss and is based on the application of depreciation rates determined on the basis of the years of estimated useful life.

The detail of the average useful lives of the Group's various items of property, plant and equipment is as follows:

	Depreciation rate
Facilities and furniture	10%
Computer hardware	25%
Other items of property, plant and	10-16%

The Parent's directors consider that the carrying amount of these assets is not lower than their recoverable amount, which is calculated on the basis of the discounted future cash flows that the assets will generate.

Gains or losses arising from the disposal or derecognition of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the consolidated statement of profit or loss.

c) *Impairment of intangible assets and property, plant and equipment*

The Group reviews the carrying amounts of its property, plant and equipment and intangible assets annually 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 estimated in order to determine the extent of the impairment loss, if any. Where 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. Intangible assets with indefinite useful lives or those for which amortisation has not commenced are tested for impairment at least at each year-end and, in any case, prior to year-end if there are any indications of impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be lower than its carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to its recoverable amount. Then an impairment loss is immediately recognised as an expense.

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

d) Rights-of-use assets

Lease contracts are accounted for based on IFRS 16. Pursuant to IFRS 16, except for those contracts referring to a low-value asset or with a term of one year or less, the tenant must:

1. Recognise the financial liability at the current value of the fixed payments to be made over the lease period, discounted at the lease implicit rate. If this rate cannot be determined easily, the Group applies its incremental borrowing rate.

2. Recognise an asset in the consolidated balance sheet on account of its use, the value of which will be established as per the amount of the related financial liability, plus any direct costs incurred in performing the contract, any down payments made and any future dismantling costs.

3. Recognise in the consolidated statement of profit or loss the amortisation charge of the recognised asset and the annual financial burden derived from the financial liability (these two components in combination show the lease expense associated to fixed payments in the consolidated statement of profit or loss). The useful life of these assets is determined according to the duration or valid term of the relevant lease agreements.

4. Recognise, both in the consolidated balance sheet and the consolidated statement of profit or loss, the tax effect resulting from the current difference between IFRS 16 principles and those applied for tax purposes.

Should the lease agreements be part of a business combination, the lease liability will be measured at the current value of the remaining lease payments, as if the lease acquired were a new lease on the business acquisition date. The right-of-use asset will be recognised for the same amount as the lease liability, and adjusted to evidence the lease favourable or unfavourable economic conditions compared to the market conditions.

Right-of-use assets will undergo the corresponding impairment tests, similarly to the remaining assets with a finite useful life.

As for the statement of cash flows, payments in cash on account of principal of the lease liability will be classified in the heading “Cash flows from financing activities”.

e) Investment property

“Investment property” in the consolidated balance sheet reflects the values of the land, buildings and other structures held to earn rentals.

Investment property is stated at its fair value at the closing of the reporting period and is not depreciated. Gains or losses arising from changes in the fair value of investment property are included in the profit or loss for the period in which they arise and are recognised under “Changes in fair value of investment property” in the accompanying consolidated statement of profit or loss.

The Group determines the fair value of investment property annually, in accordance with IAS 40. Fair value is established by taking as reference values the appraisals performed by independent valuers at the date of preparation of the consolidated balance sheet and, accordingly, at the end of each reporting period the fair value reflects the market conditions of investment property at that date.

Investment property was valued in accordance with the methods and principles of the UK Royal Institution of Chartered Surveyors (RICS) and in accordance with generally accepted valuation principles. In 2021 and 2020 the valuations were carried out by the third-party valuation company Accode Business Influencers, S.L.

In order to determine the fair value of the Group's investment property in 2021 and 2020, mainly the lease payment revision methodology was followed based on the discounted cash flow ("DCF") approach. The like-for-like method was only applied to determine the market value of an asset purchased by the Group in 2021.

Leased residential assets –

As to the discounted cash flow method applied to rental residential assets and, unless the specific characteristics of an investment suggest otherwise, the DCF method is applied over a 50-year time horizon, in accordance with standard market practices. Cash flows are extrapolated over the period covered by the study on a month-to-month basis in order to reflect increases in the CPI and the timing of rent revisions, lease expiries, etc.

Generally accepted long-term forecasts are used for CPI increases. For each building projections are based on average occupancy and lease and marketing terms in line with market conditions, taking into account the properties' quality and location.

The final rate of return or final capitalisation rate used in each case refers not only to the expected market situation at the end of each cash flow period, but also to the expected lease requirements and the physical condition of the property, taking into account any planned improvements thereof, as set out in the analysis. Regular market discount rates are used.

The properties were valued on a case-by-case basis, considering each of the leases in force at year-end. The buildings with vacant areas were valued on the basis of their estimated future rent, less a marketing period.

The key variables in the aforementioned approach are the determination of net revenue, the period of time over which revenue is discounted, the value estimate at the end of each period and the target internal rate of return used to discount the cash flows. The estimated yields depend mainly on the type and age of the properties and their location, on the technical quality of the asset, on the tenant profile, and on the occupancy rate, among others.

In particular, the main assumptions considered were:

- Net rent revenue, after deducting all expenses payable by the Group. The outcomes of the entry into force of Law 11/2020 on Rental Price Regulation of 18 September were also considered (passed by the Regional Government of Catalonia). Said law is intended to limit the increase in housing rental prices in certain so-called "tense areas" where average rental prices are very high compared to the average income level of the resident families. This law applies to lease contracts involving units located in tense housing areas that expired upon its entry into force on 22 September 2020 and in case those contracts were renewed after said areas were classified as falling within the tense housing market, provided that it implied a contract extension or a modification of the rent price.

- Discount rate: A standard market rate of 4.5% is applied to this type of investment property in Barcelona.

- An annual inflation rate of 2% is considered.

- Time horizon: Projections are made for a 50-year period, without considering use for life and taking into account the overall (non-structural) refurbishment of the asset after 30 years.

- On completion of the study, a residual value of the building is taken into account based on its revised present value with an inflation rate of 2% and a discount rate of 4.5%.

- For each asset –unit by unit– the following was analysed:

  a) Vacant housing units are applied the official rent price pursuant to Law 11/2020 of 18 September with a three-month marketing period.

  b) For housing units tied to a contract:

     - If the rent is lower than the reference index established by the Government of Catalonia, the rent applied to each unit is maintained over the period as adjusted to the annual inflation rate.

     - If the current rent is higher than the reference index, it is estimated that prices will be adjusted to the reference rate in 2023.

  c) For housing units with indefinite contracts, the following were analysed on a unit-by-unit basis:

     - Possible subrogations were considered, taking as the end date of the contract the last possible subrogation.

     - The date on which the last subrogated person reaches the life expectancy age in Spain (80 years for men and 85 years for women) was considered as the date on which the housing unit becomes tenant-free.

     - Once the housing unit has become tenant-free, a major refurbishment is considered (including bathrooms, kitchen, sewerage, painting and replacement of exterior and interior carpentry). The estimated execution term is two months.

     - Units are marketed at the maximum rent price allowed in each area with an additional one-month marketing period once refurbishment works are completed, the actual marketing term being three months.

  d) In the case of vacant commercial premises and storage rooms, as they are not covered by Law 11/2020, market rent prices were applied considering a three-month marketing period.

The sensitivity analysis is shown below, taking into consideration the variables that can have the greatest impact on the valuation of investment property, such as rent revenue and the discount rate.

(Amounts in thousands of euros)

The detail of the parameters used at 31 December 2021 and 2020 is as follows:

2021	Rent revenue		Discount rate	
Type	-5.0%	+5.0%	-0.5%	+0.5%
Investment property	(397)	397	3,584	(3,090)
Total	**(397)**	**397**	**3,584**	**(3,090)**

2020	Rent revenue		Discount rate	
Type	-5.0%	+5.0%	-0.5%	+0.5%
Investment property	(603)	603	3,489	(2,888)
Total	**(603)**	**603**	**3,489**	**(2,888)**

The foregoing sensitivity analysis shows that the maximum potential impairment in 2021 would be approximately EUR 397 thousand for a fall in rent revenue of 5%. On the other hand, an increase of 0.5% in the discount rate would imply an impairment loss of EUR 3,090 thousand.

In 2020 the maximum potential impairment should have been approximately EUR 603 thousand for a rent revenue drop of 5%. On the other hand, an increase of 0.5% in the discount rate would imply an impairment loss of EUR 2,888 thousand.

Non-residential assets –

In 2021 the Group acquired several non-residential assets. Upon valuation, one of them was vacant and was measured on a like-for-like basis. The remaining assets were measured using the cash flow discount methodology since they were tied to a long-term lease contract; therefore, cash flows are extrapolated over the period covered by the study on a month-to-month basis in order to reflect increases in the CPI and the timing of rent revisions, lease expiries, etc.

In this regard, the valuation was performed on the assumption of the asset's lease until the contract expiry date, after which it will be converted for residential use and for sale to third parties.

The key variables in the aforementioned approach are the determination of net revenue, the period of time over which revenue is discounted, the value estimate at the end of each period and the target internal rate of return used to discount the cash flows. The estimated yields depend mainly on the type and age of the properties and their location, on the technical quality of the asset, on the tenant profile, and on the occupancy rate, among others.

In particular, the main assumptions considered were:

– Net rent revenue, after deducting all expenses payable by the Group.

– An 8.5% discount rate is applied according to the property's type and location.

– An annual inflation rate of 2% is considered.

(Amounts in thousands of euros)

– The timeline of the projections is based on the property's lease period until 2030, two years for its conversion and one additional year for its marketing before selling it to third parties.

– The selling price is calculated applying an annual 2% inflation rate to current market prices.

– Refurbishment costs are estimated assuming high-quality standards.

The sensitivity analysis is shown below, taking into consideration the variables that can have the greatest impact on the valuation of investment property, such as the selling price and discount rate:

2021	Selling price		Discount rate	
Type	-5.0%	+5.0%	-0.5%	+0.5%
Investment property	(214)	214	224	(212)
Total	**(214)**	**214**	**224**	**(212)**

The foregoing sensitivity analysis shows that the maximum potential impairment in 2021 would be approximately EUR 214 thousand for a fall in selling price of 5%. On the other hand, an increase of 0.5% in the discount rate would imply an impairment loss of EUR 212 thousand.

f) Financial instruments

Financial assets and liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The measurement bases applied by the Group to its financial instruments in 2021 and 2020 were as follows:

Financial assets –

Initial recognition –

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Classification and subsequent measurement –

The Group classifies its financial assets by valuation category, which is determined on the basis of the business model and the characteristics of the contractual cash flows. Financial assets are classified on initial recognition into the following categories:

1. Financial assets at amortised cost: Debt instruments held within a business model geared to collecting contractual cash flows that are solely payments of principal and interest. They are usually carried at amortised cost.

2. Debt instruments classified at fair value through the consolidated statement of other comprehensive income: When debt instruments are held within a business model whose purpose is achieved by both collecting contractual cash flows (payments of principal and interest) and selling financial assets, they are, in general, measured at fair value through other consolidated comprehensive income.

3. Equity instruments recognised at fair value through changes in the consolidated statement of other comprehensive income: These are equity instruments for which the Group makes an irrevocable decision to present subsequent changes in fair value in the consolidated statement of other comprehensive income, with the exception of dividends on such investments, which will be recognised in profit or loss for the period. Therefore, no impairment losses are recognised in profit or loss and no gains or losses are reclassified to the consolidated statement of profit or loss on disposal.

4. Financial assets at fair value through consolidated profit or loss: Debt and equity instruments that do not meet the conditions for being classified in one or other of the aforementioned categories are measured at fair value through the consolidated statement of profit or loss.

A financial asset is derecognised when the contractual rights to the cash flows therefrom expire or have been transferred and all the risks and rewards of ownership of the financial asset have also been transferred substantially. Financial assets are not derecognised, and a financial liability is recognised for an amount equal to the consideration received in transfers of financial assets in which the risks and rewards of ownership are retained.

Impairment of financial assets is based on the expected loss model. The Group updates the expected loss and the changes therein at each reporting date to reflect the changes in credit risk since initial recognition, without waiting for an impairment event to occur.

The Group applies the general expected credit loss recognition approach for financial assets, except for trade receivables and other receivables without a significant financing component, for which it applies the simplified expected loss approach. In this context, the Group uses a provision matrix for the calculation of expected credit losses on trade receivables based on its historical credit loss experience, adjusted as appropriate in accordance with the standard in force to estimate the credit losses on its accounts receivable. The historical information obtained is adjusted considering market variables and the forecasts relating thereto at the calculation date.

Financial liabilities –

All financial liabilities are measured at amortised cost using the effective interest method or as financial liabilities at fair value through consolidated profit or loss.

Financial liabilities subsequently measured at amortised cost –

Borrowings are initially recognised at fair value adjusted by directly attributable transaction costs. Any difference between the amount received and its repayment value is recognised in the consolidated statement of profit or loss over the repayment period of the borrowings, using the effective interest method, classifying the financial liabilities as subsequently measured at amortised cost.

The effective interest rate is used to calculate the amortised cost of a financial liability and in the allocation of the interest expense over the expected life of the financial liability at amortised cost. The effective interest rate is the rate that exactly discounts estimated future cash payments (including transaction costs) through the expected life of the financial liability or, where appropriate, a shorter period.

Current trade and other payables are current financial liabilities that are initially recognised at fair value, do not bear explicit interest and are recognised at their nominal value. Non-current payables are considered to be those that mature within more than twelve months.

Financial liabilities at fair value through profit or loss –

Financial liabilities are classified at fair value through the consolidated statement of profit or loss when they relate mainly to financial liabilities held for trading. Derivatives are considered to be in this category unless they are designated as hedging instruments.

Financial liabilities at fair value through the consolidated statement of profit or loss are measured at fair value, and any gain or loss arising from changes in their fair value are recognised in the consolidated statement of profit or loss.

Financial liabilities are derecognised when the obligations giving rise to them cease to exist. Also, an exchange between the Group and a third party of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the original financial liability and the consideration paid, including any attributable transaction costs, is recognised in the consolidated statement of profit or loss.

The Group considers that the terms and conditions of the financial liabilities are substantially different if the discounted present value of the cash flows under the new terms and conditions, including any fees and commissions paid net of any fees and commissions received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Changes in the contractual cash flows of a financial liability not leading to its derecognition must be recognised in the consolidated balance sheet as a change in estimate of the contractual cash flows of the liability, maintaining the original effective interest rate and adjusting its carrying amount at the date of the change and recording the difference in the consolidated statement of profit or loss.

Equity instruments –

Equity instruments represent a residual ownership in the Parent's equity net of liabilities.

Capital instruments issued by the Parent are recorded in equity at the amount received, net of issue expenses.

Treasury shares of the Parent acquired during the year are recognised directly as a reduction of equity by the amount of the consideration paid in exchange for them. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in the consolidated statement of profit or loss for the year.

g) Fair value hierarchy

Fair value measurements of assets and liabilities are classified according to the following hierarchy established in IFRS 7 and IFRS 13:

– Level 1: Inputs are based on unadjusted quoted prices in active markets for identical assets or liabilities.

(Amounts in thousands of euros)

– Level 2: Inputs are based on quoted prices for similar instruments in active markets, not included in Level 1, quoted prices for identical or similar assets or liabilities in markets that are not active, and techniques based on valuation models for which all the significant inputs are observable in the market or may be corroborated by observable market data.

– Level 3: Inputs are generally unobservable and, in general terms, they reflect estimates of the market assumptions for determining the price of the asset or liability. The unobservable data used in the valuation models are significant inputs in measuring the fair values of the assets and liabilities.

31 December 2021

	Thousands of euros		
	Level 1	Level 2	Level 3
Investment property	—	—	31,019
Financial assets at fair value through the consolidated statement of comprehensive income	12,913	—	—
Total assets	**12,913**	**—**	**31,019**

31 December 2020

	Thousands of euros		
	Level 1	Level 2	Level 3
Investment property	—	—	24,023
Financial assets at fair value through the consolidated statement of comprehensive income	20,513	—	—
Total assets	**20,513**	**—**	**24,023**

h) Inventories

Inventories, consisting of property developments in progress and completed properties, are measured at acquisition or construction cost. Execution costs include direct and indirect costs necessary for construction, as well as the finance costs incurred in financing works in the course of construction, but only if lasting for more than a year.

Any advanced delivery resulting from purchase options in force are recognised as “Purchase options and supplier advances” under “Inventories” in the accompanying consolidated balance sheet, and are based on fulfilment of the conditions rendering them enforceable. The acquisition of purchase option rights on properties is the Group’s usual way of implementing the first stage of the process of acquiring properties for inventories, prior to the formalisation of the deed of sale itself.

The Group recognises the appropriate inventory write-downs if the net realisable value of the inventories is lower than their carrying amount. Impairment losses arising after recognition of inventories are recognised in the consolidated statement of profit or loss. When the net realisable value exceeds the carrying amount, the Group recognises the difference in the consolidated statement of profit or loss as income from the reversal of impairment losses up to the limit of the amount of accumulated impairment on initial recognition of the asset.

The Group determines the net realisable value of its inventories periodically and mainly through internally performed valuations. The in-house valuations are performed taking into consideration the estimated selling price in the normal course of business less the applicable variable costs of disposal. The market prices of the properties in each location are analysed, as well as the main costs of disposal, which consist mainly of fees and commissions that are agreed upon for each property.

The external appraisal of the asset included in “Land and building lots” under “Inventories” of the accompanying consolidated balance sheet was performed in accordance with the methods and principles of the UK Royal Institution of Chartered Surveyors (RICS) and in accordance with generally accepted valuation principles. In 2021 and 2020 the appraisal was conducted by the third-party valuation company Accode Business Influencers, S.L. Specifically, the valuation methodology applied to land was the dynamic residual method, which consists in determining the future selling price of completed products discounting flows to present value, subtracting all urban development, promotion, marketing and borrowing costs as they are incurred.

Their classification as current assets is made taking into account the average operating period determined for each business segment, which is normally less than one year. The financing associated with these inventories is classified on the basis of these inventories (Note 4-k).

i) Functional currency

These consolidated financial statements are stated in euros, since this is the functional currency of the main economic environment where the Group operates.

j) Cash and cash equivalents

This caption includes the balances held in bank accounts, which are measured at cost or market value, whichever the lower.

Cash and cash equivalents include the Group’s cash on hand and short-term bank deposits initially maturing within three months or less. The carrying amount of these assets is close to their fair value.

k) Current / Non-current classification

The normal operating cycle is the time between the acquisition of assets for inclusion in the various property developments and the realisation of the related goods in the form of cash or cash equivalents.

In the accompanying consolidated balance sheet, assets and liabilities maturing within no more than twelve months are classified as current items whereas those maturing within more than twelve months are classified as non-current items, except for inventories, which are classified as current assets since they are realised during the Group’s normal operating cycle. The liabilities associated with these assets are classified as current liabilities, regardless of whether they mature in the short or long term. Bank borrowings are classified as non-current, if the Group has an irrevocable capacity to meet these obligations within more than twelve months as from the end of the reporting period.

l) Provisions and contingent liabilities

When preparing the consolidated financial statements, the Parent's directors made a distinction between:

– Provisions: credit balances covering current obligations arising from past events, the cancellation of which is likely to generate an outflow that cannot be determined in terms of amount and/or timing.

– Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies.

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 address the specific and potential risks for which they were originally recognised. Provisions are fully or partially reversed when such risks cease to exist or are reduced.

The provisions recognised relate to the estimated amounts required to address potential or actual liabilities arising from litigation in process, indemnity payments or other liabilities derived from the Group's business activities that will lead to future payments, which were measured on the basis of the information currently available. These provisions are recognised when the third-party liability or obligation giving rise to the indemnity or payment arises, taking into consideration the other conditions established by IFRS.

Third-party compensation received upon settling an obligation, provided such reimbursement is to be received, is recorded as an asset, except in case of a legal bond whereby part of the risk was externalised, and for which the Group is not liable. In such a situation, the compensation should be used to estimate the amount, if any, of the corresponding provision.

m) Employee benefits

Termination benefits –

According to current legislation, the Group is under the obligation to pay termination benefits to those employees whose employment relationship is terminated under specific conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken and valid expectations with regard to the termination are created on the part of third parties.

Share-based payment –

The Parent has four share-based payment plans in place granted to employees and executives of the Renta Corporación Group, as approved by the Board of Directors on 10 May 2017, 10 May 2018, 9 May 2019 and 13 May 2020, respectively (Note 15).

The Parent has also granted a share-based payment plan to the CEO of the Renta Corporación Group, as approved by the Ordinary General Meeting on 11 April 2019 (Note 15).

Furthermore, the Parent has granted a share-based payment plan to key personnel of the Renta Corporación Group, which was approved by the Parent's Board of Directors on 27 February 2019 (Note 15).

The Group recognises, on the one hand, the goods and services received as an asset or as an expense, depending on their nature when they are received, and, on the other, the related increase in equity if the transaction is equity-settled, or the related liability if the transaction is settled with an amount based on the value of the equity instruments.

In the case of equity-settled transactions, both the services rendered and the increase in equity are measured at the fair value of the equity instruments granted, with reference to the grant date, which is the market price of the Parent's shares at the time the plan is agreed upon. However, in the case of cash-settled share-based payments, the goods and services received and the related liability are recognised at the fair value of the latter, with reference to the date on which the requirements for their recognition are met.

n) Income tax

The expense or revenue for income tax includes the portion that refers to the expense or revenue arising from any current taxes and the portion corresponding to the expense or revenue arising from any deferred taxes.

The current tax expense is the amount paid by the Group on account of income tax for a specific reporting period. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Based on the nature of certain deferred tax assets and liabilities, the Group determined that these taxes should be presented in the accompanying consolidated balance sheet at their net balance.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (loss).

Deferred tax assets are only recognised if it is considered likely that the Group will have future taxable profits to recover them.

The assets and liabilities for deferred taxes, arising from transactions with direct debits or credits to equity accounts are also booked with a balancing entry under equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made if doubt exists as to their future recoverability. At each reporting date, the deferred tax assets not recognised in the accompanying consolidated balance sheet are assessed and recognised to the extent that their recovery against future taxable profits becomes probable, and the Group companies establish a finite time horizon for their recovery on the basis of the best estimates made (Note 17).

As a result of the Group filing a petition for voluntary insolvency proceedings on 19 March 2013 (Note 1), the Group lost the right to file consolidated income tax returns and consolidated VAT returns and, accordingly, the Group companies began to file individual tax returns.

o) Income and expenses

In accordance with IFRS 15, as a general rule, the Group recognises revenue so it may show the transfer of promised goods or services to customers for an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

In this connection, revenue is recognised as an entity satisfies the obligations, i.e., when the "control" of the goods or services underlying the obligation in question is transferred to the customer. Revenue earned from the completion and sale of turnkey projects is recognised considering the degree of realisation of the service at the date of the balance sheet, provided that the result of the transaction can be estimated reliably.

Interest income is accrued following temporary financial criteria according to the principal outstanding and the effective interest rate applicable. Such interest rate discounts the estimated future revenue that could be earned from the financial asset concerned.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, i.e., when the Annual General Meetings (of shareholders/members) of the investees approve the distribution of the related dividends.

Property sales and delegated turnkey development contracts –

Property sales are recognised when the ownership of the asset is transferred, i.e., when the public deed of sale of the property is executed, provided the control of the property has been transferred to the buyer. The Group can sell a property undertaking to perform certain refurbishment work, hiring, coordinating and monitoring such work, with the related costs being included in the selling price agreed. In this event, the sale is recognised upon fulfilling each and every contractual obligation, as individually specified.

Both in the case of sales or potential exchanges, should any condition precedent apply to the recognition of revenue, the latter will be deferred until such conditions precedent are met and the exchange or purchase are effected.

Expenses are recognised when accrued, regardless of their payment time. The cost of sales is recognised in the period when the relevant sale occurs.

As to revenue from the completion and sale of turnkey projects for third parties, and provided that the outcome of a construction contract can be estimated reliably, revenues and expenses are recognised by reference to the stage of completion of contract activity at the date of the balance sheet. The stage of completion of a contract can be determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, unless such a proportion does not reflect the stage of completion. Variations in the scope of the contract and claims are included insofar as they are agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of recoverable contract costs incurred. Contract costs are recognised as expenses in the period when they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Finally, should any circumstances arise changing the initially estimated ordinary revenue, costs or stage of completion, such estimations are revised. Revisions could result in higher or lower revenue and cost estimations and are reflected in the consolidated statement of profit or loss in the period when senior management become cognizant of such circumstances.

Services –

The Group renders advisory services in connection with both the sale and acquisition of real estate assets such as flats, buildings and land; and earns revenue from the lease of its own properties and from the advisory services provided. However, since the Group’s main activity is the acquisition of assets for conversion and subsequent sale, and not for asset-management business purposes, the Group does not classify as investment property intended for sale in the ordinary course of business or in the process of construction or development for such sale, for example, property acquired exclusively with a view to subsequent disposal in the near future or for development and resale.

Revenue from contracts arising from the provision of rental services is recognised at the rates stipulated in the contract and on a straight-line basis over the term of the contract. Revenue from advisory services is based on estimates of the time and expenses incurred by the Group to provide these services, including a margin. All these services are provided at an arm’s length price.

p) Consolidated statement of cash flows (indirect method)

The following terms are used in the consolidated statement of cash flows with the meanings specified below:

– Cash flows: inflows and outflows of cash and cash equivalents, which are short-term highly liquid investments with an insignificant risk of changes in value.

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

– Investing 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 structure of the equity and liabilities that are not operating activities.

q) Transactions with related parties

The Group conducts all transactions with related parties on an arm’s length basis. Also, transfer prices are adequately supported and, therefore, the Parent’ directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

r) Environmental information

The expenses arising from the business activities aimed at protecting and improving the environment are accounted for as an expense in the year in which they are incurred.

When these expenses, the purpose of which is to minimise environmental impact and protect and improve the environment, give rise to additions to property, plant and equipment, they are capitalised to those assets.

5. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the Parent, after tax and non-controlling interests, by the weighted average number of shares during that period.

Diluted earnings per share are calculated using a method similar to that applied to calculate basic earnings per share, but the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of the convertible debt instruments in force at year-end. At 31 December 2021 and 2020, there were no obligations pending conversion into shares of the Parent.

	Thousands of euros	
	31 December 2021	31 December 2020
Consolidated profit/(loss) for the year attributable to the shareholders of the Parent:	**6,899**	**(8,802)**
- from continuing operations	6,899	(8,802)
	No. of shares	No. of shares
Average number of ordinary shares (in thousands) (*)	32,265	32,242
Average number of ordinary dilutive shares (in thousands) (*)	32,265	32,242
	Euros	Euros
Basic and diluted earnings per share:	**0.21**	**(0.27)**
- from continuing operations	0.21	(0.27)

(*) Pursuant to current standards, treasury shares are not included in this calculation.

6. Segment reporting

According to its business plan the Group runs its activities through two business units:

- The Transactional business refers to all the properties for which, in the normal course of the Group's operations, the latter performs a purchase and sale transaction or provides a service.

- The Asset business relates to properties managed by the Group from which returns are obtained, or to the management of properties on behalf of third parties.

For geographical segmentation purposes, the Group operates exclusively in the Spanish market, focusing its operations mainly in Madrid and Barcelona.

In 2021 and 2020 Vivenio Residencial SOCIMI, S.A. ("SOCIMI Vivenio") accounted for 5% and 9% of the Group's ordinary revenue, respectively (Note 19).

There were no significant inter-segment transactions in 2021 or 2020.

The segment information on these activities for the consolidated balance sheet and consolidated statement of profit or loss headings for 2021 and 2020 is as follows (in thousands of euros):

(Amounts in thousands of euros)

2021

	Transactional business	Asset business	Not allocable	Total
Intangible assets, property, plant and equipment, rights-of-use assets and investment property	—	31,019	1,624	32,643
Investments in associates and joint ventures	—	—	27	27
Non-current financial assets	—	17,030	150	17,180
Deferred tax assets	—	—	27,207	27,207
TOTAL NON-CURRENT ASSETS	**—**	**48,049**	**29,008**	**77,057**
Inventories	60,408	—	—	60,408
Trade and other payables	9,602	46	1,274	10,922
Current financial assets	110	320	—	430
Cash	—	—	15,977	15,977
TOTAL CURRENT ASSETS	**70,120**	**366**	**17,251**	**87,737**
TOTAL ASSETS	**70,120**	**48,415**	**46,259**	**164,794**
EQUITY	—	—	**75,730**	**75,730**
Non-current payables	—	5,687	20,502	26,189
Other financial liabilities	—	—	1,378	1,378
Deferred tax liabilities	—	3,305	—	3,305
TOTAL NON-CURRENT LIABILITIES	**—**	**8,992**	**21,880**	**30,872**
Current payables	15,778	610	33,792	50,180
Trade and other payables	6,470	361	1,181	8,012
TOTAL CURRENT LIABILITIES	**22,248**	**971**	**34,973**	**58,192**
TOTAL EQUITY AND LIABILITIES	**22,248**	**9,963**	**132,583**	**164,794**

	Transactional business	Asset business	Other	Not allocable	Total
CONTINUING OPERATIONS:					
Revenue	75,742	5,742	—	—	81,484
Other operating income	—	—	167	—	167
Changes in inventories of buildings acquired for refurbishment and/or conversion	(59,876)	—	—	—	(59,876)
Staff costs	(4,275)	(695)	—	(307)	(5,277)
Other operating expenses	(2,555)	(1,059)	(663)	(2,404)	(6,681)
Depreciation and amortisation charge	—	—	—	(273)	(273)
Impairment and gains or losses on disposals of non-current assets	—	21	—	(11)	10
Consolidated profit/(loss) from operations	**9,036**	**4,009**	**(496)**	**(2,995)**	**9,554**
Changes in fair value of investment property	—	2,168	—	—	2,168
Finance income	101	—	73	—	174
Finance costs	(497)	(229)	—	(3,004)	(3,730)
Share in profit or loss of associates under the equity method	—	—	—	(48)	(48)
Consolidated profit/(loss) before taxes	**8,640**	**5,948**	**(423)**	**(6,047)**	**8,118**
Income taxes	—	—	—	(1,219)	(1,219)
Consolidated profit/(loss) for the year	**8,640**	**5,948**	**(423)**	**(7,266)**	**6,899**

	Property sales	Real estate project management	Asset management	Total
Revenue	71,091	4,651	5,742	81,484

(Amounts in thousands of euros)

2020

	Transactional business	Asset business	Not allocable	Total
Intangible assets, property, plant and equipment, rights-of-use assets and investment property	—	24,023	1,445	25,468
Non-current financial assets	—	21,235	141	21,376
Deferred tax assets	—	—	27,244	27,244
TOTAL NON-CURRENT ASSETS	**—**	**45,258**	**28,830**	**74,088**
Inventories	65,195	—	—	65,195
Trade and other payables	2,028	1,579	691	4,298
Current financial assets	222	320	—	542
Cash	—	—	7,677	7,677
TOTAL CURRENT ASSETS	**67,445**	**1,899**	**8,368**	**77,712**
TOTAL ASSETS	**67,445**	**47,157**	**37,198**	**151,800**
EQUITY	**—**	**—**	**66,830**	**66,830**
Non-current payables	—	5,930	33,033	38,963
Other financial liabilities	—	—	1,919	1,919
Deferred tax liabilities	—	2,290	—	2,290
TOTAL NON-CURRENT LIABILITIES	**—**	**8,220**	**34,952**	**43,172**
Current payables	20,217	548	13,151	33,916
Trade and other payables	681	213	6,988	7,882
TOTAL CURRENT LIABILITIES	**20,898**	**761**	**20,139**	**41,798**
TOTAL EQUITY AND LIABILITIES	**20,898**	**8,981**	**121,921**	**151,800**

	Transactional business	Asset business	Other	Not allocable	Total
CONTINUING OPERATIONS:					
Revenue	38,766	5,753	—	—	44,519
Other operating income	—	—	1,115	—	1,115
Changes in inventories of buildings acquired for refurbishment and/or conversion	(31,689)	—	—	—	(31,689)
Purchases	(936)	—	—	—	(936)
Staff costs	(4,453)	(1,001)	—	(300)	(5,754)
Other operating expenses	(988)	(3,406)	(4,858)	(3,876)	(13,128)
Depreciation and amortisation charge	(15)	—	—	(289)	(304)
Consolidated profit/(loss) from operations	**685**	**1,346**	**(3,743)**	**(4,465)**	**(6,177)**
Changes in fair value of investment property	—	445	—	—	445
Finance income	—	—	—	1,069	1,069
Finance costs	(1,097)	(237)	—	(2,848)	(4,182)
Consolidated profit/(loss) before taxes	**(412)**	**1,554**	**(3,743)**	**(6,244)**	**(8,845)**
Income taxes	—	—	—	43	43
Consolidated profit/(loss) for the year	**(412)**	**1,554**	**(3,743)**	**(6,201)**	**(8,802)**

	Property sales	Real estate project management	Asset management	Total
Revenue	36,992	1,774	5,753	44,519

(Amounts in thousands of euros)

7. Rights-of-use assets

The changes in this line item in the accompanying consolidated balance sheet in 2021 and 2020 were as follows:

	Thousands of euros				
	Rental of office space		Transport items		Total
	Cost	Amortisation	Cost	Amortisation	
Balance at 1 January 2020	**1,578**	**(532)**	**111**	**(63)**	**1,094**
Provisions	—	(161)	—	(21)	(182)
Balance at 31 December 2020	**1,578**	**(693)**	**111**	**(84)**	**912**
Additions and charge for the year	658	(151)	32	(17)	522
Write-offs	(827)	358	—	—	(469)
Balance at 31 December 2021	**1,409**	**(486)**	**143**	**(101)**	**965**

Rights-of-use assets recognised based on IFRS 16 at 31 December 2021 and 2020 are related, chiefly, to lease contracts on office space located in Madrid and Barcelona and to various vehicles. In this regard, additions and write-offs during 2021 correspond, mainly, to the relocation of the Group's office in Madrid, which led to the early termination of the lease contract that was due to expire in 2027, and to the formalisation and recognition of the rights-of-use asset derived from the new lease contract.

In determining lease liabilities recognised in accordance with IFRS 16, the Group considered the payments agreed as per the estimated duration of the lease contracts, assuming that they will be fulfilled entirely and without considering any extensions thereof. The incremental interest rate applied in 2021 and 2020 was 5.12%. There are no future cash outflows to which the Group is exposed as lessee that have not been considered in the valuation of lease liabilities. On the other hand, the Group does not apply the practical expedient of IFRS 16 to a lease portfolio.

8. Investment property

The changes in this heading of the consolidated balance sheet in 2021 and 2020 were as follows:

	Thousands of euros
	Land and buildings
Balance at 31 December 2019	**23,578**
Additions and charge for the year	—
Changes in value	445
Balance at 31 December 2020	**24,023**
Additions and charge for the year	4,828
Changes in value	2,168
Balance at 31 December 2021	**31,019**

(Amounts in thousands of euros)

In 2021 the Group purchased several non-residential assets in the city of Barcelona. As to the first one, the Group expects that it will generate revenue once the refurbishment work is completed and the asset is leased. The remaining assets are leased in their entirety.

Changes in fair value of investment property

"Changes in fair value of investment property" in the accompanying consolidated statement of profit or loss includes the revaluation gains on investment property for 2021 and 2020, amounting to EUR 2,168 and EUR 445 thousand, respectively. This change in value derives from the change in the fair value of the investment property as appraised by independent valuers at 31 December 2021 and 2020 (Note 4-e).

Other disclosures

The total surface of investment property at 31 December 2021 was 4,151 m2 of residential assets and 4,983 m2 of non-residential assets, respectively (2020: 4,151 m2 and 621 m2, respectively).

At 31 December 2021 and 2020, certain investment property was mortgaged as security for the loans recognised under "Financial liabilities" in the amount of:

	Thousands of euros			
	31/12/2021		31/12/2020	
	Debt	Fair value	Debt	Fair value
Investment property	5,929	24,637	6,163	24,023
Total amount	**5,929**	**24,637**	**6,163**	**24,023**

Revenue earned in 2021 and 2020 from investment property rental amounted to EUR 442 and EUR 532 thousand, respectively, and is recognised under "Revenue" in the accompanying consolidated statement of profit or loss. Virtually all rental properties are currently leased, with related direct operating expenses incurred in 2021 and 2020 totalling EUR 235 and EUR 246 thousand, respectively.

Based on the date of acquisition (28 December 2021) and contractual terms of all the non-residential assets that are currently leased, in 2021 such assets did not generate any rent revenue.

According to the occupancy level of investment property, the operating expenses relating those assets that rendered no rent revenue were not deemed significant.

At 31 December 2021 and 2020, there was no restriction whatsoever to sell said investment property and the cash flows obtained shall be allocated to amortise the secured debt, where applicable. There are no other contractual acquisition, construction or development obligations either, nor on account of repair, upkeep or refurbishment work other than the debtor's obligation to preserve the property and prevent its deterioration.

(Amounts in thousands of euros)

9. Leases

As lessee

At the closing of 2021 and 2020, the Group had not contracted with lessors for any future minimum lease payments that may be deemed significant, which are not included in the valuation of lease liabilities disclosed in Note 16.

As lessor

At 31 December 2021, contractually agreed future rents, without considering the charging of common expenses, future increases in the CPI or future contractual lease payment revisions, are as follows:

	Thousands of euros
	31/12/2021
Within 1 year	315
From 2 to 5 years	1,262
After 5 years	1,078

10. Investments in associates and joint ventures

a. Investments accounted for under the equity method

The detail of "Investments accounted for under the equity method" in 2021 is as follows:

	Thousands of euros
	31/12/2021
Opening balance	—
Changes in scope (Note 2-f)	50
Loss for the year	(48)
Closing balance	**2**

As disclosed in Note 2-f to these consolidated financial statements, the changes in the scope of consolidation relate to the incorporation on 14 May 2021 of the company Terra Green Living, S.A., where the Parent holds a 50% ownership interest.

The corporate purpose of this investee is the acquisition of land and development of housing units for subsequent sale to third parties.

Other disclosures

The abridged financial disclosures on assets and liabilities, as well as the profit/(loss) for the year under consolidation used at 31 December 2021 regarding the interest in the aforementioned joint venture were not deemed significant; for that reason, they are not included in these consolidated financial statements.

(Amounts in thousands of euros)

b. Loans to associates and joint ventures

The balance of this line item totalling EUR 25 thousand relates fully to a non-current loan granted by the Parent to Terra Green Living, S.A.

11. Non-current financial assets

The changes in "Non-current financial assets" in the accompanying consolidated balance sheet at the closing of 2021 and 2020 were as follows:

31 December 2021

	Thousands of euros			
	Equity instruments	Non-current accounts receivable (Note 19)	Non-current deposits and guarantees	Total
Financial assets at fair value through the consolidated statement of comprehensive income	12,913	—	—	12,913
Financial assets at amortised cost	25	4,117	125	4,267
Total amount	**12,938**	**4,117**	**125**	**17,180**

31 December 2020

	Thousands of euros			
	Equity instruments	Non-current accounts receivable (Note 19)	Non-current deposits and guarantees	Total
Financial assets at fair value through the consolidated statement of comprehensive income	20,513	—	—	20,513
Financial assets at amortised cost	25	722	116	863
Total amount	**20,538**	**722**	**116**	**21,376**

On 10 April 2017, the Parent executed the deed of incorporation of Vivenio (formerly, Rembrandt Activos Residenciales SOCIMI, S.A.) with a share capital of EUR 60 thousand. On 3 May 2017, the Parent formalised the transfer of 98.0590% of its ownership interest in the share capital of that investee to four new shareholders. Pylades Investments Holding, B.V., an APG Group company, became the new majority shareholder with an ownership interest at the end of 2017 of 97.04%. Subsequently, several capital increases were made causing the investee's share capital to stand at EUR 698,421 thousand at 31 December 2021.

On 3 May 2017 the Parent entered into an asset management agreement with the Spanish real estate investment trust (REIT) Vivenio, which was novated on 20 December 2018 and subsequently renewed on 27 March 2019, whereby the parties agreed that the Parent would render administrative, accounting and tax services and exclusively manage all of Vivenio's real estate business including, in particular, submitting investment proposals, real estate property project development proposals and the necessary divestment proposals in order to ensure appropriate asset rotation.

In accordance with the aforementioned agreement, asset management fees were to be paid fully in cash. The so-called origination fees arising from the submittal of investment proposals resulting in the actual purchase of the asset by Vivenio were to be collected as follows:

– From the first EUR 1,500 thousand in cash and up to fees equivalent of EUR 7,500 thousand, through the issue and delivery by Vivenio of a number of new Vivenio shares for an amount equal to the nominal value of the account receivable on the relevant accrual date.

– From EUR 7,500 thousand upwards, the Parent would collect its fees as follows: 50% in cash and 50% through the issue and delivery by Vivenio of a number of new Vivenio shares for an amount equal to the nominal value of the account receivable on the relevant accrual date.

On 25 February 2021 the parties signed a new Investment Management Agreement (“IMA”) replacing the previous one that, in essence, eliminates the rendering of administrative, accounting and tax services by the Parent and, therefore, the related fees.

As of the effective date of the new agreement, origination fees will be collected upfront, 50% in cash and 50% through the issue and delivery by Vivenio of a number of new Vivenio shares for an amount equal to the nominal value of the account receivable on the relevant accrual date.

Furthermore, the agreement sets out an incentive fee to be paid to the Parent, which shall be calculated annually based on the fulfilment of certain parameters such as, mainly, the performance of the Net Asset Value (EPRA NAV) per share of the investee. Incentives fees will be settled by Vivenio by issuing and delivering new shares.

Pursuant to the aforementioned asset management agreement, the following transactions were realised during 2021 and in prior fiscal years:

– On 22 June 2021 a capital increase in Vivenio was subscribed and paid up by the Parent by partially offsetting the credit outstanding at 31 December 2020 for EUR 722 thousand resulting from the services rendered by the Renta Corporación Group during 2020.

– On 25 June 2020 capital increases in Vivenio were subscribed and paid up by the Parent by fully offsetting the credit outstanding at 31 December 2019 for EUR 7,537 thousand resulting from the services rendered by the Group during 2019. Furthermore, a total of EUR 163 thousand was added to said amount corresponding to the final settlement of the 2019 incentive fee, which was subsequently recognised in the statement of profit or loss for 2020.

– On 14 June 2019 capital increases in Vivenio were subscribed and paid up by the Parent by fully offsetting the credit outstanding at 31 December 2018 for EUR 9,826 thousand resulting from the services rendered by the Group during 2018.

(Amounts in thousands of euros)

On 30 June 2021 the Parent reached an agreement with the Australian fund Aware Super PTY LTD ("Aware") whereby the Parent transferred 8,996,774 shares of Vivenio for EUR 1.4139 each. As a result, net profit in the amount of EUR 2,327 thousand was recognised directly in the accompanying consolidated balance sheet under "Consolidated reserves", including the reclassification to reserves of the valuation adjustment of EUR 146 thousand registered until that date. The aforementioned profit arose from the difference between the price agreed by the parties and the share price registered on the date of the transaction.

Therefore, after the aforementioned capital increases and divestments, at 31 December 2021 the Parent held 9,564,807 Vivenio shares, accounting for 1.37% of its share capital.

At 31 December 2021 and 2020, the Parent measured ownership interest at fair value according to the share price at each year end, recognising any changes in value through equity, net of the tax effect. The gross increase in the investee's share price in 2021 amounted to EUR 1,942 thousand, EUR 1,456 thousand net of the tax effect (2020: EUR 560 thousand of gross reduction, EUR 420 thousand net of the tax effect), which was recognised as a balancing entry under "Equity instruments at fair value" in the equity heading "Valuation adjustments" in the consolidated accompanying consolidated balance sheet.

Revenue from this activity in 2021 and 2020 amounted to EUR 4,472 thousand and EUR 3,927 thousand, respectively (Note 19), its breakdown being as follows:

2021

Thousands of euros	To be collected in cash	To be collected in shares	Total
Asset management fees	6	—	6
Origination fees	357	357	714
Incentive fees	—	3,752	3,752
	363	**4,109**	**4,472**

2020

Thousands of euros	To be collected in cash	To be collected in shares	Total
Asset management fees	2,320	—	2,320
Origination fees	722	722	1,444
Incentive fees	—	163	163
	3,042	**885**	**3,927**

(Amounts in thousands of euros)

A total of EUR 357 thousand on account of 50% of the origination fees will be converted into shares in 2022, once the Annual General Meeting of the SOCIMI Vivenio approves the relevant capital increase. The Parent thus recognised a non-current account receivable from Vivenio (2020: EUR 722 thousand). The amount of EUR 3,752 thousand on account of incentive fees will also be paid in shares during 2022.

This non-current account receivable was classified as a non-current asset in the accompanying consolidated balance sheet since the shares of Vivenio received as consideration for the aforementioned services must be retained by the Parent for a period between two and five years, as set out in the agreement.

The account receivable was measured at amortised cost taking into account that the Group will receive a number of shares tantamount to the fair value of the outstanding principal at each year-end as consideration for the service rendered.

The main data relating to Vivenio at the closing of 2021 and 2020 are included in the following table:

2021

	Address	Thousands of euros					Direct	Indirect
		Share capital (**)	Reserves (**)	Profit (**)	Treasury shares (**)	Other equity instruments (**)		
NON-CURRENT EQUITY INSTRUMENTS:								
VIVENIO Residencial SOCIMI, S.A. and Subsidiaries (*) (**)	C/ Velázquez 51, 1º Izq. – 28001 Madrid	698,421	190,041	78,861	(301)	5,135	1.37%	—

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

2020

	Address	Thousands of euros					Direct	Indirect
		Share capital	Reserves	Profit	Treasury shares	Other equity instruments		
NON-CURRENT EQUITYINSTRUMENTS:								
VIVENIO Residencial SOCIMI, S.A. and Subsidiaries (*)	C/ Velázquez 51, 1º Izq. – 28001 Madrid	619,863	154,801	21,655	(295)	714	2.90%	—

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

12. Inventories

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

	Thousands of euros					
	Land and building lots	Buildings acquired for refurbishment and/or conversion	Purchase options	Supplier advances	Write-downs	Total
Balance at 31 December 2019	**18,115**	**62,917**	**3,235**	**4,250**	**(209)**	**88,308**
Additions and charge for the year	—	10,391	1,292	1,300	(1,658)	11,325
Transfers	—	354	(354)	—	—	—
Derecognitions and write-offs due to impaired sales	—	(31,689)	(3,151)	—	402	(34,438)
Balance at 31 December 2020	**18,115**	**41,973**	**1,022**	**5,550**	**(1,465)**	**65,195**
Additions and charge for the year	—	52,202	3,521	—	—	55,723
Transfers	—	8,203	(2,653)	(5,550)	—	—
Derecognitions and write-offs due to impaired sales	—	(60,785)	(1,125)	—	1,400	(60,510)
Balance at 31 December 2021	**18,115**	**41,593**	**765**	**—**	**(65)**	**60,408**

“Additions” at the end of 2021 and 2020 related mainly to the acquisition of properties to be converted and subsequently sold. In many cases properties are converted and sold within the same year. In this connection, in 2021 the Group sold various projects in Barcelona and Madrid, either through the sale of entire buildings or the sale of properties in fractions, resulting in cost derecognition of EUR 60,785 thousand in aggregate (2020: EUR 31,689 thousand).

In 2021 the Group capitalised borrowing costs amounting to EUR 168 thousand (2020: EUR 133 thousand), using the actual cost of the related debt as capitalisation rate.

Purchase options and supplier advances

The line item “Purchase options” under “Inventories” includes the premiums paid by the Group for the purchase options on properties while “Supplier advances” includes the payments made with respect to promise-to-purchase agreements on real estate assets. The following table details the options and promise-to-purchase agreements held, their cost and the associated investment rights at 31 December 2021 and 2020:

	31/12/2021	31/12/2020
Number of gross purchase options and promise-to-purchase agreements (in numbers)	11	19
Gross purchase option premiums and promise-to-purchase agreements (in thousands	765	6,572
Investment rights associated with gross purchase options and promise-to-purchase agreements (in thousands of euros)	21,135	112,967

The gross balance of the purchase options recognised relates to transactions that are studied in depth and for which Group management consider the continuation of the projects on expiry of the option based on their adaptability to market conditions. The purpose of the purchase options is to enable the Group to acquire properties for its business operation. Usually the price to exercise the option is fixed and the term is mutually agreed by and between the parties on an arm's length basis. Sometimes such term may be extended by paying an additional premium.

At 31 December 2021 and 2020, there were no purchase options that were unrelated to the Group's ordinary business.

Write-downs

Based on internal measurements, in 2021 the Group did not recognise any write-down derived from the depreciation of its property inventory portfolio. At 31 December 2020, the Group had recognised an inventory write-down and minor purchase-option related investments of EUR 1,055 thousand arising, chiefly, from the depreciation of inventories whose net realisable value was lower than the cost accounted for based on internal measurements, as disclosed in Note 4-h. Write-downs in 2021 include a total of EUR 909 thousand that was derecognised chiefly as the related properties were sold. In this regard, and based on such internal measurements, the Parent's directors do not foresee any relevant changes to the key assumptions that could alter the value of the aforementioned portfolio.

At 31 December 2021 and 2020, the Group had not recognised any write-downs under "Land and building lots" since, in accordance with the measurement bases disclosed in Note 4-h, their net realisable values are not expected to fall. Pursuant to the terms and conditions of the Arrangement with Creditors disclosed in Note 1, the consolidated company Renta Corporación Real Estate ES, S.A.U. mortgaged land recognised under "Land and building lots" as security for the creditors who opted for Alternative B of the aforementioned Arrangement with Creditors. In this regard, when the debt matures, the aforementioned creditors must accept the building lot located in Cánovas as dation in payment for their claims, after which they will not be entitled to claim any further amount from the debtors.

At 31 December 2021 and 2020 and as disclosed in Note 4-h, the Group established the fair value of such land through an appraisal conducted by the independent valuer Accode Business Influencers, S.L. Such appraisal considers the land's current urban situation and the project development, which encompasses various types of housing (unsubsidised free-market housing, subsidised housing and price-capped housing), commercial premises and parking spaces, all of the foregoing discounted at a 15% rate. As a result of the aforementioned appraisal at fair value, no need to recognise any write-downs on the land was identified. Should a drop in market value result in the land depreciation in the future, and in view of the circumstances to which the asset is subject as described above (it may be granted in lieu of payment of the secured debt upon expiry with creditors having no right to claim any additional amounts to the Group), such write-down would in turn result in a reduction of the participating loan disclosed in Note 16 by the same amount, therefore having no impact on the consolidated statement of profit or loss.

Finally, at 31 December 2021 the Group recognised a write-down associated with purchase option premiums and related expenses amounting to EUR 40 thousand (31 December 2020: EUR 410 thousand) corresponding to those options that are not expected to be exercised on the established expiry date. Total net options exist for underlying assets amounting to EUR 21,135 thousand, the realisation of which is expected to take place within less than twelve months (2020: EUR 88,917 thousand thousand).

Other matters

At 31 December 2021, the Group held prepayments by customers for property reservation and pre-sale of housing units and/or commercial premises totalling EUR 154 thousand, recorded under "Customer advances" in the accompanying consolidated balance sheet (2020: EUR 1,180 thousand).

(Amounts in thousands of euros)

Revenue recognised in 2021 and 2020 and recorded as “Customer advances” at the beginning of both fiscal years amounted to EUR 15,224 and EUR 12,314 thousand, respectively.

At 31 December 2021 and 2020, the detail of the properties considered to have been mortgaged as security for loans classified as current payables, either because the properties were actually mortgaged or because there was a promise to mortgage them, is as follows:

	Thousands of euros			
	31/12/2021		31/12/2020	
	Debt	Carrying amount	Debt	Carrying amount
Land and building lots	17,874	18,115	17,001	18,115
Buildings acquired for refurbishment and/or conversion	15,778	28,585	20,211	34,083
Total amount	**33,652**	**46,700**	**37,212**	**52,198**

At 31 December 2021 and 2020, the Group did not have any inventories securing litigation involving third parties.

13. Trade receivables for sales and services and sundry accounts receivable

This heading under current assets in the accompanying consolidated balance sheets at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	31/12/2021	31/12/2020
Trade receivables	4,933	3,018
Customers – Assets under contract (Note 18)	1,947	—
Sundry accounts receivable	2,849	658
Total amount	**9,729**	**3,676**

At 31 December 2021, this heading included a total of EUR 1,947 thousand of assets under contract. At 31 December 2020, this heading did not include any amount relating to assets under contract (Note 18).

The ageing of the trade receivables and sundry accounts receivable at 31 December 2021 and 2020 was as follows:

	Thousands of euros	
	31/12/2021	31/12/2020
Unmatured balance	9,444	3,642
Past-due by 1 to 90 days	249	34
Past-due by 91 to 180 days	32	—
Past-due by more than 180 days	4	—
Total trade receivables and sundry accounts receivable	**9,729**	**3,676**

(Amounts in thousands of euros)

14. Cash and cash equivalents

At 31 December 2021 and 2020, “Cash and cash equivalents” amounted to EUR 15,977 and EUR 7,677 thousand, respectively, and related in full to cash on hand and demand deposits at banks. At the closing of 2021 and 2020, this heading included a restricted amount of EUR 80 and EUR 53 thousand, respectively.

15. Equity

Share capital

In 2021 and 2020 there were no changes in the Parent’s share capital; accordingly, at 31 December 2021 and 2020, the share capital was represented by 32,888,511 fully subscribed and paid-in ordinary registered shares of EUR 1 par value each.

The Parent’s shares were admitted to trading on the Spanish Stock Market Interconnection System of the Madrid and Barcelona Stock Exchanges on 5 April 2006 (Note 1). As a result of the Parent having filed for voluntary insolvency on 19 March 2013, the trading of its shares on the Spanish Stock Market Interconnection System was suspended. The suspension was lifted on 30 October 2014, once the Arrangement with Creditors was approved on 8 July 2014 (Note 1).

As per the disclosures on the number of shares filed with the Spanish National Securities Market Commission, the holders of significant direct and indirect ownership interests in the Parent’s share capital at 31 December 2021 and 2020 were as follows:

	2021			2020		
	Number of directly held shares	Number of indirectly held shares	% of ownership	Number of directly held shares	Number of indirectly held shares	% of ownership
Name or company name of the shareholder:						
Luis Hernández de Cabanyes	292,281	4,862,675	15.68%	292,281	4,862,675	15.68%
María Iria Urgell Calderón	—	1,647,705	6.87% (*)	(**)	(**)	(**)
Oravla Inversiones, S.L.	1,645,099	—	5.00%	1,645,099	—	5.00%
Naturinvest, S.a.r.l.	1,644,426	—	5.00%	1,644,426	—	5.00%
Blas Herrero Vallina	1,342,207	—	4.08%	1,342,207	—	4.08%
Vanesa Herrero Vallina	1,342,207	—	4.08%	1,342,207	—	4.08%
Fundación Renta Corporación	1,151,098	—	3.50%	1,151,098	—	3.50%
Camac Partners, LLC	1,009,614	—	3.07%	1,009,614	—	3.07%
Concerted action	—	1,000,000	3.04%	—	1,000,000	3.04%

(*) This percentage includes an additional 1.86% of voting rights through financial instruments.

(**) Ownership interest at 31 December 2020, although it was not included in the financial statements because it had not been disclosed to the Spanish National Securities Market Commission.

The Parent is unaware of other significant ownership interests.

Article 13 of the bylaws currently in force does not provide for share transfer restrictions.

(Amounts in thousands of euros)

Share premium

There were no changes in the share premium in 2021 or 2020.

The Spanish Companies Law expressly allows the use of the “Share premium” balance to increase capital and does not establish any specific restrictions as to its use.

Legal reserve

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

At 31 December 2021, the balance of the legal reserve totalled EUR 6,578 thousand, and therefore had reached the legally required minimum.

Distribution of dividends

On 4 November 2021 the Board of Directors unanimously agreed to approve the distribution of dividends to the shareholders of Renta Corporación Real Estate, S.A. in the gross amount of EUR 0.03733194 per share against the Parent’s 2021 profit. Total dividends paid out amounted to EUR 1,200 thousand (Note 3).

Treasury shares

The detail of treasury shares and of the changes therein in 2021 and 2020 is as follows:

	Number of shares	Thousands of euros	
		Nominal value	Cost
Balance at 31 December 2019	**712,578**	**713**	**2,608**
Treasury share-based payments	(111,379)	(111)	(358)
Liquidity agreement -			
Acquisition of treasury shares	474,740	474	982
Disposal of treasury shares	(483,212)	(483)	(1,576)
Balance at 31 December 2020	**592,727**	**593**	**1,656**
Treasury share-based payments	(26,322)	(26)	(78)
Liquidity agreement -			
Acquisition of treasury shares	247,000	247	528
Balance at 31 December 2021	**813,405**	**814**	**2,106**

On 21 April 2021 the Annual General Meeting resolved to authorise the Board of Directors to acquire treasury shares as per the provisions set out in articles 146 and 506 of the Spanish Companies Law, under the following conditions:

a) The shares may be acquired directly by the Parent or indirectly through its subsidiaries.

b) Acquisitions can be made through purchase, exchange or any other method provided by law.

c) The shares may be acquired at any given time up to the limit permitted by law.

d) The shares must be acquired for a price equal to the market price at the closing of the trading day immediately preceding the day on which the acquisition takes place, within a maximum range of +/-20% of the abovestated closing market price.

e) This authorisation is granted for a maximum of five years.

It was expressly placed on record that the shares acquired as a result of the authorisation could be sold or retired, or else used in the remuneration systems under the Spanish Companies Law, as well as in the implementation of programmes fostering investment in the Parent's share capital such as dividend reinvestment plans, loyalty bonuses or other similar instruments.

The aforementioned authorisation rendered the one granted by the Ordinary General Meeting held on 27 April 2016 void by the unused amount.

On the other hand, on 9 September 2021, the Parent approved a treasury share buyback programme as per the authorisation granted by the Ordinary General Meeting held on 21 April 2021 for the following purpose:

a) Allowing the Parent to meet the obligations arising from current remuneration programmes consisting of the delivery of shares to the Parent's employees and directors.

b) Maximum amount allowed: EUR 1,000,000.

c) Maximum number of shares to be purchased by the Parent: 400,000 shares.

d) Purchase price: market price as per the price and volume terms and conditions set out in Delegated Regulation 2016/1052 and subject to the terms and conditions approved by the Annual General Meeting.

The buyback programme ended on 30 November 2021.

The Parent has four share-based payment plans in place granted to employees and executives of the Renta Corporación Group, as approved by the Board of Directors on 10 May 2017, 10 May 2018, 9 May 2019 and 13 May 2020, respectively. The Parent had also granted a share-based payment plan to the CEO of the Renta Corporación Group, as approved by the Ordinary General Meeting on 11 April 2019. Furthermore, the Parent has granted a share-based payment plan to key personnel of the Renta Corporación Group, which was approved by the Board of Directors on 27 February 2019.

The plan approved on 10 May 2017 initially envisaged the delivery of 5,690 shares between 2017 and 2022. The plan approved on 10 May 2018 initially envisaged the delivery of 22,764 shares between 2018 and 2023. Additionally, the plan approved on 27 February 2019 initially envisaged the delivery of 155,000 shares between 2019 and 2024 while the plan approved on 11 April 2019 initially foresaw the delivery of 20,000 shares between 2019 and 2024. Furthermore, the plan approved on 9 May 2019 initially envisaged the delivery of 28,454 shares between 2019 and 2024. Lastly, the plan approved on 13 May 2020 initially envisaged the delivery of 8,535 shares between 2020 and 2025.

(Amounts in thousands of euros)

The aim of these plans is to remunerate the beneficiaries thereof, lead them to undertake their work with a focus on the medium term and foster and encourage their long-term service. The delivery of the shares is contingent upon the beneficiaries remaining in the Group's employ at the share delivery date.

In 2021, a total of 26,322 treasury shares were delivered (2020: 111,379 shares) in accordance with the share plans, the value of which on the delivery date amounted to EUR 78 thousand (2020: EUR 358 thousand), which were recognised under "Other employee benefit costs". The difference between the value on delivery and the cost of the shares granted in 2021 and 2020 was recognised as an increase and a reduction of "Reserves" for EUR 15 thousand and EUR 164 thousand, respectively.

16. Non-current and current payables

The breakdown by maturity of "Non-current payables" and "Current payables" at 31 December 2021 and 2020 is as follows:

31 December 2021

	Thousands of euros								
	Value at amortised cost	Current maturity	Non-current maturities						Total nominal value
		Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	After 5 years	Total non-current	
Debt instruments and other marketable securities:									
Issues of debt instruments	16,186	—	16,500	—	—	—	—	16,500	16,500
Issue of promissory notes	4,316	—	4,600	—	—	—	—	4,600	4,600
Bank borrowings:									
Mortgage loans	5,687	—	251	261	264	252	4,659	5,687	5,687
Other financial liabilities:									
Debt under Arrangement with Creditors (Note 1)	561	—	37	74	111	111	408	741	741
IFRS 16 Leases	817	—	201	201	90	89	447	1,028	1,028
Total non-current payables	**27,567**	**—**	**21,589**	**536**	**465**	**452**	**5,514**	**28,556**	**28,556**
Debt instruments and other marketable securities:									
Issue of promissory notes	15,443	15,600	—	—	—	—	—	—	15,600
Fees and interest	258	258	—	—	—	—	—	—	258
Bank borrowings:									
Participating loan	17,874	18,342	—	—	—	—	—	—	18,342
Mortgage loans	16,020	575	711	724	738	752	12,631	15,556	16,131
Other financial liabilities:									
Other liabilities	367	367	—	—	—	—	—	—	367
IFRS 16 Leases	218	224	—	—	—	—	—	—	224
Total current payables	**50,180**	**35,366**	**711**	**724**	**738**	**752**	**12,631**	**15,556**	**50,922**

(Amounts in thousands of euros)

31 December 2020

	Thousands of euros								
	Value at amortised cost	Current maturity	Non-current maturities						Total nominal value
		Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	After 5 years	Total non-current	
Debt instruments and other marketable securities:									
Issues of debt instruments	16,033	—	—	16,500	—	—	—	16,500	16,500
Bank borrowings:									
Participating loan	17,001	—	18,339	—	—	—	—	18,339	18,339
Mortgage loans	5,929	—	241	252	261	264	4,911	5,929	5,929
Other financial liabilities:									
Debt under Arrangement with Creditors (Note 1)	1,022	—	527	37	74	111	518	1,267	1,267
IFRS 16 Leases	897	—	230	221	226	111	228	1,016	1,016
Total non-current payables	**40,882**	**—**	**19,337**	**17,010**	**561**	**486**	**5,657**	**43,051**	**43,051**
Debt instruments and other marketable securities:									
Issue of promissory notes	4,762	4,900	—	—	—	—	—	—	4,900
Fees and interest	258	258	—	—	—	—	—	—	258
Bank borrowings:									
Mortgage loans	20,445	1,769	8,700	634	647	660	8,399	19,040	20,809
Other financial liabilities:									
Other loans	7,956	8,000	—	—	—	—	—	—	8,000
Other liabilities	318	318	—	—	—	—	—	—	318
IFRS 16 Leases	177	226	—	—	—	—	—	—	226
Total current payables	**33,916**	**15,471**	**8,700**	**634**	**647**	**660**	**8,399**	**19,040**	**34,511**

All the liabilities disclosed in the table above relate to debits and other payables, the Group not holding nor having arranged any financial liability instrument at fair value. In this regard, bank borrowings have been obtained by the Group on an arm's length basis; therefore, there is substantially no difference between their fair value and their carrying amount.

Participating loan

The non-current participating loan includes the account payable to the financial creditors who opted for Alternative B of the Arrangement with Creditors as disclosed in Note 1 to these consolidated financial statements, which matures in 2022. As a result of such maturity date, it was reclassified in this reporting period from a non-current liability to a current liability. It is recognised at amortised cost, discounted at a rate of 5.12%. The loan, taking into consideration the future cash flows related to the accrual of interest, as established in the Arrangement with Creditors for these payables, amounts to EUR 17,874 thousand. The difference between this amount and the nominal value of the loan relates to the interest that will accrue and the value adjustment.

The land described in Note 1 was mortgaged to secure this participating loan. In accordance with the Arrangement with Creditors, when the loan matures, the creditors must accept as dation in payment for their claims the land located in Cánovas, after which they will not be entitled to claim any further amount from debtors.

Bond issues

On 2 October 2018, the Parent issued a series of 165 ordinary unsecured non-convertible bonds amounting to EUR 16,500 thousand, maturing on 2 October 2023 and fully issued at par value. The bonds' annual coupon rate is 6.25%, payable yearly in arrears.

The bond arrangement expenses amounted to EUR 748 thousand. As disclosed in Note 4-f, the bonds issued were measured at amortised cost. Consequently, the interest accrued and the arrangement expenses are recognised in the statement of profit or loss using the effective interest method.

Current non-convertible bonds until 30 December 2020 established the need to achieve a financial ratio whereby the adjusted consolidated net financial debt of the Renta Corporación Group could not be higher than 3.5 times the consolidated EBITDA of the Group over a period of more than six months. For the purposes of calculating such ratio, the effect of the participating loan held by the Renta Corporación Group in connection with the Cánovas site was excluded from the net financial debt. On 30 December 2020 an agreement was reached amending the terms and conditions of the non-convertible bonds that postpone the calculation of said ratio until 1 January 2022. Consequently, at 31 December 2021 the aforementioned ratio was not applicable.

Issue of promissory notes

On 25 March 2019 the Parent placed a promissory notes programme on the Alternative Fixed-Income Market (MARF, Spanish acronym), which was renewed and placed again on the MARF on 7 May 2020 under the same terms, with a maximum outstanding balance of EUR 30,000 thousand valid for 12 months. The nominal interest rate and maturity date of the promissory notes will be established on each issue date. The maximum maturity or repayment term of the promissory notes within the scope of the aforementioned programme will be two years from their issue date.

On 4 February 2021, within the framework of the Agreement of the Council of Ministers dated 24 November 2020 whereby the terms and conditions of the new tranches of the ICO-guaranteed loans were approved by Royal Decree-Law 25/2020 on urgent measures to support economic reactivation and employment, the Parent signed an agreement under the ICO financing programme securing 70% of the nominal amount discounted from the issues made, up to 90% of the Group's consolidated EBITDA drop reported between 14 March and 20 June 2020 compared to the prior year. The validity of each guarantee had to match the maturity term of the guaranteed promissory notes, which could not exceed 24 months in any circumstances whatsoever.

In 2021 promissory notes were issued for a face value of EUR 4,600 thousand, maturing within 24 months, and with 70% of their discounted nominal amount having been guaranteed, i.e., EUR 2,977 thousand. Thus, the amount available from the ICO-guaranteed loans programme was used in its entirety.

At 31 December 2021 the nominal amount drawn down by the Group under the Promissory Notes Programme of Renta Corporación Real Estate 2020 totalled EUR 4,600 thousand set at a 4.0% nominal interest rate. No amount was drawn down by the Parent under the Promissory Notes Programme of Renta Corporación Real Estate 2019 since it was fully amortised during the fiscal year.

(Amounts in thousands of euros)

On 7 May 2021 the Group placed the Promissory Notes Programme Renta Corporación Real Estate 2021 on the Alternative Fixed-Income Market (MARF) with a maximum outstanding balance of EUR 50,000 thousand valid for 12 months. Similarly to the two previous programmes, the nominal interest rate and maturity date of the promissory notes will be established on each issue date. The maximum maturity or repayment term of the promissory notes within the scope of the aforementioned programme is two years from their issue date.

At 31 December 2021, the nominal amount drawn by the Group under said programme totalled EUR 15,600 thousand at a nominal interest rate between 2.50% and 3.25%.

Mortgage and other loans

Non-current –

The amount recognised in connection with non-current mortgage loans in the accompanying consolidated balance sheet relates to the non-current loans arranged by the Group to finance certain investment property (Note 8).

Current –

At the closing of 2021 the Group held eight inventory-related mortgage loans with an aggregate repayment cost pending settlement of EUR 15,778 thousand. One of these contracts matures in 2022 and the remaining contracts after five years. Such loans were used to finance developments acquired and recognised under "Inventories" at 31 December 2021 (Note 12). The current mortgage loans line item also includes EUR 242 thousand of the loan maturing in the short term, which was obtained to finance certain investment properties in the amount of EUR 242 thousand at 31 December 2021 (2020: EUR 234 thousand).

Pursuant to IAS 7 below is a reconciliation of the cash flows arising from financing activities, together with the associated liabilities in the opening and closing consolidated balance sheets, distinguishing between changes that give rise to cash flows and those that do not:

2021

	Thousands of euros					
			No impact on cash flows			
	01/01/2021	Cash flows (**)	Finance costs (*)	Reclassification of non-current to current payables	Other	31/12/2021
Non-current and current payables:						
Long-term promissory note issues	—	4,135	183	(1)	(1)	4,316
Long-term bond issues	16,033	—	153	—	—	16,186
Long-term participating loan	17,000	—	873	(17,873)	—	—
Long-term mortgage loans	24,621	(3,740)	727	(570)	99	21,137
Long-term debt under Arrangement with Creditors	1,022	—	67	—	(528)	561
Short-term promissory note issues	4,762	10,386	347	—	(52)	15,443
Short-term mortgage loans	1,753	(1,753)	—	570	—	570
Other short-term loans	7,956	(8,322)	366	17,874	—	17,874
IFRS 16 Leases	1,074	(227)	(36)	—	224	1,035
Interest and other at short term	577	(979)	1,027	—	—	625
Total liabilities arising from financing activities	**74,798**	**(500)**	**3,707**	**—**	**(258)**	**77,747**

(*) Finance costs do not include EUR 23 thousand on account of debt under Arrangement with Creditors.

(**) Cash flows do not include EUR 97 thousand relating mainly to late interest paid by public authorities.

(Amounts in thousands of euros)

2020

	Thousands of euros						
			No impact on cash flows				
	01/01/2020	Cash flows	Finance costs (*)	Finance income	Reclassification of non-current to current payables	Other	31/12/2020
Non-current and current payables:							
Long-term promissory note issues	276	—	10	—	(286)	—	—
Long-term bond issues	15,909	—	164	—	—	(40)	16,033
Long-term participating loan	17,174	—	830	(1,003)	—	—	17,001
Long-term mortgage loans	34,018	(8,636)	872	—	(1,753)	120	24,621
Other long-term loans	4,500	—	—	—	(4,500)	—	—
Long-term debt under Arrangement with Creditors	1,463	(105)	85	—	—	(421)	1,022
Short-term promissory note issues	12,420	(3,485)	498	—	(4,587)	(84)	4,762
Short-term mortgage loans	1,632	(1,632)	—	—	1,753	—	1,753
Other short-term loans	—	(1,560)	143	—	9,373	—	7,956
IFRS 16 Leases	1,241	(230)	59	—	—	4	1,074
Interest and other at short term	1,007	(1,966)	1,493	—	—	42	576
Total liabilities arising from financing activities	**89,640**	**(17,614)**	**4,154**	**(1,003)**	**—**	**(379)**	**74,798**

(*) Finance costs do not include EUR 28 thousand on account of debt under Arrangement with Creditors.

Guarantees

At 31 December 2021, the Group had provided guarantees to third parties amounting to EUR 3,722 thousand (2020: EUR 1,693 thousand), the majority of which secured the payment obligations arranged in connection with the issue of ICO guaranteed-promissory notes and the purchase and refurbishment of properties, and interim payments received on future housing sales.

Interest

Mortgage loans at 31 December 2021 and 2020 were initially applied a fixed rate between 1.75% and 3.50% and, subsequently, variable rates based on Euribor plus a spread between 1.45 and 3.50 basis points.

At 31 December 2021 and 2020, the accrued interest payable amounted to EUR 349 and EUR 262 thousand, respectively.

Objective of the risk management policy

The Group's activities are exposed to various risks: market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk, capital risk and operational risk. The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on its earnings. The aim of the Group's risk management policy is for the Group to remain solvent by addressing the types of risk described below.

Risk management is controlled by the General Corporate Management, which evaluates and oversees risks closely with the Group's operating units in accordance with the policies approved by the Board of Directors.

Market risk: foreign currency risk

The Group defines foreign currency risk as the potential negative impact of changes in exchange rates on its results, equity or cash flows. The Group's exposure to this type of risk is scant, since it does not have any international subsidiaries nor does it perform any transactions in currencies other than the euro.

Market risk: interest rate risk

The Group currently finances its activities through a participating loan, mortgage loans that bear floating market interest rates, and through the issue of promissory notes and five-year unsecured ordinary bonds.

This participating loan bears a floating interest rate tied to Euribor plus a spread between 1% and 3%, depending on the Group's consolidated net profit, provided that it exceeds at least EUR 10 million. If the consolidated net profit is less than EUR 10 million, no floating interest will accrue.

The interest rate risk is managed in accordance with the policies approved by the Board of Directors, which establish whether or not hedging instruments must be maintained to minimise the impact of interest rate volatility. The Group has not arranged any interest rate hedges.

The favourable interest rate and the fixed coupon rate borne by the bonds provide a natural hedge against volatility and, therefore, it is not necessary to arrange any forward rate agreements.

Credit risk

Credit risk refers to both the ability to obtain financing and the ability to access cash and deposits with banks and financial institutions, as well as collections from customers, including outstanding accounts receivable and committed transactions. The Group has a diversified financial structure consisting of bank and non-bank finance, the latter being bonds and commercial papers. This diversified structure provides more flexibility to address those transactions that, given their nature, traditional banks are more reluctant to finance as they are now more restrictive.

Also, in light of the Group's performance in 2020 and as a result of the market situation triggered by the COVID-19 pandemic, the Group reached an agreement with the bondholders of the 2018 issue whereby the covenant calculation would be suspended until 2022.

Liquidity risk

The Group's ability to secure new financing depends on a large number of factors, some of which are beyond its control, such as the general state of the economy, the availability of credit from banks and the monetary policies in place.

The Group has further diversified its sources of finance gaining more flexibility to undertake projects that are more unlikely to be financed by traditional banks. In this regard, on 7 May 2021 the Group renewed its promissory notes programme on the Alternative Fixed-Income Market (MARF). Additionally, in the last quarter of 2020 ICO's acquisition programme for issued promissory notes of the Group placed on MARF became effective and was subsequently renewed in 2021. Also, an agreement under ICO guarantee programme was signed securing 70%

(Amounts in thousands of euros)

of the nominal amount discounted from the issues made, up to 90% of the Group's consolidated EBITDA drop reported between 14 March and 20 June 2020 compared to the prior year. This facility has been used in its entirety.

The possibility of forging different types of financial partnerships could also be explored, which would allow the Group to expand its financing sources in order to carry out larger-scale projects with greater margins in the future.

Capital risk

The Group's exposure to capital risk is determined by the difficulty of maintaining sufficient levels of equity and borrowings to continue operating as a going concern, of generating returns for shareholders and other equity instrument holders, and of maintaining an optimal capital structure to contain or reduce the cost of capital.

Operational risk

The current changing and unpredictable events might bring developments or sales to a temporary standstill like the one already experienced during the lockdown in 2020, albeit the context in 2021 allows for an optimistic outlook. Most of the Group's revenue derives from its real asset-related transactions. Therefore, the Group's revenue and profit depend on the supply and demand of real estate assets. Also, to this date the Group's entire business is carried out in Spain; therefore, any change in the country's economic scenario might have a direct impact on the business performance. Predictably, the macroeconomic situation and the markets' uncertainty caused by the pandemic, among other factors, might affect the Group's current and future volume of transactions.

17. Tax matters

The detail of the current tax receivables and payables at 31 December 2021 and 2020 is as follows:

	Thousands of euros			
	Tax receivables		Tax payables	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Taxes	—	—	225	362
VAT	873	4	—	1,377
Current tax	320	618	—	—
Other debts under Arrangement with Creditors – Tax authorities	—	—	373	373
Accrued social security taxes	—	—	57	51
Total current balances	**1,193**	**622**	**655**	**2,163**
Deferred tax liabilities	—	—	3,305	2,290
Tax loss carryforwards	25,115	25,057	—	—
Other deferred tax assets	2,092	2,187	—	—
Total non-current balances	**27,207**	**27,244**	**3,305**	**2,290**

The Parent and the subsidiary Renta Corporación Real Estate ES, S.A.U. file VAT returns under the advanced consolidated special deductible proportion system applying the special deductible proportion system.

(Amounts in thousands of euros)

Article 29 under Law 27/2014 of 27 November on corporate income tax, in force as from 1 January 2015, established a standard tax rate of 25%.

Also, Royal Decree-Law 3/2016 on Income Tax, of 2 December, sets forth a limit on the offset of tax losses of 25% of the tax base prior to offset for companies whose revenue is equal to or higher than EUR 60 million, of 50% if their revenue is between EUR 20 million and EUR 60 million, and of 70% if their revenue is less than EUR 20 million. In any event, tax losses of up to EUR 1 million may be offset in a tax period.

The reconciliation of the accounting profit/(loss) to the taxable profit at 31 December 2021 and 31 December 2020 is as follows:

31 December 2021

	Thousands of euros		
	Increase	Decrease	Amount
Profit for the year before tax (aggregate of separate companies)			**8,412**
Permanent differences:			
Non-deductible costs	107	—	107
Donations	49	—	49
Impairment of interest in Group companies	—	(342)	(342)
Impairment of claims in Group companies	363	—	363
Temporary differences:			
Arising in prior years-			
Write-down of purchase options	—	(489)	(489)
Write-down of property inventories	—	(406)	(406)
Tax adjustments – Insolvency proceedings	1,050	—	1,050
30% deduction of amortisation cost	—	(16)	(16)
Other provisions	—	(210)	(210)
Arising in current year-			
Other provisions	560	—	560
Non-deductible finance costs	242	—	242
Tax base (taxable profit/(loss))	**2,371**	**(1,463)**	**9,320**

(Amounts in thousands of euros)

31 December 2020

	Thousands of euros		
	Increase	Decrease	Amount
Loss for the year before tax (aggregate of separate companies)			**(13,688)**
Permanent differences:			
Non-deductible costs	232	—	232
Donations	229	—	229
Tax-exempt dividends	—	(4)	(4)
Reversal of impairment of interest in Group companies	2,306	—	2,306
Impairment of interest in Group companies	4,189	—	4,189
Temporary differences:			
Arising in prior years-			
Write-down of purchase options	—	(209)	(209)
Tax adjustments – Insolvency proceedings	1,759	—	1,759
30% deduction of amortisation cost	—	(16)	(16)
Arising in current year-			
Write-down of purchase options	530	—	530
Write-down of property inventories	431	—	431
Other provisions	210		210
Non-deductible finance costs	—	(203)	(203)
Tax base (taxable profit/(loss))	**9,886**	**(432)**	**(4,234)**

The reconciliation of the accounting profit/(loss) to the income tax cost recognised in profit or loss in the accompanying consolidated statement of profit or loss for 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Profit/(loss) for the year before tax (aggregate of separate companies)	8,412	(13,688)
Permanent differences	177	6,952
Adjusted accounting result	**8,589**	**(6,736)**
Tax charge at 25%	(2,147)	—
Impact of non-recognised temporary differences	(258)	(436)
Deductions	99	—
Offset of tax losses	1,327	440
Recognition of tax assets	58	—
Deferred tax liabilities arising from revaluation of investment property and other	(578)	(148)
Other adjustments	280	187
Total income tax benefit recognised in profit or loss	**(1,219)**	**43**
- Current tax	(1,277)	43
- Deferred taxes	58	—

(Amounts in thousands of euros)

The adjustment due to temporary differences recognised and not recognised in 2021 and 2020 relates to the increased taxable profit effect arising from tax adjustments due to the Arrangement with Creditors. The taxable base of negative adjustments on account of debt composition and rescheduling of insolvency claims was reversed and recognised, as well as the reduction resulting from the reversal of the time limit to deduct 2013 and 2014 amortisations, which can be recovered within the next ten years pursuant to Law 16/2012.

The data relating to the income tax return for 2021 constitute the best available estimate at the date of formal preparation of these consolidated financial statements and may differ from the final tax return. The period for filing the final tax return runs from 1 to 25 of July 2022.

Net deferred tax assets

The breakdown of changes in the balances of deferred tax assets at 31 December 2021 and 2020 is as follows:

	Thousands of euros							
	31/12/2019	Additions	Disposals	31/12/2020	Additions	Disposals	Other	31/12/2021
Deferred tax assets:								
Tax loss carryforwards (gross)	26,248	—	(440)	25,808	58	(262)	6	25,610
Other	1,998	293	(104)	2,187	205	(300)	—	2,092
Deferred tax liabilities	(1,191)	—	440	(751)	—	262	(6)	(495)
Total net deferred and other tax assets	**27,055**	**293**	**(104)**	**27,244**	**263**	**(300)**	**—**	**27,207**

As a result of the ruling passed on 8 July 2014 approving the Arrangement with Creditors, the Group companies recognised the debts thereunder at their fair value. This situation led to the recognition in 2014 of finance income amounting to EUR 54,985 thousand at Renta Corporación Real Estate, S.A. and to EUR 56,417 thousand at Renta Corporación Real Estate ES, S.A.U., on account of debt composition and rescheduling and the related interest cost.

Consequently, and pursuant to the Spanish Income Tax Law, the Group made the corresponding negative adjustments in the income tax return for the period, as a result of the income recognised in connection with debt composition and rescheduling under the Arrangement with Creditors. These adjustments will be included in the future tax bases as the finance costs resulting from the Arrangement are subsequently recognised, up to the limit of the aforementioned income. However, if the aforementioned income exceeds the total amount of the finance costs not yet recognised resulting from the Arrangement, the income will be included in the tax base at a rate proportional to the finance costs recognised in each tax period as a percentage of the total finance costs not yet recognised arising from the Arrangement.

As a result, the deferred tax liabilities associated with these temporary differences, which will reverse up to maturity of the debt (2022 for ordinary claims and 2030 for subordinated claims) initially amounted to EUR 27,850 thousand. At 31 December 2014, the Group had tax losses incurred in prior years amounting to EUR 301,972 thousand in relation to which no deferred tax assets had been recognised. The directors then considered that, due to the nature of the tax losses, the fact that they fall under the same jurisdiction, with a time horizon in excess of that over which the deferred tax liabilities will reverse, and that in part they stemmed from the conclusion of the insolvency proceedings, they should be recognised for an amount equal to the amount of the deferred tax liabilities, i.e., EUR 27,850 thousand.

(Amounts in thousands of euros)

Based on the nature of certain deferred tax assets and liabilities, the Group has determined that these deferred taxes should be presented in the accompanying consolidated balance sheet at their net balance, and detailed in a disclosure in this Note.

In this regard, in 2021 the Group reversed temporary differences relating to the aforementioned debt composition and rescheduling amounting to EUR 1,050 thousand (2020: EUR 1,759 thousand). The associated deferred taxes totalled EUR 262 thousand in 2021 against EUR 440 thousand in 2020.

At 31 December 2021, the directors had recognised a deferred tax asset, net of the aforementioned deferred tax liability, amounting to EUR 27,207 thousand. The deferred tax assets mentioned above were recognised in the accompanying consolidated balance sheet as the Parent's directors believe that, based on the Group's best future estimates, such assets are likely to be recovered. Furthermore, based on applicable accounting and tax standards, it is probable that such assets will be recovered. In fact, it is estimated that they will be recovered based on the strategic plan approved by the Board of Directors for the 2022-2026 period, as disclosed in Note 2-j, on the one hand, and on the directors' best estimates on the Company's results for the subsequent periods, the recovery scenario under consideration not exceeding a ten-year term in any case whatsoever.

Deferred tax assets relating to tax loss carryforwards

The Spanish Income Tax Law in force provides that prior years' tax losses can be offset in future years without any time limit.

The following table shows the tax losses incurred by the Group companies at 31 December 2021, recognised and not recognised in the accompanying consolidated balance sheet:

Arising in:	Thousands of euros			
	31/12/2020	Offsetting negative tax	Taxes incurred	31/12/2021
2008	26,990	(318)	—	26,672
2009	15,254	—	—	15,254
2010	25,718	(3,691)	—	22,027
2011	7,213	—	—	7,213
2012	43,394	(1,300)	—	42,094
2013	2,874	—	—	2,874
2014	42,976	—	—	42,976
2020	4,234	—	—	4,234
2021	—	—	126	126
Total amount	**168,653**	**(5,309)**	**126**	**163,470**

Therefore, a deferred tax asset amounting to EUR 100,458 thousand was recognised out of a total of EUR 163,470 thousand in tax loss carryforwards associated with the aforementioned events at 31 December 2021.

(Amounts in thousands of euros)

Deferred tax assets relating to tax credit carryforwards

The following table shows the tax credits generated by the Group that had not been deducted at 31 December 2021, which were recognised and not recognised in the accompanying consolidated balance sheet:

Arising in:	Thousands of euros		
	31/12/2020	Additions	31/12/2021
2012	275	—	275
2013	3,917	—	3,917
2014	463	—	463
2015	785	—	785
2016	640	—	640
2017	635	—	635
2018	735	—	735
2019	96	—	96
2021	—	242	242
Total amount	**7,546**	**242**	**7,788**

Deferred tax liabilities

	Thousands of euros							
	31/12/2019	Additions	Disposals	Other	31/12/2020	Additions	Disposals	31/12/2021
Revaluation of investment property and reversal of depreciation charge	2,039	148	—	6	2,193	578	—	2,771
Financial assets at fair value through the consolidated statement of comprehensive income	237	—	(140)	—	97	502	(65)	534
Total deferred tax liabilities	**2,276**	**148**	**(140)**	**6**	**2,290**	**1,080**	**(65)**	**3,305**

They relate mainly to the difference between the carrying amount of the investment property measured at fair value and its tax base (measured at cost, net of depreciation). The positive effect of the subsequent valuation at fair value of Vivenio's ownership interest is included as well. Such an effect was calculated according to the share market price at each year end, recognising both the change in value and its positive effect through equity.

Years open for review and tax audits

Under current legislation, taxes cannot be deemed to be definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At the closing of 2021 the Group had the last five fiscal years open for review for income tax and the last four years for the other taxes applicable to it.

The Parent's directors consider that the tax returns for the abovementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, any resulting liabilities would not have a material effect on the accompanying consolidated financial statements.

(Amounts in thousands of euros)

18. Income and expenses

Net revenue

The breakdown of net revenue by line of business for 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Property sales	71,093	36,993
Real estate project management	4,650	1,773
Provision of services (Note 19)	4,472	3,927
Rentals	1,269	1,826
Total amount	**81,484**	**44,519**

All the Group's revenue was generated in Spain, principally in the Barcelona and Madrid markets.

The line item "Property sales" for 2021 includes the transfer of finished property and others undergoing construction by the Group to third parties, the title to which will be taken by customers through accession as the projects are completed. Pursuant to current accounting standards (Note 4-o), the Group recognised revenue derived from the stage of completion of the building at the closing of 2021, applying the percentage of completion method of accounting based on the proportion that costs incurred for work performed to date bear to the estimated total costs. At 31 December 2021 revenue on this account totalled EUR 1,947 thousand, with a balancing entry fully recognised under "Trade receivables for sales and services" in the accompanying consolidated balance sheet. Although they relate to completed projects, they did not fulfil the billing milestone required by contract at year-end.

Changes in inventories of buildings acquired for refurbishment and/or conversion

The detail of "Changes in inventories of buildings acquired for refurbishment and/or conversion" in the accompanying consolidated statement of profit or loss is as follows:

	Thousands of euros	
	2021	2020
Additions to buildings acquired for refurbishment and/or conversion (Note 12)	(52,202)	(10,391)
Transfer of purchase options (Note 12)	(8,203)	(354)
Changes in inventories due to additions and transfers	60,405	10,745
Write-offs due to impaired sales	909	—
Reversal of inventory write-downs (Note 12)	(60,785)	(31,689)
Total	**(59,876)**	**(31,689)**

(Amounts in thousands of euros)

Staff costs

The detail of “Staff costs” in the accompanying consolidated statement of profit or loss is as follows:

	Thousands of euros	
	2021	2020
Wages, salaries and similar expenses	4,623	4,940
Employer social security costs	538	615
Other employee benefits costs	116	199
Total amount	**5,277**	**5,754**

At 31 December 2021 and 2020 “Other employee benefit costs” included, among others, a total of EUR 92 and EUR 192 thousand corresponding to the amount vested in the year under the deferred share-based payment plans for employees, executives, the CEO and key personnel, as disclosed in Note 15.

Other operating expenses

The disclosure of “Other operating expenses” in the accompanying consolidated statement of profit or loss is as follows:

	Thousands of euros	
	2021	2020
Rent and royalties	405	363
Repair and conservation	505	405
Third-party professional services	2,481	5,624
Other operating expenses	2,254	4,958
Other	653	831
Total external services	**6,298**	**12,181**
Other taxes	297	692
Total taxes	**297**	**692**
Impairment of trade receivables	86	255
Total losses, impairment and changes in trade provisions	**86**	**255**
Total other operating expenses	**6,681**	**13,128**

The heading “Third-party professional services” shows, mainly, the fees paid by the Group to advisers on account of general services, research, analysis and sale of operations, among others.

In 2020 this line item also included expenses incurred by the Group in managing Vivenio’s assets. As disclosed in Note 11, such services were discontinued in February 2021 when the new IMA became effective. Finally, “Other operating expenses” includes, among others, expenses associated with the loss and intermediation of purchase options.

(Amounts in thousands of euros)

Finance income and finance costs

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

	Thousands of euros	
	2021	2020
Finance income:		
Other finance income	174	1,069
Total finance income	**174**	**1,069**
Finance costs:		
Interest cost associated with debts to third parties (Note 1)	(985)	(916)
On bank and other borrowings	(2,913)	(3,399)
Capitalised borrowing costs (Note 12)	168	133
Total finance costs	**(3,730)**	**(4,182)**
Total financial loss	**(3,556)**	**(3,113)**

19. Related-party transactions and balances

Related-party transactions

The breakdown of related-party transactions in 2021 and 2020 is as follows:

2021

	Thousands of euros			
	Sales and services rendered	Other income	Services received	Donations
Other related parties:				
Closa Asociados Correduría de Seguros, S.L.	—	—	(122)	—
Fundación Renta Corporación	—	—	—	(49)
Luis Conde Moller	—	—	(25)	—
SOCIMI Vivenio Group (*)	4,472	31	—	—
Total	**4,472**	**31**	**(147)**	**(49)**

(*) The SOCIMI Vivenio Group includes the transactions with all the companies owned by the Vivenio Group.

(Amounts in thousands of euros)

2020

	Thousands of euros		
	Sales and services rendered	Services received	Donations
Other related parties:			
Closa Asociados Correduría de Seguros, S.L.	—	(208)	—
Fundación Renta Corporación	—	—	(229)
Luis Conde Moller	—	(15)	—
Seeliger y Conde, S.L.	—	(40)	—
SOCIMI Vivenio Group (*)	3,927	—	—
Total	**3,927**	**(263)**	**(229)**

(*) The SOCIMI Vivenio Group includes the transactions with all the companies owned by the Vivenio Group.

Most transactions with related parties in 2021 and 2020 correspond to services rendered to the SOCIMI Vivenio Group as per the IMA disclosed in Note 11.

Related-party balances

Detailed below are the related-party balances recognised in the accompanying consolidated balance sheets at 31 December 2021 and 2020:

2021

	Thousands of euros		
	Non-current loans granted	Non-current accounts receivable (Note 11)	Trade and other receivables
Associates and joint ventures:			
Terra Green Living, S.A.	25	—	—
Other related parties:			
SOCIMI Vivenio Group (*)	—	4,117	151
Total amount	**25**	**4,117**	**151**

(*) The SOCIMI Vivenio Group includes the transactions with all the companies owned by the Vivenio Group.

2020

	Thousands of euros	
	Non-current accounts receivable (Note 11)	Trade and other receivables
Other related parties:		
SOCIMI Vivenio Group (*)	722	1,341
Total amount	**722**	**1,341**

(*) The SOCIMI Vivenio Group includes the transactions with all the companies owned by the Vivenio Group.

(Amounts in thousands of euros)

20. Compensation and other benefits of Members of the Board of Directors and Senior Management

The members of the Parent's Board of Directors at 31 December 2021 and 2020 were:

2021

Director	Position	Status
Luis Hernández de Cabanyes	Chairman and CEO	Executive
David Vila Balta	Deputy Chairman and CEO	Executive
Ainoa Grandes Massa	Director	Non-executive
Luis Conde Moller	Director	Non-executive
Manuel Valls Morató	Director	Non-executive
Blas Herrero Fernández	Director	Proprietary
Oravla Inversiones, S.L.	Director	Proprietary
Cristina Orpinell Kristjansdottir	Director	Proprietary
Gregoire Augustin Bontoux Halley	Director	Proprietary
Elena Hernández de Cabanyes	Director	Other non-executive

2020

Director	Position	Status
Luis Hernández de Cabanyes	Chairman and CEO	Executive
David Vila Balta	Deputy Chairman and CEO	Executive
Ainoa Grandes Massa	Director	Non-executive
Luis Conde Moller	Director	Non-executive
Manuel Valls Morató	Director	Non-executive
Blas Herrero Fernández	Director	Proprietary
Oravla Inversiones, S.L.	Director	Proprietary
Cristina Orpinell Kristjansdottir	Director	Proprietary
Elena Hernández de Cabanyes	Director	Other non-executive

In 2021 Gregoire Augustin Bontoux Halley was appointed director. In 2020 no new directors were appointed nor were any directors dismissed in either reporting period. At 31 December 2021 and 2020, the current members of the Board of Directors held or controlled the following ownership interests:

	2021			2020		
	Direct	Indirect	Total	Direct	Indirect	Total
Luis Hernández de Cabanyes (*)	0.89%	14.79%	15.68%	0.89%	14.79%	15.68%
Oravla Inversiones, S.L.	5.00%	—	5.00%	5.00%	—	5.00%
Gregoire Augustin Bontoux Halley	—	5.00%	5.00%	(**)	(**)	(**)
Elena Hernández de Cabanyes	1.37%	—	1.37%	1.37%	—	1.37%
David Vila Balta (*)	0.36%	—	0.36%	0.35%	—	0.35%
Manuel Valls Morató	0.08%	—	0.08%	0.08%	—	0.08%
Ainoa Grandes Massa	0.06%	—	0.06%	0.06%	—	0.06%

(*) Executive directors.

(**) Gregoire Augustin Bontoux Halley already held a 5.00% indirect ownership interest at 31 December 2020, although he was appointed director in 2021.

(Amounts in thousands of euros)

Pursuant to Article 229 of the Spanish Companies Law, at the end of 2021 the Parent's directors did not communicate to the other Board members any situation of direct or indirect conflict of interest that they or any persons related to them, as defined in the aforementioned Law, might have with the Parent.

Directors' remuneration

The detail of the remuneration earned by the members of the Parent's Board of Directors in 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Remuneration earned by executive directors (*)	754	838
Remuneration for attendance at Board meetings	218	211
Remuneration for participation in Executive Committees	76	76
Total amount	**1,048**	**1,125**

(*) Including the remuneration earned by the directors for discharging senior executive duties. Including the deferred share-based payment plan of the Deputy Chairman and CEO.

At the end of 2021, the Parent had arranged a civil liability insurance policy for all the Group's directors, senior executives and employees, the premium for which amounted to EUR 67 thousand (2020: EUR 59 thousand). This amount includes, for both reporting periods, the premium paid under the third-party liability insurance policy for damages caused by acts or omissions. In 2021 and 2020 the Group did not pay any health or life insurance premiums in connection with the Parent's senior executives and executive directors.

The Group has not granted any loans to, or arranged any additional pension plans or life insurance policies for, the members of the Parent's Board of Directors.

At 31 December 2021 and 2020, one member of the Board of Directors had signed guarantee or golden parachute clauses for certain cases of termination or change of control, both of which have been approved by the shareholders.

Also, in 2021 and 2020 there was no conclusion, amendment or early termination of any contract between the Parent and the members of its Board of Directors or any persons acting on their behalf affecting operations outside the course of the Parent's ordinary business operations.

Remuneration of senior executives

According to the definition of senior executives in the Unified Good Governance Code, the Parent's key executives are those people who form part of senior management, specifically the two Executive Directors and the Corporate General Manager.

The remuneration of senior executives in 2021 amounted to EUR 1,072 thousand, of which EUR 754 thousand correspond to remuneration of the executive directors (2020: EUR 1,185 thousand and EUR 838 thousand, respectively).

The remuneration described above includes, for 2021, the delivery of 2,000 shares amounting to EUR 4 thousand to the CEO (2020: 23,774 shares amounting to EUR 45 thousand), and of 2,000 shares amounting to EUR 4 thousand to the Corporate General Manager (2020: 12,385 shares amounting to EUR 23 thousand), by virtue of the share-based payment plans established by the Group as disclosed in Note 15.

(Amounts in thousands of euros)

Under these plans, the shares to be delivered to the Parent's CEO and Corporate General Manager for the 2022-2024 period amount to 16,000 and 16,000 shares, respectively (31 December 2020: 18,000 and 18,000 shares, respectively for the 2021-2024 period).

At 31 December 2021 and 2020, one executive director of the senior management had signed guarantee or golden parachute clauses for certain cases of termination or change of control, both of which had been approved by the shareholders.

21. Other disclosures

Employees

The number of Group employees at 31 December 2021 and 2020 and the average number of employees in both years, by category and gender, are as follows:

Professional category	Number of employees at 31 December				Average number of employees in 2021		Average number of employees in 2020	
	2021		2020					
	Men	Women	Men	Women	Men	Women	Men	Women
Address	3	1	3	1	3	1	3	1
Graduates, line personnel and clerical staff	15	23	17	24	14	22	17	24
Total amount	**18**	**24**	**20**	**25**	**17**	**23**	**20**	**25**

Additionally, at 31 December 2021 and 2020, the Parent had one employee with a disability equal to or greater than 33%.

Fees paid to auditors

In 2021 and 2020 the fees for financial audit and other services provided by the auditor of the Group's financial statements (Deloitte, S.L.), by a company in the same group or by a company related to the auditor, were as follows:

Description	Thousands of euros	
	2021	2020
Audit services	104	101
Other verification services:		
Services required by applicable standards	7	10
Other attest services	9	6
Tax services	—	—
Other attest services	—	—
Total audit and related services	**120**	**117**

22. Average period of payment to suppliers

Set forth below are the disclosures required by Final Provision Two of Law 31/2014, of 3 December, amending the Spanish Companies Law to improve corporate governance, and which amended Additional Provision Three of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, which sets forth measures for combating late payment in commercial transactions, all in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of

(Amounts in thousands of euros)

29 January 2016 on the disclosures to be included in the notes to the financial statements on the average payment period to suppliers in the commercial transactions of the various Spanish Group companies.

	2021	2020
	Days	Days
Average period of payment to suppliers	4	26
Ratio of transactions settled	12	26
Ratio of transactions not yet settled	18	20

	Amount (thousands of euros)	
	2021	2020
Total payments made	67,204	25,654
Total payments outstanding	1,334	932

In line with ICAC Resolution, the business transactions involving delivery of goods or services accrued as from the entry into force of Law 31/2014, of 3 December, were taken into account to calculate the average period of payment to suppliers. For the sole purpose of the disclosures provided for in the Resolution, suppliers are considered to be the trade creditors for the supply of goods or services included in “Payable to suppliers” and “Sundry accounts payable” under “Current liabilities" in the accompanying consolidated balance sheet.

“Average period of payment to suppliers” shall be understood as the time elapsed between the delivery of products or services by the supplier and the effective payment of the transaction. The average period of payment to suppliers was calculated as the quotient whose numerator is the sum of the ratio of transactions settled and the total amount of payments made plus the ratio of transactions not yet settled multiplied by the total amount of payments outstanding at year-end, and whose denominator is the result of adding the total amount of payments made to the total amount of payments outstanding at year-end.

The ratio of transactions settled was calculated as the quotient whose numerator is the result of the sum of the products of multiplying the amounts paid by the number of days of payment (the number of calendar days between the receipt of the invoice and the date of effective payment of the transaction) and whose denominator is the total amount of the payments made in the year.

Also, the ratio of transactions not yet settled was calculated as the quotient whose numerator is the result of the sum of the products of multiplying the amounts of the transactions not yet paid by the number of days in which payment has not been made (the number of calendar days between the receipt of the invoice and the accounting close) and whose denominator is the total amount of the payments made at year-end.

Law 11/2013 on measures to support entrepreneurs and to foster business growth and the creation of employment, amending Law 3/2004, of 29 December, on combating late payment in commercial transactions, came into force on 26 July 2013. These amendments establish that the maximum period for payments to suppliers will be 30 days from 29 July 2013 onwards, unless there is an agreement between the parties increasing this period to a maximum of 60 days.

23. Events after the reporting period

No events took place after 31 December 2021 that might have a significant impact on these consolidated financial statements other than the events described herein.

(Amounts in thousands of euros)

APPENDIX 1

SUBSISIARIES AND JOINT VENTURES

	% of ownership				31.12.21			31.12.20			Shareholder	Activity
	Direct		Indirect		Thousands of euros			Thousands of euros				
	31/12/20	31/12/20	31/12/21	31/12/20	Capital	Reserves	Profit/(loss)	Share capital	Reserves	Profit/(loss)		
SUBSIDIARIES:												
Renta Corporación Real Estate ES, S.A.U. (*)	100%	100%	—	—	204	30,244	511	204	33,907	(3,687)	Renta Corporación Real Estate, S.A.	2
Vía Augusta 252 – 260, 5ª planta – 08017 Barcelona · España												
Vía Augusta Adquisiciones, S.L.U. (**)	—	—	100%	100%	3	(191)	(173)	3	53	(245)	Renta Corporación Real Estate ES, S.A.U.	1
Vía Augusta 252 – 260, 5ª planta – 08017 Barcelona · España												
JOINT VENTURES:												
Terra Green Living, S.A. (**)	50%	—	—	—	100	(1)	(95)	—	—	—	Renta Corporación Real Estate, S.A.	3
Emancipación 21-23, bajos – 08022 Barcelona · España												

(*) Company audited by Deloitte, S.L.
(**) Unaudited company.
(1) Real estate transactions and operations.
(2) Transactions, management and delivery of real estate services.
(3) Real estate development.

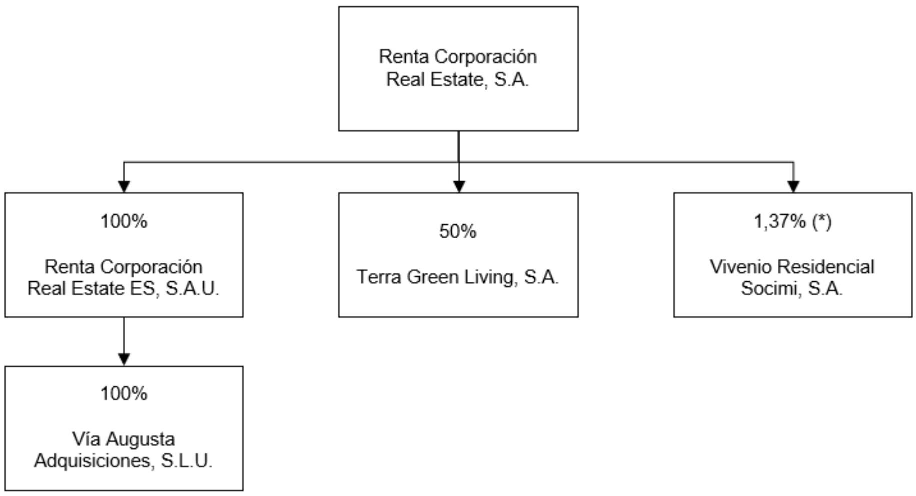
Renta Corporación Real Estate, S.A.
and Subsidiaries

Consolidated Directors' Report
for the year ended
31 December 2021

1. ***Situation of the Group***

The Renta Corporación Group has a highly-differentiated character in the estate sector and over 30 years' experience in the industry. The Group operates mainly in the Madrid and Barcelona markets.

The corporate structure of the Renta Corporación Group is as follows:



(*) The percentage of ownership does not include the collection rights of EUR 4,117 thousand pending conversion into shares, which will take place in 2022.

At organisational level, the Renta Corporación Group is headed by its managing bodies, namely the Board of Directors, the Audit Committee and the Appointments and Remuneration Committee. In addition, there is a Management Committee at internal level that, among other functions, reviews and approves the selection of projects to be undertaken and included in the Group's investment portfolio. The transaction review and approval process is highly streamlined to allow the Group to seize the opportunities identified in the market, which is part of the Group's competitive advantage.

The Group runs two distinct business units that are regularly adapted to the Spanish real estate market conditions, yet without losing the essence of the business model of each one:

Transactional business

This business is mainly geared to creating added value by purchasing outdated properties for transforming them to maximize their value. This may entail changing the property's purpose or refurbishing and repositioning the asset in the market.

The key added-value generating drivers, that may occur separately or concurrently, according to market demand and available inventories, include:

– Conversion design

– Subdivision or aggregation of units

– Partial or full refurbishing

– Lease management (negotiation with tenants)

– Change/redistribution of use

– Legal improvements

The Group's extensive knowledge of demand, on the one hand, and of the supply in the markets in which it operates, on the other, allows it to identify opportunities to create value through its transactions. The Group has expertise across assets and the product mix used at each point in time depends on the market situation, investors' interests and value-creating capacity.

In 2021 hotel and logistic transactions played an important role. Hotel transactions were important due to the strong impact of COVID-19 on the tourist sector and hotel valuations, which made it possible to purchase this type of asset with a more opportunistic approach for some time in 2021. The logistic sector, in turn, was impacted but inversely. The boom of e-commerce shot up the demand of logistic assets in a context where supply is not aligned with the new requirements.

The Group designs the projects from start to finish, which, depending on the operation, are then executed by the Group or by the buyer on its own account. In general, the Group acquires the right to purchase a property for a period of time, during which it designs and executes the value-creating project.

The Transactional business is divided into two business lines:

a. "Real estate sales"

The Renta Corporación Group buys, refurbishes and sells buildings to third party, with the entire process being reflected in the Group's consolidated balance sheet. The average lead time of these projects is around 12 months.

b. "Real estate project management"

The Renta Corporación Group acquires the right to purchase property, designs the entire conversion project and then sells it to a third party. In this case, therefore, the process is not reflected in the Group's consolidated balance sheet. The proposed improvements and conversions may be carried out by the Group at the buyer's request.

The typical lead time of these projects is usually lower than that for the sale of property.

Asset business

It was established in 2017 with the aim of running a business less exposed to the real estate sector's typical cyclicality and of having more recurrent resources over time, leveraging on the Group's huge capillarity and access to real estate transactions that in the past, due to their size or because they were not value-adding investments, had been ruled out.

a. Asset Management division

This division is engaged in creating and managing real estate vehicles with third parties, with fees being accrued from both the origination and management of properties.

Under the umbrella of this division is the SOCIMI Vivenio, established in 2017 and specialised in rental residential assets, with APG Dutch pension fund manager holding a controlling interest and all of its shares having been paid up. In 2021, the Australian fund Aware Super PTY LTD became a shareholder of Vivenio bringing the latter's investment capacity to over EUR 800 million.

b. Equity division

This division encompasses the acquisition and management of any real estate investment intended to remain in the Group's balance sheet over the long term. Until this reporting period, the only assets held by the Group for such purposes were four residential buildings located in Barcelona. In 2021 this unit was reinforced by adding new assets, which are already rented or are foreseen to be rented shortly. Strengthening the asset strategy will continue in future years.

As a result of an ongoing trend analysis, the Group has set into motion two new initiatives in the real estate sector and in others, which are expected to meet unserved demand in the future.

Renta Storage: The Group has started to analyse the storage-room sector. The urban population growth, rising property prices, high availability of establishments at appealing discount prices after the COVID-19 crisis, a low level of investment in the segment and its great scalability or resilience to economic cycles are some of the reasons why the Group has decided to explore this sector.

Terra Green Living: Aware of the growing importance of embedding ESG (environmental, social and governance) criteria into the sector's standards, the Group has launched Terra Green Living together with the boutique real estate agency JV20. Terra Green Living is the first Spanish green developer that will build sustainable housing with a focus on digitalisation, clean energies, waste treatment, the use of eco-friendly materials and women's involvement throughout the production process, among others.

2. <u>Business performance and results</u>

As to the coronavirus health crisis (COVID-19), the pandemic continued to set the pace of the real estate market throughout 2021. Governments' capacity to minimise the infection waves and administer the vaccine to a larger number of the population was critical to ease economic uncertainty. COVID-19 has accelerated some already existing trends in the areas of teleworking, the online world, digitalisation, the environment and sustainability, among others. In this regard, the real estate sector remains a safe haven for investors given its ability to generate appealing returns in a context of extremely low interest rates.

The global health crisis in 2020 brought the investment market to a halt. The formalisation of the transactions foreseen in the plan were postponed and investments in new projects by the Group were reduced. All this had a direct impact on the trading portfolio, the operating margin and, therefore, on the profit for the year 2020.

Thus, the Group reviewed its five-year strategic plan and its full implementation was delayed. However, the plan's assumptions and value-creating drivers –i.e., increasing the size of transactions and developing the asset management business– remained unaltered. In 2021 both the volume of transactions and profit figures improved substantially year-on-year, even when certain external factors –such as new coronavirus waves over the period– put off the incorporation of new lines of business aimed at rental asset management in non-residential segments.

The Renta Corporación Group closed 2021 reporting an **accumulated net profit** of EUR 6,899 thousand against EUR -8,802 thousand in 2020, therefore showing a substantial improvement year-on-year. The Group's diversified business contributed to this recovery. In fact, the Group was able to take advantage of current market opportunities in the hotel and logistics sectors.

Revenue in 2021, which includes sales and income from project management, provision of services and rentals, amounted to EUR 81,484 thousand against EUR 44,519 thousand in 2020, therefore showing an increase in both lines of business. Also, other operating income totalled EUR 167 thousand compared to EUR 1,115 thousand in 2020.

Changes in fair value of investment property in 2021 amounted to EUR 2,168 thousand against EUR 445 thousand in 2020.

In 2021 the Group's **staff and overhead costs** totalled EUR 7,594 thousand against EUR 9,375 thousand in 2020, of which EUR 1,330 thousand were non-recurrent expenses.

The **consolidated profit/(loss) from operations** rose significantly in 2021 against 2020 due the pick-up in the volume of transactions, thus recovering from EUR -6,177 thousand in 2020 to EUR 9,554 thousand in 2021.

Net financial loss in 2021 was EUR 3,556 thousand, up EUR 443 thousand against 2020 with net financial loss amounting to EUR 3,113 thousand due, mainly, to finance income totalling EUR 1,003 thousand as lower expenses were incurred in connection with the one-off payment of the participating loan. Aside from this positive impact, finance costs arising from the Group's activity fell in 2021 compared to 2020.

The Group recognised expenses totalling EUR 1,219 thousand on account of **income tax**.

(Amounts in thousands of euros)

Non-current assets totalled EUR 77,057 thousand and are broken down as follows:

Thousands of euros	2021	2020	Change
Fixed assets and rights-of-use assets	1,624	1,445	179
Investment property	31,019	24,023	6,996
Investments accounted for under the equity method	2	—	2
Loans to associates and joint ventures	25	—	25
Equity instruments	12,938	20,538	(7,600)
Non-current accounts receivable	4,117	722	3,395
Other financial assets	125	116	9
Deferred tax assets	27,207	27,244	(37)
Total non-current assets	**77,057**	**74,088**	**2,969**

There was a year-on-year increase of EUR 2,969 thousand compared to December 2020, due mainly to the following:

– An increase in **fixed assets and rights-of-use assets** totalling EUR 179 thousand compared to the previous period, mainly owing to the relocation of the Group's Madrid office, which led to the early termination of the previous lease contract that was due to expire in 2027, and to the formalisation and recognition of the rights-of-use derived from the new lease contract.

– A rise in **investment property** up to EUR 31,019 thousand against EUR 24,023 thousand in 2020, as a result of property acquisitions over the period and the revaluation of investment property in the amount of EUR 2,168 thousand.

– The heading **equity instruments** includes mainly the Group's interest in the share capital of the SOCIMI Vivenio. The fall reported is due to the net effect of the aforementioned sale of Vivenio shares to Aware, the conversion of collection rights into shares and the increase resulting from the equity portfolio measured at fair value at year-end.

– **Non-current accounts receivable** include the amount pending conversion into Vivenio shares, accrued by the Group on account of origination and incentive fees. The net increase in non-current accounts receivable of EUR 3,395 thousand arises from the aggregate effect of converting shares during 2021 and an increase in the services billed to Vivenio in 2021 that, in accordance with the management agreement signed with the Parent, will be paid through the delivery and issue of new shares by Vivenio for an amount equal to the nominal value of the account receivable on the relevant accrual date.

– A decrease in **deferred tax assets** of EUR 37 thousand. Net deferred tax assets recognised totalled EUR 27,207 thousand related mainly to tax loss carryforwards to be offset over the next periods, with EUR 61,030 thousand tax losses pending recognition.

Inventories stand at EUR 60,408 thousand, down EUR 4,787 thousand against 2020, due to the net effect of buying and selling property during the reporting period. Property purchases include, among others, two logistic buildings at Carretera del Mig de l'Hospitalet de Llobregat and Carretera de Sabadell de Rubí, an office building and a residential unit on Vía Augusta de Barcelona, and two residential properties on Avenida Carabanchel Alto and San Carlos st. in Madrid. Major sales entail five buildings in Ciudad Lineal, in Madrid, the aforementioned

(Amounts in thousands of euros)

Carretera del Mig transactions and the Vía Augusta office building on Euterpe and Entença streets, and the office building at Gran Via de les Corts Catalanes in Barcelona.

The Group recorded the Cànoves residential site for EUR 18,115 thousand under this heading. This asset is a security granted by creditors as per 2014 Arrangement with Creditors that sets out its delivery in lieu of payment in 2022. For that reason, this land is not considered to be a strategic inventory.

Also, the amount of inventories at year-end includes purchase option premiums and promise-to-purchase agreements totalling EUR 725 thousand, which grant the right to purchase assets in the future for EUR 21,135 thousand. This, coupled with the strategic inventories, results in a trading portfolio of EUR 62,703 thousand.

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

Thousands of euros	**2021**	**2020**	**Change**
Trade receivables for sales and services	6,880	3,018	3,862
Sundry accounts receivable	2,849	658	2,191
Other accounts receivable from public authorities	1,193	622	571
Total trade and other receivables	**10,922**	**4,298**	**6,624**

At the closing of 2021 the total balance was EUR 10,922 thousand, EUR 6,624 thousand higher than at 2020 year-end. This balance is broken down into three headings:

– Trade receivables for sales and services: This heading reported an increase of EUR 3,862 thousand compared to the previous reporting period due, chiefly, to the recognition of outstanding income from the works completed at 2021 year-end on certain properties that will provide ownership to customers through accession once the projects are completed, as well as an amount pending collection from a sale realised at the end of the reporting period, which was already received upon issuing this directors' report.

– Sundry accounts receivable: This line item rose by EUR 2,191 thousand against December 2020 owing, mainly, to funds being allocated to the purchase of buildings and performance guarantees raised to secure the obligations undertaken with third parties.

– Other accounts receivable from public authorities: Account receivable from public authorities that is EUR 571 thousand higher than in December 2020 due, mainly, to an increase in VAT receivable.

Liquidity was a priority during 2021 and, therefore, it was monitored regularly and thoroughly. At year-end liquidity totalled EUR 15,977 thousand, EUR 8,300 thousand more than at 2020 year-end, which will enable the Group to fulfil its payment obligations and investment requirements in the medium term.

Equity stood at EUR 75,730 thousand, up EUR 8,900 thousand compared to EUR 66,830 thousand at the closing of December 2020, mainly due to 2021 profit of EUR 6,899 thousand, the allocation to equity of income from the sale of Vivenio shares to the Australian fund Aware, and the revaluation of the remaining Vivenio shares owned by the Group, all of them net of the tax effect. Finally, there was a reduction due to the result of treasury-share transactions, also net of the tax effect, and the distribution of an interim dividend.

(Amounts in thousands of euros)

Non-current payables other than marketable securities and bank borrowings are as follows:

Thousands of euros	2021	2020	Change
Long-term Arrangement with Creditors	561	1,022	(461)
IFRS 16 Leases	817	897	(80)
Deferred tax liabilities	3,305	2,290	1,015
Total non-current payables	**4,683**	**4,209**	**474**

– Long-term Arrangement with Creditors: This line item reflects the debt held with insolvency creditors amounting to EUR 561 thousand. The debt has been discounted at the effective market interest rate, which has been and will be reversed over the years in which the debt is paid.

– Non-current leases – IFRS 16: This line item amounts to EUR 817 thousand, with a slight drop year-on-year.

– Deferred taxes: This line item stands at EUR 3,305 thousand growing year-on-year due to the tax effect of the revaluation of investment property and of Vivenio shares held by the Group.

Other current payables other than financial liabilities amount to:

Thousands of euros	2021	2020	Change
Sundry accounts payable	6,511	4,208	2,303
Remuneration payable	692	331	361
Other accounts payable to public authorities	655	2,163	(1,508)
IFRS 16 Leases (*)	218	177	41
Customer advances	154	1,180	(1,026)
Total other current payables	**8,230**	**8,059**	**171**

(*) "IFRS 16 Leases" are accounted for under "Other current financial liabilities" in the heading "Current payables".

The items that varied the most are:

– Current payables are comprised of the creditors associated with the purchase, conversion and sale transactions performed by the Group. At 2021 year-end current payables amounted to EUR 6,511 thousand, up EUR 2,303 thousand against 2020.

– The heading "Other accounts payable to public authorities" stands at EUR 655 thousand, down EUR 1,508 thousand compared to 2020 year-end due, chiefly, to a reduction in VAT payable.

– Pre-sales downpayments and prepayments totalled EUR 154 thousand, down EUR 1,026 thousand compared to the prior year, and will result in future revenue of EUR 390 thousand in Barcelona and EUR 1,149 thousand in Madrid.

(Amounts in thousands of euros)

Financial debt totalled EUR 76,151 thousand, EUR 3,449 thousand higher than at the closing of 2020. There was a reduction in mortgage debt offset by an increase in other debts arising mainly from the issue of new promissory notes.

Thousands of euros	2021	2020	Change
Mortgage debt	21,707	26,374	(4,667)
Other payables	36,570	29,327	7,243
Participating debt	17,874	17,001	873
Total financial debt	**76,151**	**72,702**	**3,449**

Net financial debt fell to EUR 41,870 thousand against EUR 47,482 thousand at the end of the prior reporting period due, mainly, to the net effect of the increase of other debt, the repayment of mortgage loans on the assets sold over the period and increased cash on hand.

Thousands of euros	2021	2020	Change
Mortgage debt	21,707	26,374	(4,667)
Other payables	36,570	29,327	7,243
Total financial debt	**58,277**	**55,701**	**2,576**
(-) Cash and current financial assets	(16,407)	(8,219)	(8,188)
Total net financial debt	**41,870**	**47,482**	**(5,612)**

3. *Matters relating to the environment and employees*

Environment

The Group's activities do not have a significant environmental impact. Renta Corporación has adopted appropriate measures in relation to environmental protection and enhancement and the minimisation, where necessary, of its environmental impact, and is in compliance with current environmental legislation.

The Group did not deem it necessary to recognise any provisions for environmental contingencies and charges since there are no contingencies relating to environmental protection or improvement or any liability of an environmental nature.

Employees

The Group's employees stand out for their high level of training and specialisation. Renta Corporación sees its employees as the foundation of value creation and the key to achieving business excellence. The contribution of the Group's professionals has been acknowledged and cultivated as a key success factor from day one. In this regard, the Group places special emphasis on maintaining an effective, streamlined and flexible organisation, with a procedural and systems-based working environment and easy access to know-how, and it does all it can to facilitate the work-life balance of its employees, in accordance with its human resources policy.

4. Liquidity and capital resources

Liquidity and capital resources

In 2021, in addition to mortgage loans to purchase and refurbish assets and bonds, the Group renewed its promissory notes programme placing it on the Alternative Fixed-Income Market (MARF) on 7 May 2021. Additionally, in the last quarter of 2020 ICO's acquisition programme for issued promissory notes of the Group placed on MARF became effective and was subsequently renewed in 2021. Also, an agreement under ICO guarantee programme was signed securing 70% of the nominal amount discounted from the issues made, up to 90% of the Group's consolidated EBITDA drop reported between 14 March and 20 June 2020 compared to the prior year. This facility has been used in its entirety.

At present, the Group obtains financing to cover around 70% of the purchase cost of its acquisitions, and it can finance almost 100% of the capital expenditure when the Group decides to finance this subsequent investment, required to create value.

Analysis of contractual obligations and off-balance sheet transactions

The Group did not have any contractual obligations at 31 December 2021 that might give rise to a future cash outflow, other than the obligations related to its core business.

At 31 December 2021, the Group had not performed any significant off-balance sheet transactions that had, or could foreseeably have, an effect on the Group's financial position, income and expense structure, the results of its operations, its liquidity, capital expenditure or equity.

In any case, it should be noted that the Group has off-balance sheet tax losses of EUR 61,030 thousand that, if recognised, would constitute a tax asset of EUR 15,258 thousand.

5. Main risks and uncertainties

The Group's activities are exposed to various risks: market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk, capital risk and operational risk. The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on its earnings. The aim of the Group's risk management policy is for the Group to remain solvent by addressing the types of risk described below.

Risk management is controlled by the General Corporate Management, which evaluates and oversees risks closely with the Group's operating units in accordance with the policies approved by the Board of Directors.

Market risk: foreign currency risk

The Group defines foreign currency risk as the potential negative impact of changes in exchange rates on its results, equity or cash flows. The Group's exposure to this type of risk is scant, since it does not have any international subsidiaries nor does it perform any transactions in currencies other than the euro.

Market risk: interest rate risk

The Group currently finances its activities through a participating loan, mortgage loans that bear floating market interest rates, and through the issue of promissory notes and five-year unsecured ordinary bonds.

This participating loan bears a floating interest rate tied to Euribor plus a spread between 1% and 3%, depending on the Group's consolidated net profit, provided that it exceeds at least EUR 10 million. If the consolidated net profit is less than EUR 10 million, no floating interest will accrue.

The interest rate risk is managed in accordance with the policies approved by the Board of Directors, which establish whether or not hedging instruments must be maintained to minimise the impact of interest rate volatility. The Group has not arranged any interest rate hedges.

The favourable interest rate and the fixed coupon rate borne by the bonds provide a natural hedge against volatility and, therefore, it is not necessary to arrange any forward rate agreements.

Credit risk

Credit risk refers to both the ability to obtain financing and the ability to access cash and deposits with banks and financial institutions, as well as collections from customers, including outstanding accounts receivable and committed transactions. The Group has a diversified financial structure consisting of bank and non-bank finance, the latter being bonds and commercial papers. This diversified structure provides more flexibility to address those transactions that, given their nature, traditional banks are more reluctant to finance as they are now more restrictive.

Also, in light of the Group's performance in 2020 and as a result of the market situation triggered by the COVID-19 pandemic, the Group reached an agreement with the bondholders of the 2018 issue whereby the covenant calculation would be suspended until 2022.

Liquidity risk

The Group's ability to secure new financing depends on a large number of factors, some of which are beyond its control, such as the general state of the economy, the availability of credit from banks and the monetary policies in place.

The Group has further diversified its sources of finance gaining more flexibility to undertake projects that are more unlikely to be financed by traditional banks. In this regard, on 7 May 2021 the Group renewed its promissory notes programme on the Alternative Fixed-Income Market (MARF). Additionally, in the last quarter of 2020 ICO's acquisition programme for issued promissory notes of the Group placed on MARF became effective and was subsequently renewed in 2021. Also, an agreement under ICO guarantee programme was signed securing 70% of the nominal amount discounted from the issues made, up to 90% of the Group's consolidated EBITDA drop reported between 14 March and 20 June 2020 compared to the prior year. This facility has been used in its entirety.

The possibility of forging different types of financial partnerships could also be explored, which would allow the Group to expand its financing sources in order to carry out larger-scale projects with greater margins in the future.

Capital risk

The Group's exposure to capital risk is determined by the difficulty of maintaining sufficient levels of equity and borrowings to continue operating as a going concern, of generating returns for shareholders and other equity instrument holders, and of maintaining an optimal capital structure to contain or reduce the cost of capital.

Operational risk

The current changing and unpredictable events might bring developments or sales to a temporary standstill like the one already experienced during the lockdown in 2020, albeit the context in 2021 allows for an optimistic outlook. Most of the Group's revenue derives from its real asset-related transactions. Therefore, the Group's revenue and profit depend on the supply and demand of real estate assets. Also, to this date the Group's entire business is carried out in Spain; therefore, any change in the country's economic scenario might have a direct impact on the business performance. Predictably, the macroeconomic situation and the markets' uncertainty caused by the pandemic, among other factors, might affect the Group's current and future volume of transactions.

6. Outlook for the Group

Although the COVID-19 continued to influence the market environment in 2021, the profit reported in this period was substantially better than in 2020. This recovery was due to the Group's diversified business and the fact that the Group was able to take advantage of current market opportunities in the hotel and logistics sectors.

Another contributing factor was the sale of Vivenio shares, which not only accounted for a major source of income and cash during 2021 but will also boost Vivenio's investing capacity, which is at the foundation of future revenue growth coming from the Asset business.

Finally, overhead cost reduction and liquidity monitoring continued to be a Group's priority and contributed to the aforementioned performance. At 31 December 2021 the Group held an adequate treasury position with access to diversified sources of finance and a sustainable leveraging level, in addition to cash amounting to EUR 15,977 thousand, all of which will enable the Group to fulfil its payment obligations and investment needs in the medium term.

In this regard, the new 2022-2026 strategic plan approved by the Board of Directors on 23 February 2022 is based on a future strategy aimed at consolidating the Group's market positioning. To this end, the Group is taking the following approach:

a. Boosting its operating margin through the Transactional business by increasing the number of transactions and, in particular, the average scale thereof. The Asset business will rally as a result of increased investments foreseen during 2022.

a. Maintaining overhead costs in line with the expected level of activity exploring the possibility of outsourcing certain services.

b. Expanding the business model through the incorporation of new business lines engaging in the management of both Group and third-party assets for non-residential use.

7. *Disclosures on periods of payment to suppliers*

The average period of payment to suppliers at 31 December 2021 was 4 days.

8. *Research and Development*

The Group did not incur any research and development expenditure in 2021.

9. *Treasury shares and stock market information*

In 2021 a total of 247,000 treasury shares were acquired, and 26,322 were delivered to employees, all amounting to EUR 78 thousand and being recognised under "Other employee benefit costs".

At 31 December 2021 the Group held a total of 813,405 treasury shares against 592,727 shares at the closing of 2020. The par value of such shares amounts to EUR 814 thousand.

The share market price at 2021 year-end was EUR 1.73 per share, 16% lower than the price of EUR 2.05 per share at 2020 year-end.

(Amounts in thousands of euros)

10. Alternative yield measures

Alternative yield measures	Unit	Definition	31 December 2021	31 December 2020	Use relevance
EBITDA	Thousands of euros (k€)	Consolidated profit or loss from operations + changes in value of investment property + depreciation and amortisation + losses, impairment and changes in trade provisions + impairment and gains or losses on disposals of non-current assets	12,091k€ = -9,544k€ + 2,168k€ + 273k€ + 86k€ + 10k€	-5,173k€ = -6,177k€ + 445k€ + 304k€ + 255k€	Measure of operating profit without considering interest, taxes, provisions and amortisation and depreciation
EBIT	Thousands of euros (k€)	EBITDA - depreciation and amortisation - losses, impairment and changes in trade provisions - impairment and gains or losses on disposals of non-current assets	11,722 k€ = 12,091k€ - 273k€ - 86k€ - 10k€	-5,732k€ = - 5,173 k€ - 304k€ - 255k€	Measure of operating profit without considering interest and taxes
Operating margin of Transactional business (*)	Thousands of euros (k€)	Revenue + Other operating income - Changes in inventories of buildings acquired for refurbishment and/or conversion +/- Purchases - Other operating expenses	13,311k€ = 75,742k€ - 60,787k€ + 59,876k€ - 2,555k€	5,153k€ = 38,766k€ - 31,689k€ - 936k€ - 988k€	Measure of operating profit of Transactional business without considering the allocation of staff and overhead costs
Operating margin of Asset business (*)	Thousands of euros (k€)	Revenue - Other operating expenses + Value adjustments of investment property	6,851kk€ = 5,742k€ - 1,059k€ + 2,168k€	2,792k€ = 5,753k€ - 3,406k€ + 445k€	Measure of operating profit of asset management business without considering the allocation of staff and overhead costs
Strategic inventories	Thousands of euros (k€)	Buildings acquired for refurbishment and/or conversion	41,568k€	40,918k€	Measure of size of investment in property inventories
Portfolio	Thousands of euros (k€)	Strategic inventories + right to purchase assets in the future through net purchase options	62,703k€ = 41,568k€ + 21,135k€	129,835k€ = 40,918k€ + 88,917k€	Measure of future business-generating capacity
Net financial profit/(loss)	Thousands of euros (k€)	Finance income - Finance costs	-3,556k€ = 174k€ - 3,730k€	-3,113k€ = 1,069k€ - 4,182k€	Measure of finance costs
Net financial debt	Thousands of euros (k€)	(Total non-current payables + Total current payables - Participating loan - Non-current debt under Arrangement with Creditors - IFRS 16 Leases) - Cash and cash equivalents - Current financial assets	41,870k€ = (27,609k€ + 50,138k€ - 17,874k€ -561k€ - 1,035k€) - 15,977k€ - 430k€	47,482k€ = (40,882k€ + 33,916k€ - 17,001k€ - 1,022k€ - 1,074k€) - 7,677k€ - 542k€	Current and non-current financial debt - cash on hand and cash-equivalent financial assets

(*) Data in Note 6. Segment reporting.

11. *Events after the reporting period*

No significant events took place after the reporting period that might have a material impact on these consolidated financial statements other than those disclosed in the notes to the consolidated financial statements.

12. *Annual Corporate Governance Report*

As set forth in Article 538 of the Spanish Companies Law, the Annual Corporate Governance Report is attached as an Appendix to these consolidated financial statements being an integral part thereof and consisting of 70 pages with further information being enclosed in 5 pages thereto.

13. *Annual Report on the Remuneration of Directors*

As set forth in Article 538 of the Spanish Companies Law, the Annual Report on the Remuneration of Directors is attached as an Appendix to these consolidated financial statements being an integral part thereof and consisting of 29 pages.